BANKA SLOVENIJE

EVROSISTEM

Financial Stability Review

Data to June 2025

October 2025

BANKA SLOVENIJE

EVROSISTEM

Title: Financial Stability Review

Issue: October 2025

Issued by:
Banka Slovenije
Slovenska 35, 1505 Ljubljana, Slovenia
www.bsi.si

Includes data available by 30 June 2025, unless stated otherwise.

The material was discussed at the meeting of the Governing Board of Banka Slovenije of 6 October 2025.

ISSN 1581-9760

This publication is also available in Slovene.

Preface

A number of changes in the international environment continued to be a major issue in the first half of this year: the ongoing geopolitical tensions that are directly driving changes in international trade and in financial flows, and the rise in share prices on major global capital markets, which are increasingly raising concerns about their sustainability and predictability. These have also been joined by institutional changes, such as the agreement on bilateral trade and new tariffs reached in July between the US and the EU, the evolution of defence policy in the EU and the resulting anticipated increase in the need to fund defence spending, and the efforts of the European Commission and the Member States to create the conditions for faster productivity growth in the EU.

The aforementioned institutional changes will not have merely a short-term impact on the public finances of Member States and the financial system through the increased need for private financing, but will also bring long-term changes in the structure of the real sector in the EU and will introduce additional risks to the financial system in connection with the financing of increased private and public needs in the areas of social care, sustainable development, improvements in competitiveness, and investment in new technologies.

Although economic growth in the euro area has strengthened in the last six months, and inflation has stabilised around the target level of two percent, the level of uncertainty caused by the above factors remains elevated. This is being reflected in increased unpredictability on the European financial markets, in volatility in government securities' spreads over the German benchmarks, and in the segment of non-bank financial intermediaries, whose limited holdings of liquid assets mean that they remain strongly exposed to sudden corrections on the stock markets. Despite more favourable economic developments in the euro area, the heightened uncertainty means that there is a greater possibility of several different systemic risks being triggered over a relatively short period.

These systemic risks at EU level are a sudden correction in stock market prices, a loss of investor confidence in the sustainability of public debt in certain heavily indebted countries, and a sudden adjustment in the investment portfolios of non-bank financial intermediaries. Added to this are the rapid progress in the digitalisation of finance, and the development of digital currencies and stablecoins. Warnings are growing louder in the euro area in connection with the additional financial risks faced by traditional financial operators on account of a lack of adequate regulation of the issuance of multilateral stablecoins backed by assets held in US dollars or US government bonds, which are not deposited solely in EU Member States. Individual euro area countries find it difficult to exert influence on these risks, owing to which there is an intensive process underway to address them via the European Systemic Risk Board and other EU supervisory institutions.

Given its relative simplicity and low level of development, the Slovenian financial system appears less sensitive to shocks in the digital financial environment. But this is a false sense of security, as the domestic financial system's high level of integration into European financial flows and its links with the international financial flows of traditional finance mean that cross-border contagion can be relatively fast and unpredictable. The Slovenian financial system, the banking system in particular, underwent significant adjustments to its business model after the great financial crisis. Major changes were also seen in the area of regulation and supervision, which helped reduce internal (endogenous) systemic risks.

The current issue of the Financial Stability Review finds the banking system to be stable and resilient to the consequences of systemic risks, although the possibility of cross-border exogenous effects and the transmission of shocks from the real sector to the financial sector is present. Year-on-year economic growth in Slovenia slowed temporary in the first half of this year, while inflation rose slightly during the summer months - primarly due to increases in food and energy prices. The macroeconomic projections are nevertheless more optimistic even for the next two years, in predicting a rise in economic growth and a fall in inflation. In the wake of any widening of the divergence between the business cycle and the financial cycle, which has been observed in the domestic economy and in certain other EU Member States, the financial system's exposure to external shocks could increase in the future.

Our further assessment is that the general level of systemic risks in Slovenia has not changed over the last six months, despite the persistence of high uncertainty. Most risks remain at a moderate level, with the exception of cyber risk, which remains elevated amid the large volume of cyberattacks and threats in connection with geopolitical instabilities. Income risk and the risk inherent in the performance of leasing companies remain low. At the same time resilience to systemic risks remains high, and banks would be able to mitigate any adverse effects over the short term thanks to record high levels of liquidity and capital.

The credit risk inherent in the banks' exposure to non-financial corporations has remained low, and is only rising slowly in just a few economic sectors. This is attributable not only in better management and regulation of these risks at system level and at individual banks, but also in the lower level of exposure to non-financial corporations on balance sheets compared with 15 years ago, this having almost halved. Another factor in the much slower rise in credit risk is the relatively high average corporate profits seen in recent years. Conversely, we are focusing more attention on credit risk in the household sector, given the pronounced rise in the relative importance of this portfolio segment, which now accounts for almost a quarter of total assets at banks. Credit risk in the segment of consumer loans and housing loans nevertheless remained stable over the first six months of the year, with the only indication of any rise in risk for now coming from an increase in non-performing claims.

Compared with the previous issue of the Financial Stability Review from April of this year, the outlook for interest rate risk has been downgraded from stable to rising. The reason lies in a widening repricing gap being driven by adjustments in the structure of bank assets in the direction of a further relative increase in holdings of long-term securities and in the share of fixed-rate loans. In light of the anticipated stabilisation of market interest rates, the assessment of interest rate risk remains unchanged at moderate. Here it is necessary to take account of the use of derivatives at certain banks to hedge against interest rate risk, which has increased in recent times.

Despite the fall in market interest rates since the middle of last year, the level of funding risk has not changed, and remains moderate. In the wake of a relatively large increase in household deposits at banks in the first half of the year, the share of total deposits accounted for by sight deposits increased further to more than 85%, which amid the expansion of digital banking might also introduce greater variability on the funding side in the event of unexpected shocks. Banks exploited savers' lack of responsiveness to changes in interest rates to maintain net interest income at a higher level than it might otherwise have been during a time of rising market interest rates. Banks also suc-

ceeded in raising their non-interest income in the first half of the year, which was reflected in solid profits. These developments saw the level of income risk in the banking system remain unchanged at low.

The Slovenian banking system remains resilient to financial shocks, in the areas of liquidity and solvency alike, which provides a sound basis for its ongoing stability. But the high level of uncertainty in the international environment and in the evolution of the domestic business cycle is increasing the likelihood of unforeseen external shocks to the financial system.

Banka Slovenije's macroprudential policy stance remains unchanged this year, with a focus on maintaining the resilience of the banking system. Although there has been no change in the parameters of the macroprudential instruments since the previous FSR, the recommendation of prudent management of capital and liquidity still stands for banks. The unfolding of the economic situation in recent years has allowed banks to enjoy above-average performance. It is highly likely that the future will bring changes to this situation that are less conducive to bank performance.

Banka Slovenije regularly assesses whether the use of individual macroprudential instruments is justified for the purpose of maintaining financial stability. In the upcoming period we will also focus more attention on seeking opportunities to simplify the macroprudential toolkit and regulatory arrangements, albeit not in the direction of deregulation. We will uphold the principle of "as complex as necessary, and as simple as possible".

Tina Žumer

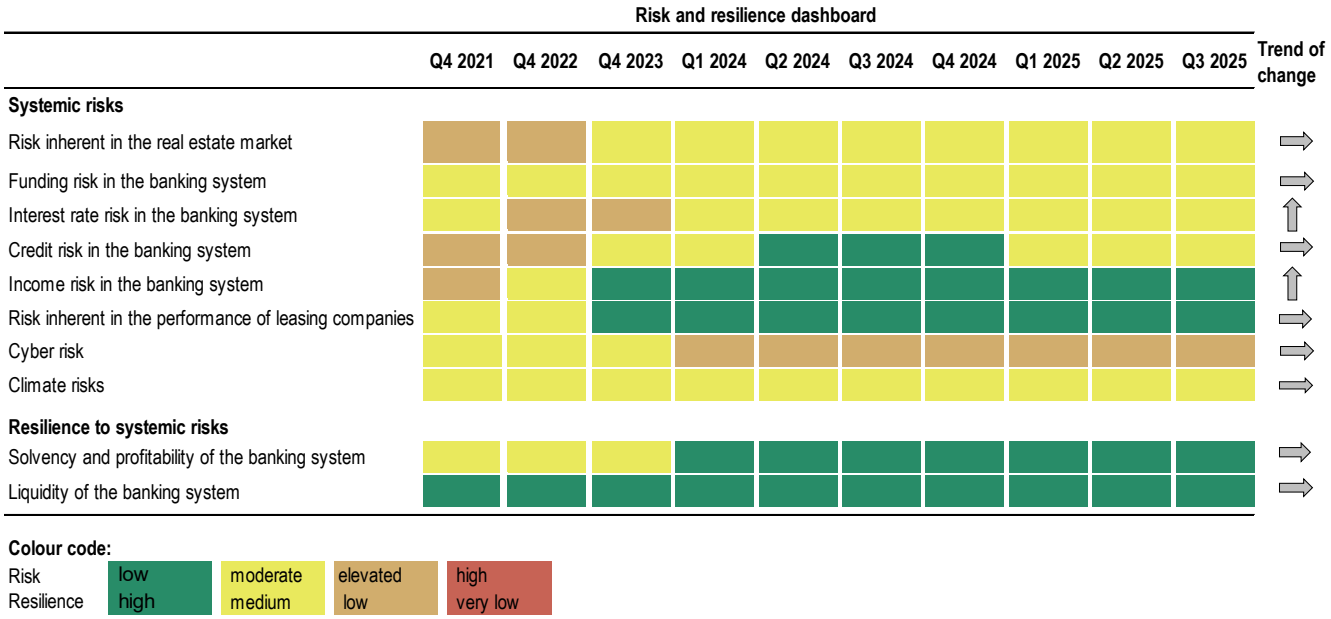
Vice Governor

Contents

Executive Summary

Persistent uncertainty in the international environment is also being reflected in the Slovenian economy, although the systemic risks to the Slovenian financial system remain stable, and bank resilience to risks remains high (see Table 1.1). Economic activity in Slovenia in the second quarter overcame its fall at the beginning of the year, but uncertainties remain present, particularly in the export sector, which continues to face difficult conditions. Given Slovenia's strong export orientation, these developments might gradually be reflected in a strengthening of systemic risks to the financial system in the future. Systemic risks continue to be assessed as moderate in the third quarter. Cyber risk remains elevated due to heightened geopolitical tensions and a high volume of cyber threats. The decline in key interest rates has been reflected in developments in bank interest rates and a decline in income at banks, which nevertheless remains above the levels seen during the period of low interest rates. We therefore left our assessment of income risk as low, with the potential for a deterioration over the coming quarters, particularly if the situation in the international environment spills over into the Slovenian economy to a great degree. As far as credit risk is concerned, the first adverse effects of the spillover were reflected in an increase in the stock of NPEs and the NPE ratio in individual portfolio segments, which saw the risk assessment raised to moderate back in the first quarter of this year. There have been no major changes over the remainder of the year, and the assessment in the third quarter has been left at moderate with a stable outlook. The outlook for interest rate risk has also been downgraded compared with the FSR issued this spring. The repricing gap widened moderately in the first half of the year, increasing the banks' sensitivity to changes in interest rates. The actual risk assessment was left at moderate. The risks inherent in the performance of leasing companies and in the real estate market by contrast saw an improvement in the situation. The outlook for both risks had been upgraded to stable in the previous quarter, and the risk assessments remain low and moderate respectively. The assessments of other risks and of the banking system's resilience to risks remain unchanged.

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



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

The geopolitical uncertainty is being reflected in lower forecasts for economic growth. The domestic economy overcame its contraction in the early part of the year to record growth in the second quarter. Activity in the domestic economy strengthened in the second quarter of this year, driven primarily by final household consumption and a build-up of inventories, while the situation in the export sector remains difficult, which in the future could be reflected in a downturn in bank performance, which remains good for now.

The risk inherent in the real estate market is assessed as moderate for the second consecutive year now, the outlook having been revised to stable in the previous quarter. The number of real estate sales increased, but real estate prices are rising at a more moderate pace than last year. The real estate market has stabilised, but there are still long-term risks in connection with affordability and the limited supply of residential real estate. Construction of new-build residential real estate is being hindered by high construction costs and labour shortages, while there is also a shortage on the market of land suitable for residential construction. New housing loans increased sharply in the first half of the year in the wake of the fall in interest rates.

Funding risk remains moderate and stable. The stock of deposits by the non-banking sector increased in the first half of the year, driven by a pronounced inflow of household deposits. The stock of sight deposits increased amid the ongoing fall in interest rates on deposits. This slightly increased the maturity gap between assets and liabilities, and with it the risk of funding instability deriving from this gap. Although deposits by the non-banking sector are a stable source of funding for now, it remains important for banks to continue closely monitoring their customers' saving habits, and to tailor their services in good time to handle the competition, which is becoming tougher for them given the advent of new providers of digital banking services.

Interest rate risk is assessed as moderate, while the outlook is deteriorating, the banks' sensitivity to changes in interest rates having increased again over the recent period. This was attributable to a rise in the share of fixed-rate loans to the non-banking sector, amid a simultaneous lengthening of the average residual maturity of these loans. There was a further increase in holdings of securities, and a decline in the stock of primary liquidity, while the changes on the funding side of the balance sheet did not have a material impact on sensitivity to changes in interest rates. While some of the banks, particularly the larger banks, have increased their hedging against interest rate risk with more extensive use of derivatives, at others this risk remains more pronounced.

After being raised in the early part of this year, the assessment of credit risk is moderate and stable. The stock of NPEs increased slightly, but the simultaneous rise in the banking system's total exposure to the non-banking sector saw the credit risk indicators remain favourable. The deterioration in portfolio quality remains limited to certain non-financial corporations, and primarily comes from industry, given its greater exposure to more challenging international economic conditions. Last year brought a rise in the number of bankruptcies initiated, and with it bank exposure to these firms, which nevertheless remains low. The quality of the household portfolio remains good, thanks to the buoyant labour market and the solid average financial position at households. The share of Stage 2 exposures also declined in the first half of the year.

Income risk is assessed as low for the second consecutive year, but the outlook is less favourable, largely on account of a decline in net interest income. Both net interest income and total income in the banking system nevertheless continue to significantly exceed the levels seen before the interest rate rises began in the second half of 2022. One factor is the extremely low interest expenses associated with low interest rates on fixed-term deposits and the high share of sight deposits. Dividends constitute most of the non-interest income, and this year were received earlier than last year, which helped drive the rise in total income in the first half of the year. As expected, this effect had waned by July, when the level of dividends received was virtually unchanged in year-on-year terms. The tax on total assets means that banks are still facing higher operating costs than in 2024.

Cyber risk in the banking system remains assessed as elevated with a stable outlook, although Slovenian banks did not report any critical cyber incidents in the first half of this year. The risk assessment remains elevated owing to the high level of cyber threats, which is a product of the elevated geopolitical risk. Further evidence that the risk level is stable comes from the cyber mapping tool, which identifies and monitors cyber risk and forecasts its level in the next quarter. The banks did report incidents, but these were cases of operational outages or errors in payment systems, and difficulties at external service providers.

Climate risks in the banking system are moderate with a stable outlook. Exposure to climate-sensitive sectors increased, while there was an additional improvement in the carbon indicators. Transition risks in the banking system consequently continue to be assessed as moderate. Physical risks are also stable and are assessed as low.

The capital resilience of the banking system continues to be assessed as high with a stable outlook, thanks to favourable indicators of solvency and profitability. Despite the anticipated decline in capital adequacy ratios before the end of 2025, largely as a result of a rise in risk-weighted exposures, the expectation is that the banks will maintain a high level of solvency. Amid high profitability, a component of earnings could again be earmarked for strengthening regulatory capital this year.

Resilience also remains high and stable in the liquidity segment, although the capacity to cover net outflows and required funding deteriorated slightly. By redirecting their free liquid assets held at the central bank into loans and debt securities purchases, the banks continued to adjust their liquidity structure. This structure might also prove to be less favourable in the event of a pronounced increase in demand for liquidity, which would require the sale of securities. All the banks nevertheless exceed the minimum requirements for LCR and NSFR, although their liquidity surpluses continue to vary considerably.

Households and non-financial corporations are maintaining a sound financial position. Households saw a rise in demand for loans for real estate and debt repayments, while the ratio of the stock of consumer loans to GDP was above the euro area average, although the ratio for housing loans remains below the euro area average. Consumer confidence nevertheless remained below its long-term average, while expectations regarding the economic and financial situation improved slightly. NFCs are still below the euro area averages in terms of the majority of indebtedness indicators, while equity and the surplus in trade credits granted also strengthened. Despite the favourable indicators, NFCs are seeing a rise in the number of bankruptcies and current account freezes, which given the uncertainty in the international environment is an indication of the potential for further deteriorations.

The situation in the non-bank segment of the financial sector remains favourable. The risk inherent in leasing companies is assessed as low and stable. More business was entered into in the first half of this year than last year, while lower funding costs also saw an increase in profits. Arrears of more than 90 days meanwhile remain low. Insurance corporations and reinsurance corporations are disclosing high resilience, with a rise in gross written premium and profits. Capital adequacy remains favourable. US tariff measures brought volatility to the financial markets, but stock markets made quick gains, which was also reflected in liquidity on the domestic stock exchange and in inflows into mutual funds.

Macroprudential policy remains in a preventive and balanced stance, with a focus on strengthening the banking system's resilience and limiting systemic risks. Considering the persistent macroeconomic uncertainty, it is vital that the existing macroprudential instruments provide adequate protective mechanisms against potential adverse shocks. Another contribution to stability comes from the capital buffers that other systemically important banks (O-SIIs) are required to maintain, as these reduce the risk of systemic consequences in the event of the failure of an individual institution. The comprehensive combination of these measures is strengthening the banking system's resilience and reducing the possibility of risk being transmitted to the real sector.

This issue of the FSR features five thematic boxes. The first highlights the changes in macrofinancial links since the global financial and economic crisis of 2008, focusing on the reduced reliance on bank financing at non-financial corporations. The second addresses risk management in connection with information and communication technology in the banking sector and emphasises the growing importance of risk management in this area, particularly given the huge technological progress and the digitalisation seen in recent times. The incidents arising from ICT were not related to cyberattacks. The third box highlights the growing role of AI in endangering financial stability, and also in strengthening it, with banks increasingly investing in developing solutions based on AI techniques that allow for better identification and management of risks. The fourth box finds that well-capitalised banks played a stabilising role in the period following the Russian invasion of Ukraine, when energy-intensive firms were among

the hardest hit by volatility in input costs and by geopolitical risks. The final box focuses on the indebtedness of non-financial corporations, and the rising importance of trade credits as a source of financing for them.

1 Macrofinancial Environment

Global economic growth is forecast to remain moderate this year, with the uncertainty surrounding trade policy and geopolitical tensions remaining highly significant. The euro area saw moderate growth in economic activity in the second quarter, which was more sluggish than in the first quarter on account of the rise in global trading tensions. The domestic economy recovered in the second quarter of this year, driven largely by final household consumption and a build-up of inventories. The increased uncertainty in the global environment reduced demand in the main trading partners, which drove a year-on-year decline in exports, while the solid import growth amid modest investment is mainly a reflection of the build-up of inventories. The uncertainties mainly remain in the export sector, which is facing difficult business conditions. The banks were also doing business in a complex geopolitical and economic environment, which is bringing additional uncertainty and increased occurrences of external shocks.

Global economy

Growth in the global economy (excluding the euro area) is forecast to remain moderate this year.[1] There remains uncertainty surrounding trade policy, but the agreements reached between the US and certain trading partners are helping to reduce this uncertainty. The composite PMI for the global economy hit its peak for the year in August, and points to continuing growth. This growth is mainly being driven by increased activity in services. The manufacturing PMI hit the zone of expansion in June and August (see Figure 1.1, left), thanks primarily to the effect of a build-up of inventories before the deadline for imposition of tariffs. According to the latest projections, GDP growth is forecast at 3.3% in 2025, before slowing to 3.1% in 2026, and then rising again to 3.3% in 2027.[2] Global inflation (excluding the euro area) is forecast to slow in the future, despite the anticipated rise in inflation in the US as a result of tariffs.[3] The uncertainties surrounding trade policy continue to pose the risk of a deterioration in the situation, while geopolitical tensions are also escalating (war in the Middle East, war in Ukraine), and could have an impact on international trade (commodities, energy, strategic products) and also on international financial flows. The latest US agreements on reciprocal tariffs have helped to improve the mood on the financial markets, with the majority of trading partners being granted lower tariffs from the US than had been envisaged in the original package from early April. Stock markets have hit record highs despite the huge uncertainty, which is strengthening the possibility of a correction. The aforementioned risks are also being strengthened by the growing links between traditional finance and the cryptoasset-related finance being encouraged by permissive regulation, particularly in the US.

Euro area

The euro area saw moderate growth in economic activity in the second quarter, which was more sluggish than in the first quarter on account of trading tensions. GDP in the second quarter was up by 0.1% in quarterly terms, and by 1.4% in year-on-year terms. The composite PMI and the services PMI were in the zone of expansion in

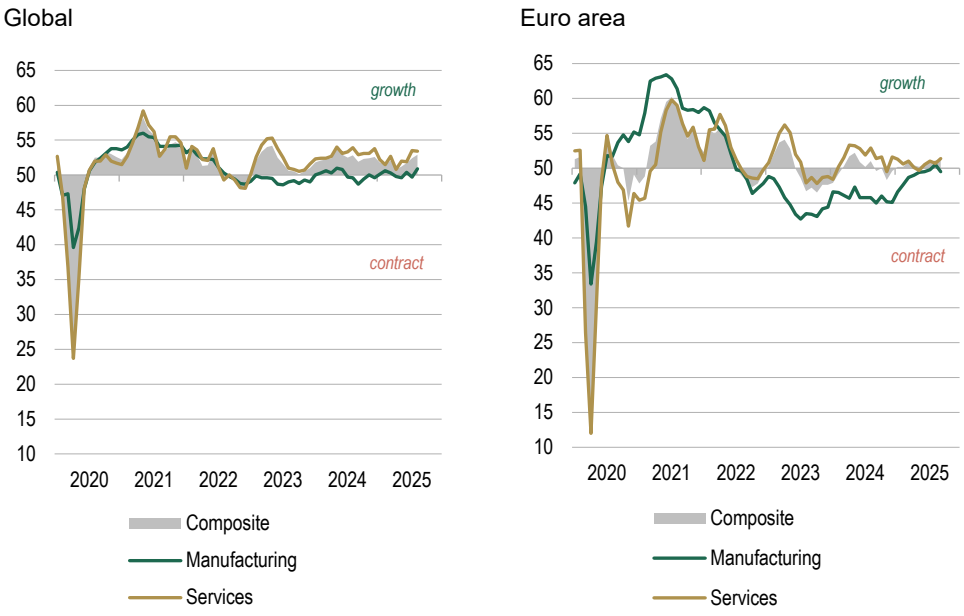
[1] The ECB reports global economic growth excluding the euro area in its publications. Following this example, certain data here is also presented exclusive of the euro area.

[2] ECB, September 2025.

[3] According to the latest ECB projections, global inflation (excluding the euro area) is forecast to slow to 3.2% this year, and then to 2.9% in 2026 and 2.5% in 2027 (ECB staff macroeconomic projections for the euro area, September 2025).

the second quarter. The manufacturing PMI moved into the zone of expansion in August for the first time since June 2022, an indication of the gradual stabilisation of the sector, but declined again in September (see Figure 1.1, right). With the exception of services, the confidence indicators remain in the zone of contraction, which is also being reflected in the economic sentiment indicator, which is deteriorating and now lies below its long-term average (see Figure 7.1, left, in the appendix). Adverse external factors are driving down the economic growth forecasts, which is also evident from the ECB projections, where the forecast for 2026 has been gradually revised downwards over the last three quarters. According to the ECB's latest projections, economic growth in the euro area is forecast to reach 1.2% this year, before slowing to 1.0% in 2026 and then strengthening slightly to 1.3% in 2027.[4] Euro area inflation (HICP) stabilised in the second quarter at its target level of 2%, where it remained over the next three months. The stable inflation rate conceals the price developments in individual categories, including a slight easing of service price inflation, a rise in other goods inflation, and increasingly less negative energy price inflation (see Figure 8.1, right, in the appendix). Food price inflation remains elevated, and is again the highest of all the categories. Inflation is forecast to hold close to 2% over the remainder of 2025, before slowing to 1.7% in 2026, largely as a result of a base effect in the first quarter, and then rising to 1.9% in 2027. Core inflation remained unchanged at 2.3% in the second quarter of this year, and held at this level until September, but is forecast to gradually slow to 1.8% by 2027.

Figure 1.1: **PMIs**



Note: A PMI of more than 50 represents economic expansion with regard to the previous month, while a value of less than 50 represents contraction.
Source: Bloomberg.

Similarly to the rest of the world, one of the key financial risks at EU level is a sudden correction in the stock markets, which could impact banks and, in particular, non-bank financial intermediaries. Unpredictable global events might trigger sudden adjustments in the investment portfolios of non-bank financial intermediaries. The likely rise in government borrowing for rearmament and other purposes could lead

[4] ECB, September 2025.

to a loss of investor confidence in the sustainability of public debt in certain more-indebted countries.

The banking sector in the euro area continues to perform well, despite the numerous uncertainties in the international environment. Bank lending activity in the euro area has strengthened slightly this year. Banks reported a further significant net increase in demand for housing loans in the second quarter of this year, while demand for consumer loans increased only minimally. The main factors in the continuing growth in demand for housing loans were lower interest rates, favourable housing market prospects and, to a lesser extent, increased consumer confidence. Net demand for loans from non-financial corporations increased slightly in the second quarter, thanks to lower interest rates, but remained weak, on account of the global uncertainty and trade tensions.[5]

Slovenia

The domestic economy recovered in the second quarter of this year, driven largely by final household consumption and a build-up of inventories. Year-on-year economic growth remained almost unchanged over the first half of the year: after contracting in the first quarter, the economy expanded again in the second quarter. The largest positive contribution came from private consumption and changes in inventories, while net exports acted to reduce growth. The increased uncertainty in the global environment reduced demand in the main trading partners, which drove a year-on-year decline in exports, while the solid import growth amid modest investment is mainly ascribed to the build-up of inventories (see Figure 7.2, left, in the appendix). Our latest forecast, published in June 2025, projects economic growth of 1.3% for this year, driven in part by a gradual improvement in activity related to foreign trade, alongside the solid domestic factors in the second half of the year. Growth is forecast to rise again to 2.4% in 2026 and 2027.[6] The trade agreement between the US and the EU is reducing some of the uncertainty surrounding trade policy. The agreement's impact on the domestic economy is mainly shifting to the direct effect of the agreed tariffs, via the indirect trade flows of partners in the EU. The restructuring of international trade is a lengthy process, whose effects will only be seen in euro area economies after a certain lag, while there will also be a discernible impact on financial flows.

Given its simplicity and lower level of development, the Slovenian financial system appears at first sight to be less sensitive to shocks in the external financial environment. But given its integration into international financial flows (for more, see Box 1), cross-border contagion could be relatively fast and unpredictable. In a survey of the challenges that they face,[7] a majority of Slovenian banks reported that they expect the rise in tariffs and geopolitical risks to merely have a minor impact on the performance of their customers, and similarly assess that major investment in the defence industry could increase demand for bank loans. Similarly to the euro area overall, external factors are having an adverse impact on the domestic economy, which is being reflected in the economic mood. The latter was slightly worse in the second quarter than in the first quarter, while the economic sentiment indicator remains in negative territory but above its long-term average (see Figure 1.2, left). The mood in manufacturing is negative, as is the mood among consumers, where there was a slight improve-

[5] Bank Lending Survey, July 2025.

[6] Review of macroeconomic developments and projections, June 2025.

[7] The survey on the challenges facing the banking system is conducted every other year.

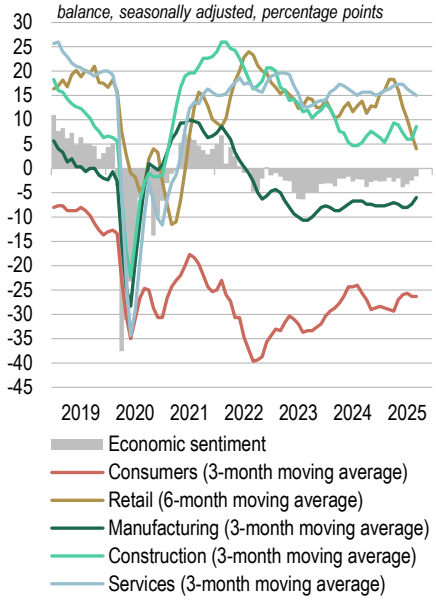
ment despite its traditionally low level. The mood in retail worsened in the second quarter, primarily on account of strong competition, high labour costs and insufficient demand. The mood in services remains stable and positive.

Headline inflation, as measured by the HICP, rose temporarily this year, mainly reflecting higher food and energy prices. It stood at 2.7% in September of this year, driven largely by service price inflation and food price inflation (see Figure 1.2, right). Core inflation eased to 2.4% in September.

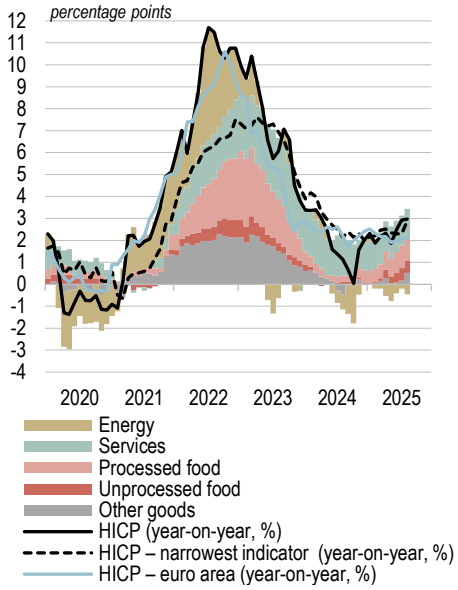
Domestic lending activity strengthened discernibly last year, and the trend has continued this year (see Figure 7.3, left, in the appendix). Household lending remains the most important segment of growth in loans to the non-banking sector. The loan stock in June was up 7% in year-on-year terms, the fall in interest rates having additionally encouraged demand.[8] Lending to NFCs remained modest in the first half of this year, and the share of total loans to the non-banking sector accounted for by NFCs in Slovenia remains below the euro area average.

Figure 1.2: **Economic sentiment and inflation in Slovenia**

Confidence indicators and economic sentiment



Breakdown of headline inflation (HICP) and core inflation



Note: The confidence indicators in the left chart are illustrated as three- or six-month moving averages (other than the economic sentiment indicator). The indicators are expressed in the form of an average balance, where the balance is the difference between the proportions of positive answers and negative answers.
Sources: SORS and Banka Slovenije calculations (left chart), Eurostat (right chart).

Box 1: **Changes in macrofinancial links since the great financial crisis of 2008**

The structure of the financial system in Slovenia has changed profoundly since the great financial crisis. After 2010, the Bank of Slovenia, like other euro area central banks, significantly expanded its balance sheet as a result the implementation of non-conventional measures to stabilise the economy, first following the global financial and economic crisis, and then during the pandemic. Its share of the financial system more than doubled during this period, and stood at 29% in June of this year, while the share

[8] For more, see the section on households.

accounted for by financial institutions has declined to 46.7%. The share of non-monetary financial institutions has remained relatively stable: they account for between 20% and 25% of the financial system's total assets. The banking system nevertheless continues to account for the largest share (see Table 1.1).

Table 1.1: **Financial assets**

	Financial assets, EUR million		Breakdown, %		Ratio to GDP, %	
	31 Dec 2008	30 Jun 2025	31 Dec 2008	30 Jun 2025	31 Dec 2008	30 Jun 2025
Monetary financial institutions	48,776	56,968	66.2	46.7	129.2	83.8
Central bank	9,323	35,413	12.6	29.0	24.7	52.1
Non-monetary financial institutions	15,611	29,678	21.2	24.3	41.4	43.6
Insurance corporations	4,550	9,734	6.2	8.0	12.1	14.3
Pension funds	1,358	4,836	1.8	4.0	3.6	7.1
Non-MMF investment funds	2,044	7,061	2.8	5.8	5.4	10.4
Other financial institutions	7,659	8,047	10.4	6.6	20.3	11.8
Total	73,711	122,058	100	100	195	179

Source: Banka Slovenije.

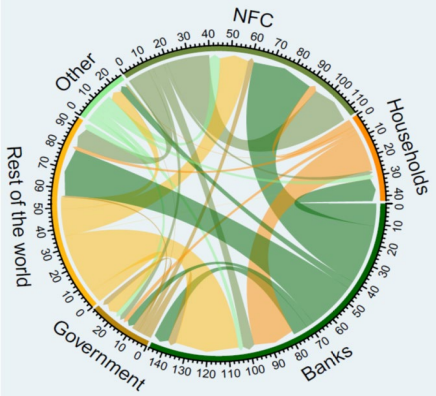
Alongside the changes in the structure of the financial system, there have also been significant structural changes inside the banking system since 2008. While before the great financial crisis banks directed most of their lending to the corporate sector, having obtained their funding in the rest of the world, after 2008 their share of corporate financing began to decline. The decline was driven by corporate deleveraging, the resolution and recovery of the banking system, and the gradual restructuring of financing, as a result of which the stock and share of debt financing via corporate loans did not return to the levels seen before the crisis. On the contrary, NFCs have been net creditors of banks in recent times. Household loans began to gain importance in the overall breakdown of loans to the non-banking sector. The household segment has thus become the key driver of growth in loans to the non-banking sector in recent years. Household debt to banks has almost doubled since 2008, while financing of NFCs via banks has halved over the same period (see Figure 1.3, left and right). These shifts are indicative of a long-term change in the structure of the financing of NFCs, who over the last decade have gradually reduced their reliance on bank financing in particular. The structure of the financing of Slovenian firms has gradually converged on that seen in the euro area overall since 2016.[9] The reduced reliance on debt financing and the changes in capital structure do not only reflect the financial strategies of NFCs, but are also related to the long slowdown in investment. Over the last 15 years Slovenian firms have tailored their saving and investing to the economic conditions, but their investments are still down on the level seen before the global financial crisis,[10] which in the future might have an additional adverse impact on their international competitiveness. Government indebtedness also increased over this period, particularly in the rest of the world, the increase being driven primarily by the bank recovery and resolution.

[9] For more, see the section on NFCs and Box 4.

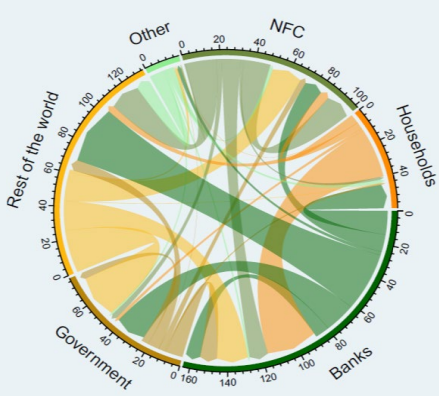
[10] Review of macroeconomic developments, September 2025.

Figure 1.3: **Comparison of stocks in debt claims and liabilities**

Slovenia's claims and liabilities, stocks in Q4 2008 fixed prices, EUR billion



Slovenia's claims and liabilities, stocks as at Q2 2025, EUR billion



Note: The two figures illustrate the claims and liabilities deriving from loans, deposits, debt securities, and other accounts payable and receivable between institutional sectors. The claims of a particular sector are illustrated by outward arrows in the sector's own colour, while its liabilities are illustrated by inward arrows in the colours of the counterpart sector. The sector of "other" includes investment funds other than MMFs, other financial intermediaries, financial auxiliaries, insurance corporations and pension funds. The left chart illustrates the stocks in fixed prices, where the reference year is 2008.
Source: Banka Slovenije.

2 Key Risks to Financial Stability

2.1 Risk inherent in the real estate market

Q2 25 Q3 25 ⇨

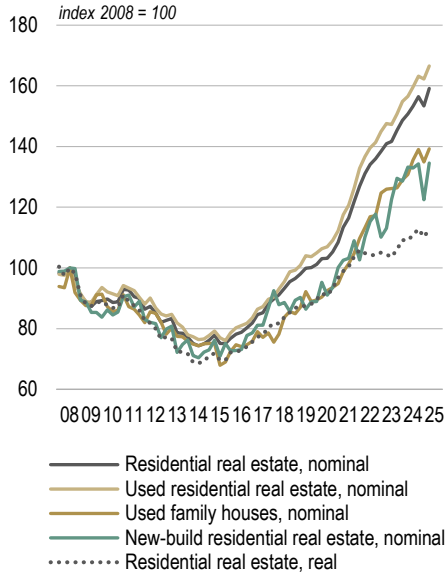
Our assessment is that the risk to financial stability posed by the real estate market remains moderate, but the outlook has been upgraded from rising to stable. Growth in residential real estate prices was still relatively high in 2024, but turned more moderate in the first half of the year amid increased sales. The real estate market has stabilised, but there are still long-term risks in connection with affordability and the limited supply of residential real estate. Construction of new-build residential real estate is being hindered by high construction costs and labour shortages, while there is also a shortage on the market of land suitable for residential construction. New housing loans increased significantly again along with the fall in interest rates, and Slovenia recorded one of the highest rates of growth in housing loans in the EU. Growth in commercial real estate prices slowed significantly, while the number of sales rose again for the first time since 2022.

Residential real estate market

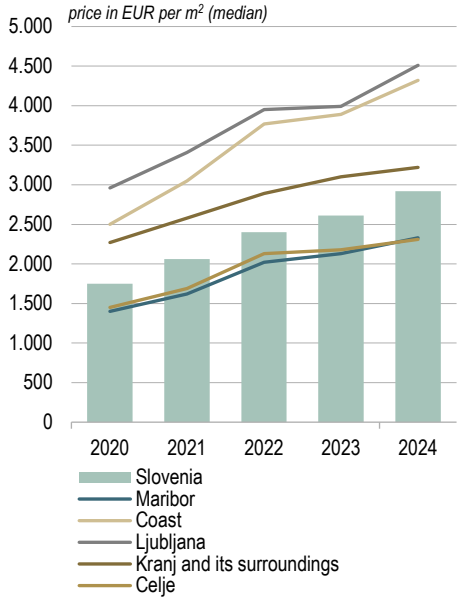
Growth in residential real estate prices was still relatively high in 2024, but turned more moderate in the first half of the year amid increased sales. Residential real estate prices were up 3.2% in year-on-year terms in the first quarter, but 5.5% in the second quarter (compared with 7.4% in 2024) (see Figure 8.1, left, in the appendix). Residential real estate prices in the second quarter were up more than a half in nominal terms on 2008, and by 12.6% in real terms (see Figure 2.1, left). Prices of used flats remain highest in Ljubljana and on the coast (see Figure 2.1, right). The rise in residential real estate prices is being driven by lower interest rates and increased demand for housing loans.

Figure 2.1: **Change in and median residential real estate prices**

Change in residential real estate prices since 2008



Median growth in prices of used flats in major towns and cities of Slovenia and on the coast

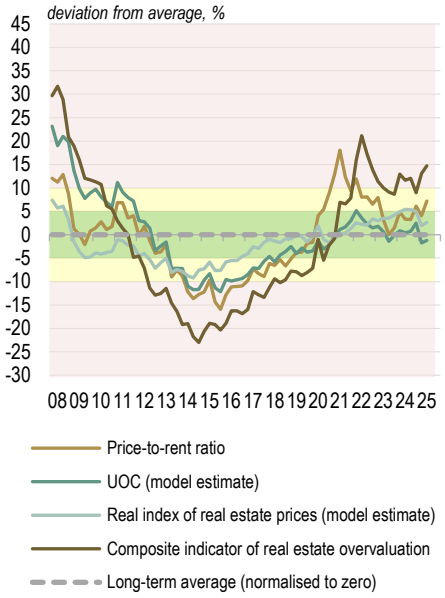


Sources: SORS, SMARS.

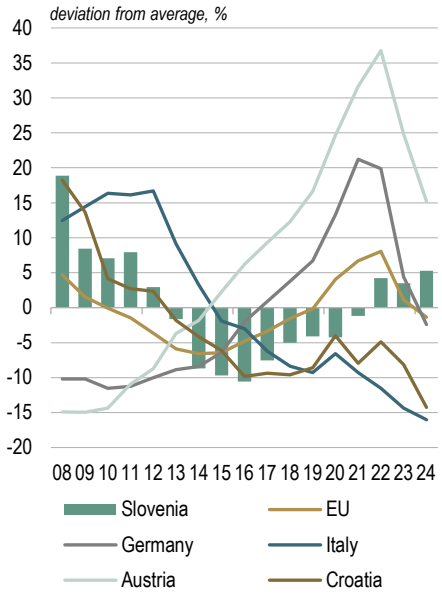
The overvaluation of residential real estate declined slightly in the first half of this year. The highest overvaluation of 14.7% was displayed by the composite indicator of real estate overvaluation, while the UOC indicator displayed a slight undervaluation (see Figure 2.2, left). The price-to-income ratio has risen in the majority of EU Member States since 2015, as a result of growth in real estate prices outpacing growth in income. There was a price correction in certain EU Member States in 2023 (e.g. Austria and Germany), which significantly reduced the overvaluation of real estate (see Figure 2.2, right). Slovenia had one of the highest ratios in the EU in 2024: it exceeded its long-term average by around 5%, while in the EU overall it was down around 1% on its long-term average.

Figure 2.2: **Indicators of overvaluation of residential real estate**

Indicators of overvaluation of residential real estate



Price-to-income ratio compared with long-term average in selected EU Member States



Note: In the left chart the indicators of housing price alignment with fundamentals are normalised around their own long-term averages, which are assigned a value of zero. Each indicator's deviation from the long-term average illustrates the overvaluation or undervaluation of residential real estate. The UOC (unobserved components methodology) is based on the methodology of isolating cyclical and one-off components from the trends in a particular time series (the calculation follows the methodology of Rünstler and Vlekke, 2018). The difference between the actual data and the smoothed UOC time series represents the deviation in real estate prices from their long-term average. The indicators are illustrated up to the second quarter of 2025.
Sources: SORS, SMARS, Slonep, Eurostat.

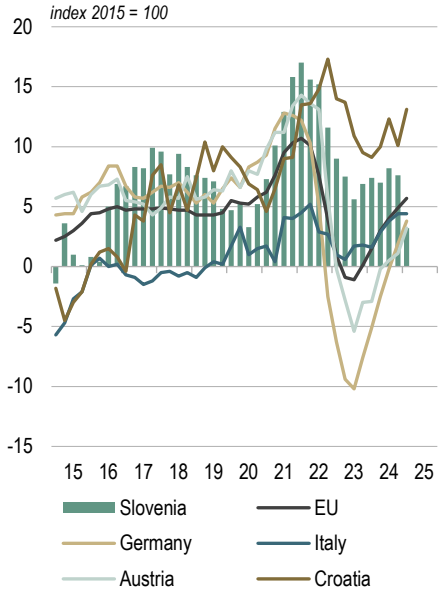
At 5.7%, year-on-year growth in residential real estate prices in the first quarter was higher in the EU overall than in Slovenia (3.2%). Growth in prices varies considerably between EU Member States (see Figure 2.3, left), but prices in the first quarter of 2025 were up in year-on-year terms in all countries (with the exception of Finland), although the risk of a sudden fall in prices seen at the peak of the cycle in 2022 had been mitigated. The rise in prices in almost all EU Member States has seen this risk begin to rise again, but for now it mostly remains less than it was three years ago. The risk could be realised in the wake of either a sharp fall or a sharp rise in residential real estate prices.

After falling for almost three years, the number of sales of residential real estate rose again in the first half of the year, and was up 23.8% in year-on-year terms. Sales of used flats were up by more than a quarter in year-on-year terms in Ljubljana, and by 41.7% in the rest of Slovenia, while sales of used houses were up by more than

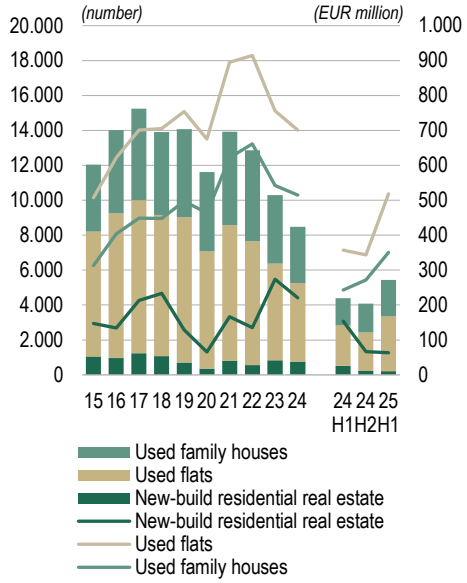
a third. This also drove the value of residential real estate sales up by a quarter in year-on-year terms to EUR 932.2 million, the figure having fallen by around 9% in 2024 (sales totalled EUR 1.4 billion in 2024) (see Figure 2.4, right). Demand for real estate is being driven by the fall in interest rates, low unemployment, and low household indebtedness.[11]

Figure 2.3: **Residential real estate prices in EU Member States and number and value of residential real estate sales**

Growth in residential real estate prices in selected EU Member States



Sales of residential real estate: number of sales and total value



Sources: SORS, Eurostat.

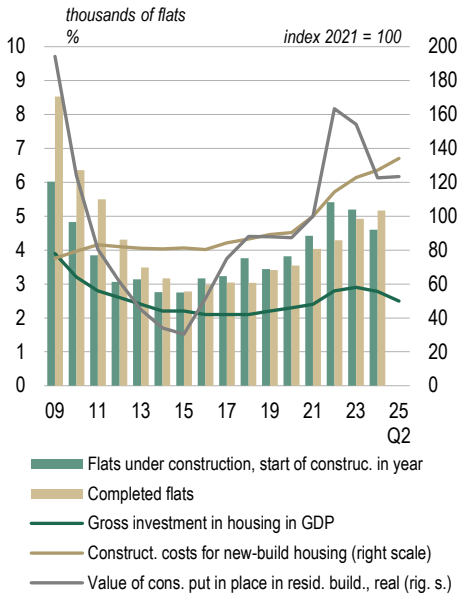
Demand for residential real estate still outstrips supply.[12] The fall in planned new residential construction suggests that this imbalance will persist. The number of housing units under construction whose construction began in the year in question fell in 2023 and 2024, although the large volume of builds begun in previous years means that the number of housing completions actually rose. There were 4,597 units under construction in 2024, and 5,165 completions (see Figure 2.4, left). The number of units in residential buildings for which building permits have been issued in the first half of this year was down around 11% in year-on-year terms.

[11] See also the section on households.

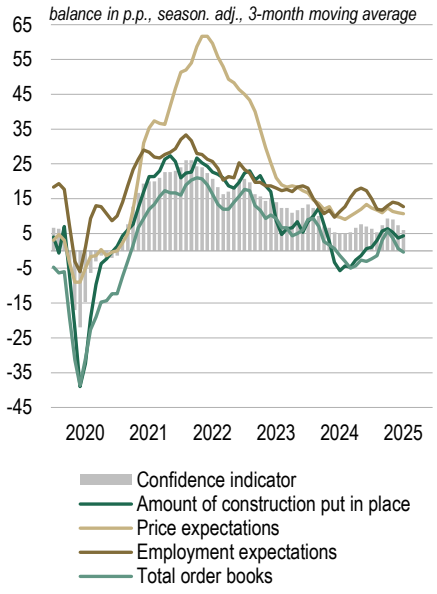
[12] According to SMARS data, the housing stock in Slovenia consisted of around 554 thousand houses and 350 thousand flats in multi-dwelling buildings in 2024. The stock of houses was up around 0.5% or 3,000 units on the previous year, while the stock of flats was up around 1% or 4,000 units.

Figure 2.4: Residential construction**, investment and construction work, and business trends in construction**

Residential construction, investment and construction work



Business trends in construction



Notes: One reason that the amount of construction put in place for residential buildings in the left chart was high in 2022 and 2023 was the higher growth in government investment, thanks in part to the ending of 2014-2020 financial framework and the increased drawdown of funding. The figures for housing under construction and housing completions are available on yearly basis.
Sources: SORS, Eurostat.

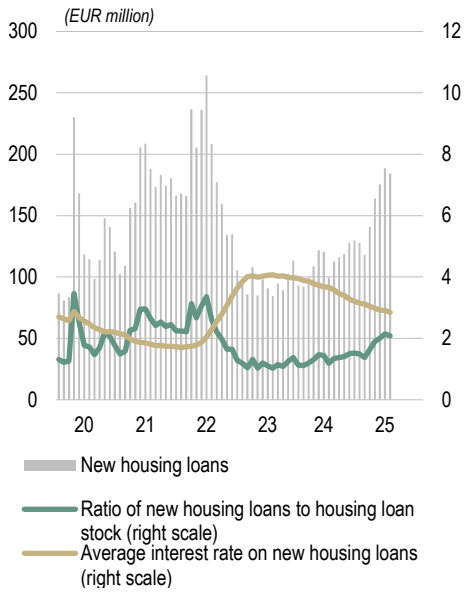
Construction confidence remained stable in the first half of 2025. The amount of construction put in place and the total order books indicator in June 2025 were up on December 2024, while expectations of price rises and employment in construction were down (see Figure 2.4, right). Construction of new-build housing is still being held back by high construction costs (higher prices of construction material and higher labour costs), and labour shortages. The amount of construction put in place for residential buildings in the first half of this year was down 1.0% in real terms compared with the same period last year (see Figure 2.4, left).

There is also a shortage of land suitable for residential construction, which is evident in the falling sales of land over the last three years. According to SMARS data, the supply of building land for residential construction is relatively low compared with the stock of land. The reasons relate to a lack of orderly regulation in planning, utilities infrastructure, construction and taxes related to real estate. Prices of residential building land rose by 17% according to the SMARS data, 9 percentage points more than in 2023 and the same as in the record-breaking year of 2022.

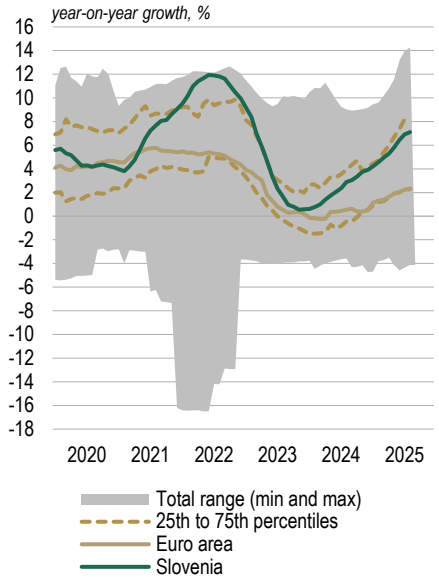
New housing loans increased sharply in the first half of the year along with the fall in interest rates. Year-on-year growth in housing loans had risen to 6.2% by June 2025 (see Figure 2.5, left), one of the highest rates in the EU (see Figure 2.5, right). According to the BLS, the increased demand for loans in the first half of the year was driven by the fall in interest rates and by a rise in consumer confidence (see Figure 7.34, left, in the appendix). Similarly according to the SORS data, consumer confidence improved slightly in May and June of this year, although the readiness to make major purchases over the next 12 months remained similar to the previous year.

Figure 2.5: **New housing loans and growth in housing loans**

New housing loans



Growth in housing loans in Slovenia and the euro area

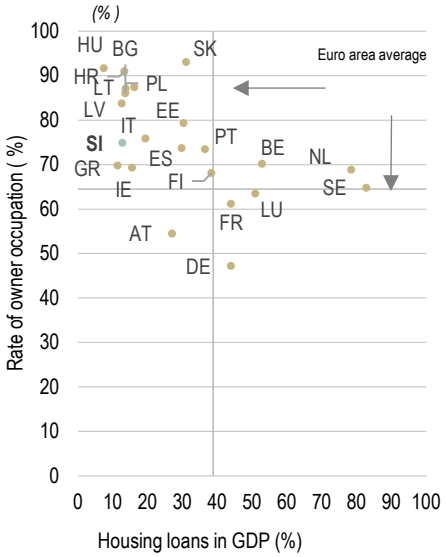


Note: The ratio of new housing loans to the total stock of housing loans illustrated in the left chart was high in 2020 because of the above-average level of refinancing for reason of moratoria, which were recorded as new loans.
Sources: ECB Data Portal, Banka Slovenije.

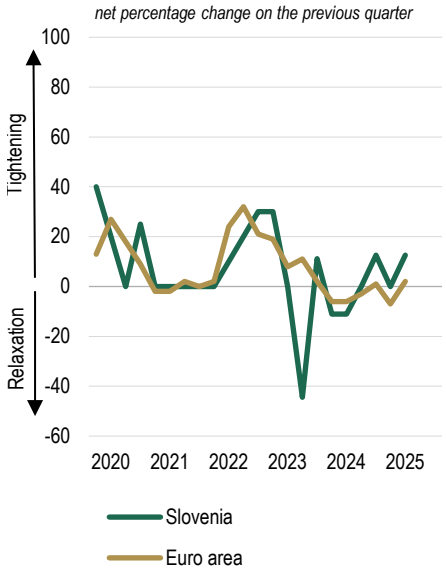
The ratio of housing loans to GDP has fallen by more in Slovenia over the last decade than in the euro area overall. The ratio also fell over this period in Croatia, the Netherlands and Portugal, but in certain other countries remained virtually unchanged (Austria, Germany) or rose (Slovakia, Belgium). Household indebtedness is low compared with other euro area countries, while demand for housing loans is also low given the high level of owner-occupation (see Figure 2.6, left and Figure 8.2, left, in the appendix). This is also evidenced in the share of real estate owners with a mortgage, which at 16.3% in 2024 gave Slovenia one of the lowest figures in the euro area (average: 24.3%). The share of households with a mortgage is significantly lower among households whose income is below 60% of the median income than among households above this threshold (6.6% versus 17.8%), which is beneficial from the perspective of credit risk, as there are more households that find it easier to repay loans thanks to their higher income.

Figure 2.6: **Ratio of housing loans to GDP versus owner occupation rate, and credit standards for new housing loans (BLS)**

Ratio of housing loans to GDP versus owner occupation rate in selected EU Member States, 2024



Credit standards for new housing loans in Slovenia and the euro area (BLS)



Sources: EMF, Eurostat, ECB Data Portal, Banka Slovenije.

Most banks have maintained their credit standards for new housing loans at the same level in the second quarter (see Figure 2.6, right). It is important that the credit standards and loan terms and conditions attained by banks are maintained in the future, thereby reducing risk and mitigating any adverse consequences to the banking system in the event of a downturn on the labour market or a price reversal on the real estate market. Banks and households alike are also exposed to the geopolitical uncertainties that are increasing the risks to financial stability, which might be reflected in a decline in consumer confidence and reduced demand for real estate, while disruptions to supply chains could hinder construction work, and investment might be reduced. Credit standards for housing loans in the euro area overall were broadly unchanged in the first half of 2025.

Commercial real estate market

Growth in commercial real estate prices eased off in the first half of 2025. The year-on-year rate stood at 1.0% in the first quarter and 5.0% in the second quarter, having hit 14.8% in 2024 (see Figure 8.1, right, in the appendix). Commercial real estate prices in the second quarter of this year were up 22.8% in nominal terms on 2008, but were down 13.7% in real terms. The number of sales of commercial real estate saw its first rise since 2022: approximately a third more commercial real estate was sold in the first half of 2025 than in the same period last year (see Figure 2.5, left). Commercial real estate prices in the euro area have been falling in year-on-year terms for more than two years now, but the rate is diminishing: the year-on-year fall stood at 1.3% in the final quarter of 2024 (see Figure 2.7, left).

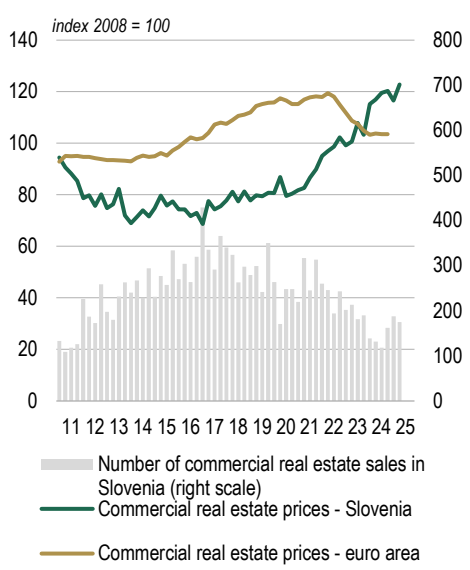
High construction costs and a shortage of labour and of land suitable for the construction of buildings are hindering the construction of new commercial real estate. The number of non-residential buildings for which building permits have been issued (see Figure 8.2, right, in the appendix) has remained low in recent years, which suggests that the supply of commercial real estate will remain low in the future. The largest number of permits were issued for buildings of general social importance, retail

buildings and buildings for services. The majority of commercial real estate investors are building for their own needs and not for onward sale or letting.

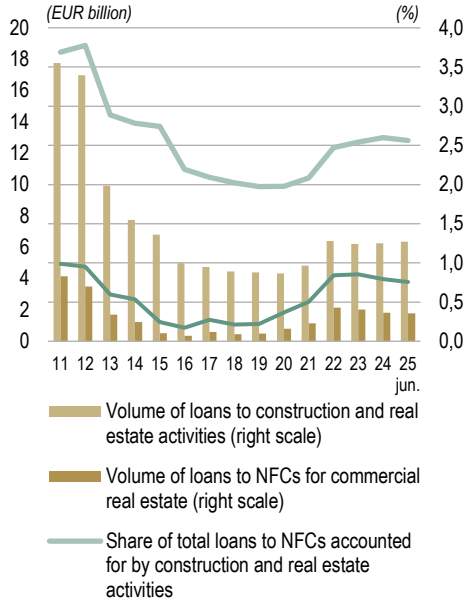
Loans for commercial real estate remain relatively low, despite an increase in 2022 and 2023. Year-on-year growth in loans for commercial real estate stood at 3% in June 2025, while they accounted for 3.8% of total loans to NFCs (see Figure 2.7, right). The majority of these loans were to firms in real estate activities, construction, and accommodation and food service activities, the other sectors also accounting for some. The stock of the loans to construction and real estate activities in the banking system has remained around EUR 1.3 billion in recent years, significantly less than a decade ago (a peak of EUR 3.5 billion in 2011) (see Figure 2.7, right).

Figure 2.7: **Commercial real estate prices and loans for commercial real estate**

Change in commercial real estate prices since 2008



Loans to construction and real estate activities, and loans for commercial real estate



Sources: SORS, ECB Data Portal.

2.2 Funding risk

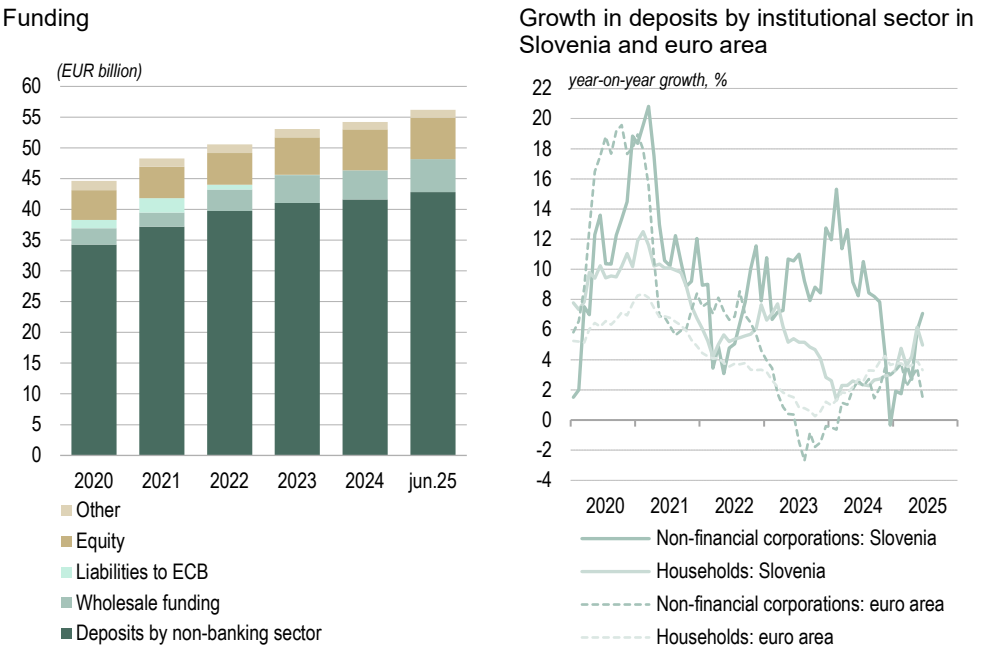
Q2 25 Q3 25 ⇨

Funding risk remains moderate with a stable outlook. Deposits by the non-banking sector, which remain the most important source of funding for Slovenian banks, increased in the first half of the year as a result of a large inflow of household deposits. In the wake of the continued fall in interest rates on deposits, savers remained less motivated to fix their deposits at banks, which caused the already large stock of sight deposits to strengthen further. This increased the risk of funding instability, in that it is simpler to move sight deposits out of the banking system or to switch them between banks. Although deposits by the non-banking sector remain a stable source of funding for now, for stability in the future it will still be important to carefully monitor the saving habits of customers and to tailor bank services to the competition. The latter having become stronger as a result of the advent of new providers of digital banking services.

Funding

In the wake of further growth, deposits by the non-banking sector remain the most important source of funding for Slovenian banks, accounting for more than three-quarters of total liabilities (see Figure 2.8, left). The main factor in their strengthening over the first half of the year was household deposits, while the inflow of deposits in other sectors remained modest. Year-on-year growth in deposits by the non-banking sector has doubled over the last year, reaching 5.5% in June. Despite the increase in deposits, the LTD ratio for the non-banking sector rose slightly, thanks to higher growth in loans, although at 69% it remained well below the euro area average. The low value of the LTD ratio indicates that banks are not directing the money from their deposits into lending activity alone, but also into other assets, most notably debt securities. It also suggests that, given the large stock of deposits, Slovenian banks are less exposed to wholesale funding, and any adverse impact that might be posed by foreign markets.

Figure 2.8: **Funding and growth in deposits by institutional sector**



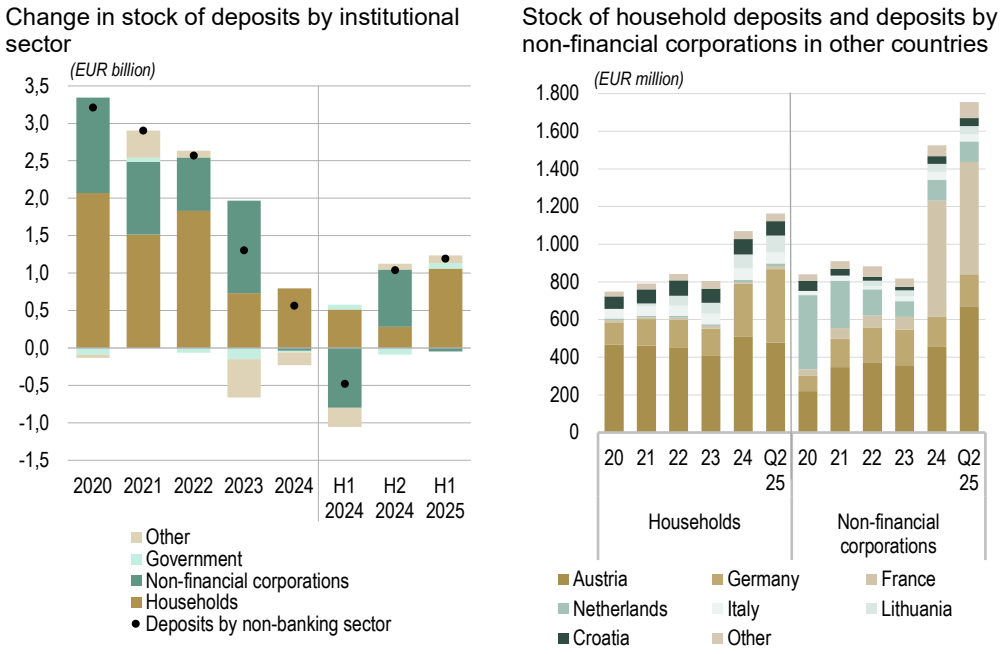
Sources: Banka Slovenije, ECB Data Portal.

Wholesale funding has increased over the last three years, but its ratio to total assets remains relatively low. It stood at less than a tenth in June. Banks have remained less reliant on foreign banks, due to their large holdings of liquidity and deposits. Similarly to previous years, there was an increase in issued debt securities over the first six months of this year, with individual banks mainly issuing them in order to meet their MREL requirements, and not because of a need for additional liquidity. Our expectation is that this will remain the main driver of a moderate increase in wholesale funding also in the future.

Inflows of household deposits over the first six months of this year surpassed those seen in the whole of last year. The stock increased by EUR 1.1 billion (see Figure 2.9, left), which meant that household deposits remain a stable and key source of funding for Slovenian banks, accounting for half of total liabilities. Amid continuing growth in wages and relatively weak private consumption, monthly inflows of household deposits were relatively high, which is typical of the spring in particular, when annual

leave allowance payments are made. The exception was the net withdrawal recorded in March, when numerous savers opted to direct some of their savings into purchasing government securities aimed primarily at the general public. Similarly to that seen during the first issuance of this kind in February 2024, the outflow was less than 1% of the total stock of household deposits. Year-on-year growth in household deposits was broadly unchanged over the course of 2024, but had risen to 5.0% by June of this year (see Figure 2.8, right). It had thus doubled in year-on-year terms, and outpaced the rate in the euro area overall, which was a third lower. Smaller inflows of household deposits are expected in the second half of the year, with holidays and then the start of the new school year making the summer months in particular a less likely time for saving.

Figure 2.9: **Change in stock of deposits by institutional sector, and deposits in other countries**



Sources: Banka Slovenije, ECB Data Portal.

The largest increase in bank savings over the last five years has been recorded by wealthier savers,[13] i.e. those with holdings of more than EUR 100,000 (see Figure 2.10, left).[14] Although they had risen in number,[15] they accounted for just 1.7% of all savers at the end of 2024 (see Figure 2.10, right), but at EUR 6.9 billion their holdings accounted for a quarter of savers' total deposits. More than three-quarters of savers held less than EUR 10,000 in savings. This share has declined slightly over the last five years, which might mean that certain savers have increased their holdings during this period and have thus been reallocated to a higher bracket, or they might have withdrawn their deposits from banks. The average bank savings held by an individual has gradually increased, and stood at EUR 11,559 in 2024.

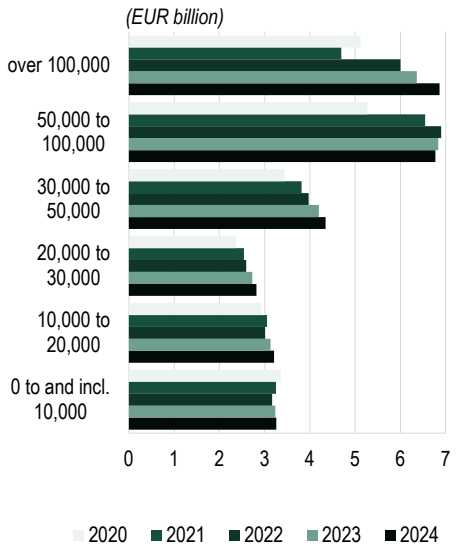
[13] The term savers in this paragraph includes individuals and sole traders who hold an account with a bank. This means that a single saver might hold accounts with several banks, and these are not summed.

[14] The analysis in this paragraph is based on data that the banks report to Banka Slovenije in accordance with the Regulation on the deposit guarantee scheme (Official Gazette of the Republic of Slovenia, Nos. 49/16, 27/17 and 139/20), which covers eligible deposits of depositors as defined in Article 9 of the Deposit Guarantee Scheme Act (Official Gazette of the Republic of Slovenia, No. 27/16).

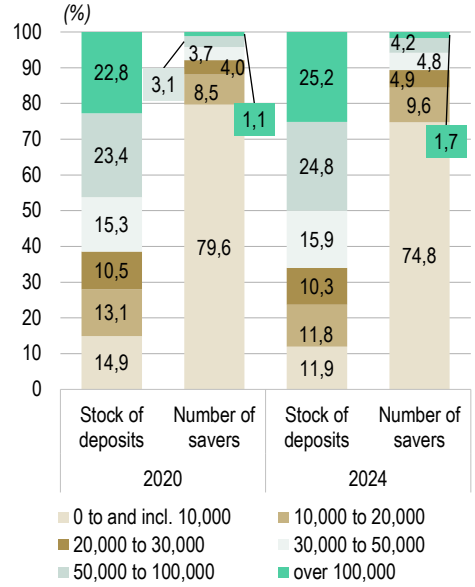
[15] The number of savers in each size category is illustrated in Figure 7.7 in the appendix.

Figure 2.10: **Breakdown of deposits by size category**

Stock of deposits held by savers in individual size categories



Breakdown of stock of deposits and number of savers by individual size category



Note: The size categories are expressed in euros.
Sources: Banka Slovenije.

Given the traditional behaviour of the majority of savers for now, the moderate growth in household deposits at banks is expected to continue, although the trend could reverse in the future. Savers' habits are a major factor in developments in bank deposits, alongside macroeconomic factors. Although the majority of savers in Slovenia are not in favor for now for alternative forms of investment that are usually higher-risk, recent years have seen changes in the saving habits of certain customers. As stated earlier, some of them opted to purchase government bonds that were issued at a better interest rate than those offered by banks for fixed-term deposits. Different saving habits can be expected to be found among younger generations, who are becoming increasingly financially literate and probably have greater appetite to take up more risk when seeking returns. At the same time they have a closer connection with advanced digital technology, which allows access to various competitive providers of banking and other financial services (e.g. neobanks, investments in cryptocurrencies, stablecoins). In addition digital technology grants easy access to traditional banks in other countries, who are still offering better rates on fixed-term deposits than banks in Slovenia, despite the fall in deposit rates. The increased saving at Austrian and German banks in particular that was evident last year continued in the first half of this year (see Figure 2.9, right). Mutual funds also present an alternative to bank saving, and have been enjoying a gradual rise in inflows from households for several years now. This is examined in further detail in the section on mutual funds. In addition, from March 2026, individuals will be able to open an individual investment account, which will allow them to manage their investments in various financial instruments in one place. The advantages of this account are likely to be an additional incentive for savers to consider alternative forms of saving.[16] Monitoring savers' habits and tailoring services to compiting financial services providers therefore remains vital to maintaining deposit stability in the future.

Deposits by NFCs declined over the first half of the year, albeit by significantly less than in the same period of previous years. Year-on-year growth was more modest in the early part of the year, but had risen to 7.1% by June, strongly outpacing

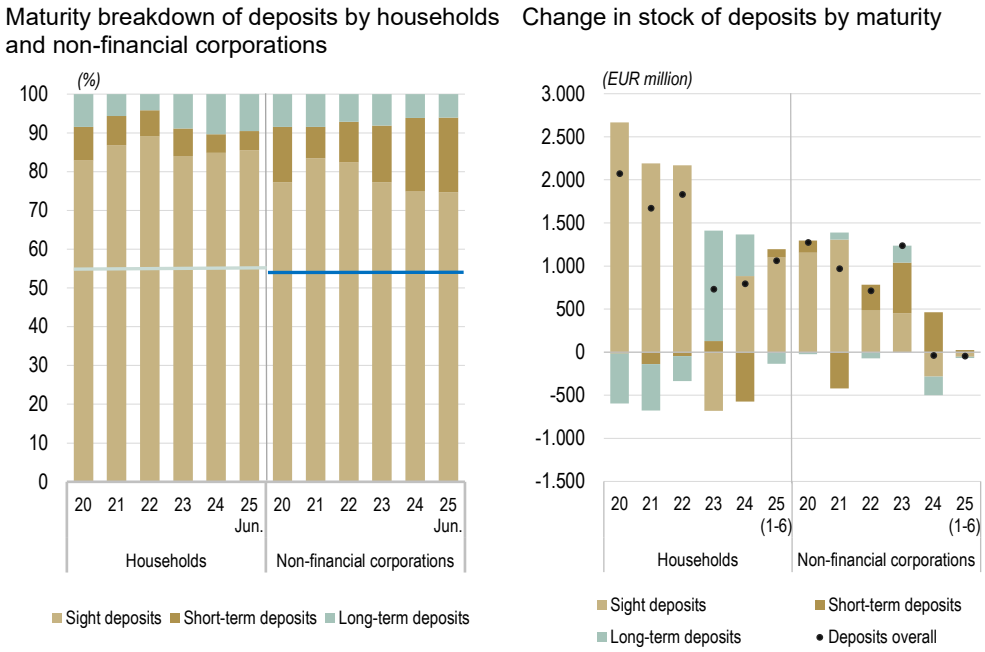
[16] Learn more about the introduction and benefits of an individual investment account at https://www.gov.si/novice/2025-06-23-individualni-nalozbeni-racun-investirajte-po-svoji-meri/

that in the euro area overall (see Figure 2.8, right). Some firms were repaying maturing loans in the first half of the year, paying dividends to owners, and paying annual leave allowance to staff, which means that withdrawals of deposits or more modest saving is typical of this time of year. The geopolitical uncertainties and the resulting economic conditions mean that firms also remain more cautious in deciding on new investment projects and in borrowing for them, for which reason those with large savings are preferring to finance projects with savings rather than loans. At the same time, similarly to households, certain firms have opted to save at banks in other countries, most notably France and Austria, which might be another factor in the slight decline in saving at Slovenian banks (see Figure 2.9, right). Deposits by NFCs nevertheless remain the second most important source of funding for Slovenian banks for now, accounting for almost a fifth of total liabilities.

Deposit maturity and maturity gap between assets and liabilities

The continued fall in interest rates on deposits[17] **has led to a further strengthening in sight deposits.** Lower interest rates mean that households have less motivation to fix their deposits, particularly over longer terms, which in the first half of the year was reflected in a decline in long-term deposits and a slight increase in deposits fixed for up to one year (see Figure 2.11, right). Households continue to hold the majority of their deposits in sight deposits, whose share of total deposits had strengthened to 85.5% by June, well above its long-term average (see Figure 2.11, left). NFCs too are favouring short-term fixes over long-term deposits, which grants them faster access to their savings should they be needed for the business. Similarly to household deposits, sight deposits continued to account for the majority (74.7%) of deposits by NFCs.

Figure 2.11: **Breakdown of and change in deposits by maturity**



Note: The horizontal lines in the left chart denote the average share of sight deposits between 2000 and 2024, which stood at 53.6% in the household segment and 54.9% in the non-financial corporations segment.
Source: Banka Slovenije.

Like in Slovenia, sight deposits increased in the majority of the other euro area countries. Although deposits by households and NFCs increased in more than two-

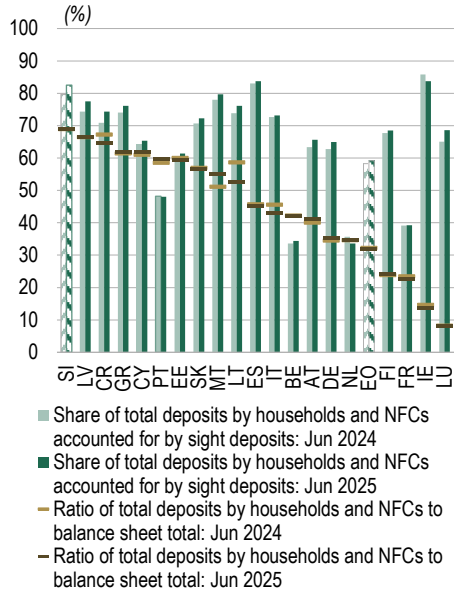
[17] For more on developments in deposit rates, see the section on interest rate risk.

thirds of the euro area countries, Slovenia remains notable for having the highest ratio of these deposits to total assets (see Figure 2.12, left). Because it also ranks among the countries with highest share of sight deposits, this exposes it to a higher risk of a sudden withdrawal of deposits from the banking system than those countries where banks are less reliant on this source of funding, and the share of sight deposits is lower.

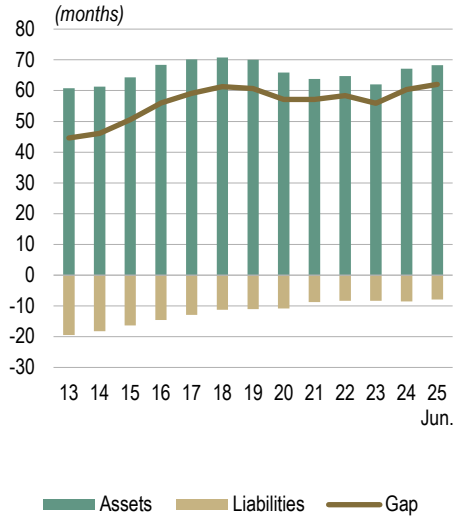
The risk of funding instability from the maturity gap increased in the first half of the year. Banks continued to redirect liquid assets into purchases of long-term debt securities, which increased the weighted average maturity of assets. Meanwhile the weighted average maturity of liabilities shortened, as the large holdings of sight deposits increased even further. This widened the maturity gap by almost two months to five years, the largest gap since 2013 (see Figure 2.12, right), when the rapid rise in sight deposits began, which remain the key factor in the persistence of the large gap. The risk of funding instability posed by maturity mismatch could be realised by a sudden large-scale switching of deposits between banks or withdrawal from the banking system. Deposits by the non-banking sector nevertheless remain a stable source of bank funding for now, while depositors maintain confidence in the banking system even in the wake of the unforeseen events of recent years.

Figure 2.12: **Breakdown of deposits in the euro area and maturity gap**

Household deposits and deposits by non-financial corporations in the euro area



Weighted average maturity of assets and liabilities, and maturity gap



Sources: Banka Slovenije, ECB Data Portal, own calculations.

2.3 Interest rate risk

Q2 25 Q3 25 ⇧

Interest rate risk in the banking system is assessed as moderate with a rising outlook. The share of fixed-rate loans to the non-banking sector is increasing moderately, while strengthened housing lending is lengthening the average residual maturity of bank loans. The asset side of the balance sheet has seen an increase in securities holdings, and a continued decline in primary liquidity. Overall, these changes have driven a moderate lengthening of the average repricing period for bank assets. Meanwhile the changes on the funding side have had no significant impact on the average repricing period for liabilities. The increase in sight deposits led to a slight change in the breakdown of deposits, while debt securities issued by a number of banks matured.

The repricing gap widened moderately over the first half of the year, increasing the banks' sensitivity to changes in interest rates. Recently, banks had increased their hedging against the effects of changes in interest rates by means of interest rate swaps.

Interest sensitivity

Interest rate risk remained moderate in the third quarter, although the relevant indicators point to a gradual increase. Loans to the non-banking sector increased by 3.8% over the first half of the year to stand 7.8% up in year-on-year terms in June, driven largely by increased household lending, where fixed-rate loans are prevalent. This saw the trend of moderate increase in the share of the loan stock with a fixed interest rate continue this year. Fixed-rate lending predominates in the household portfolio, and is continuing to rise further, but remains similar to previous years and relatively stable in the NFCs portfolio (see Figure 7.7 in the appendix). This year's increased lending via housing loans, which on average carry the highest maturity of all loans to the non-banking sector, has driven an increase in the average residual maturity of bank loans. The overall impact of the rising share of fixed-rate loans and their longer average residual maturity was reflected in a lengthening of the average repricing period for bank loans, and thus in an increase in the interest sensitivity of the bank credit portfolio as a whole.

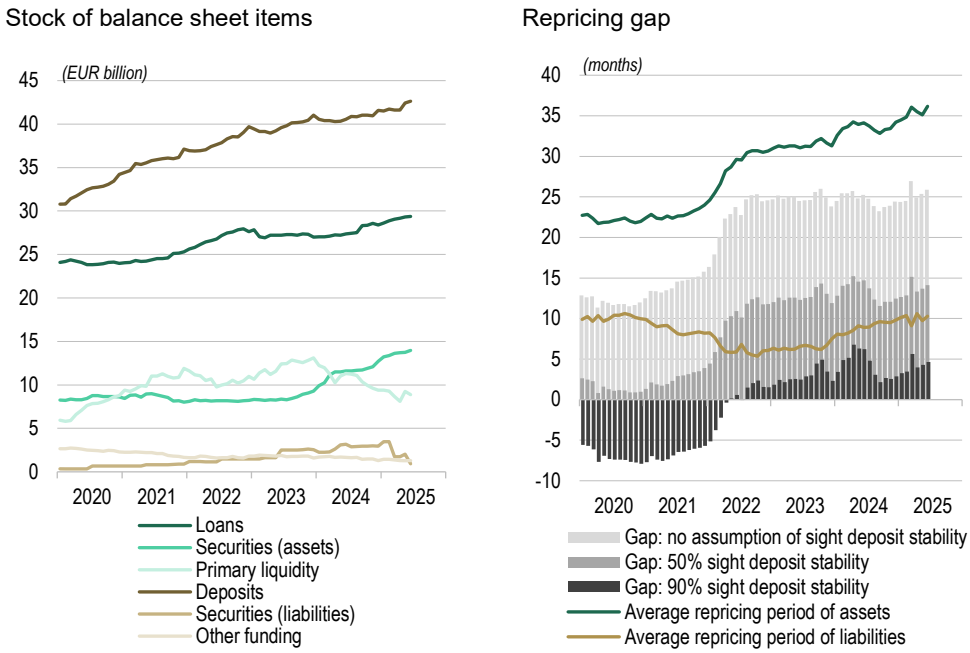
The changes in holdings of securities and liquid assets have also had a significant impact on interest rate risk this year. While last year saw a significant lengthening of the residual maturity and average repricing period for securities, they have been stable in the first half of this year, although there was an increase in the stock (see Figure 2.13, left) and in the share of total assets that they account for.[18] Holdings of primary liquidity[19] continued to decline by contrast (see Figure 2.13, left); it has a very short residual maturity and average repricing period. Overall, these changes together with the other changes in the credit portfolio had a significant impact in a moderate lengthening of the average repricing period of bank assets (see Figure 2.13, right).

The changes on the funding side in the first half of the year did not have a significant impact on the banks' interest sensitivity. The largest increase was in deposits by the non-banking sector, which rose by twice as much as in the whole of last year (see Figure 2.13, left). The increase was driven almost entirely by sight deposits; fixed-term deposits remained unchanged, as short-term deposits increased while long-term deposits declined by a similar amount. This brought a slight change in the breakdown of deposits (see Figure 7.10, right, in the appendix). Despite the changes, the average repricing period for deposits remained unchanged in the first half of the year (see Figure 7.8, left, in the appendix). Several debt securities issued by a number of banks have matured since the beginning of the year, shortening the residual maturity of bank funding in this category to 2.2 years by June (see Figure 7.8, right, in the appendix). This also shortened the average repricing period for issued debt securities (see Figure 7.8, left, in the appendix). Given the small share of funding of this kind, no major impact on the average repricing period of liabilities could be discerned, with the exception of minor volatility when securities mature (see Figure 2.13, right). The overall changes in deposits and securities since the beginning of the year thus had no significant impact on the average repricing period for liabilities.

[18] Securities account for more than a quarter of total assets at banks, the highest figure of the last few years.
[19] Cash on hand, balances at the central bank and sight deposits at banks.

The repricing gap widened moderately over the first half of the year. In June it was nevertheless down on its level of a year before, when it reached its highest figure of previous years. If the assumption with regard to sight deposit stability is excluded, it had entirely approached the record levels of the past (see Figure 2.13, right). While the lengthening of the average repricing period for funding fully nullified the lengthening of the average repricing period for assets last year, thereby maintaining relative stability in the gap, this effect waned during the first half of this year. The changes on the asset side, whether in loans or in securities, were the main factor in the increase in the banks' sensitivity to changes in interest rates. Interest rate risk was still assessed as moderate at the end of the first half of the year, but a continuation of this trend over a longer horizon, points to a rise.

Figure 2.13: **Balance sheet items and repricing period**



Note: The repricing gap in the right chart takes account of the stability of sight deposits through various assumptions about stability and by allocating the stable component of sight deposits across time intervals.
Source: Banka Slovenije.

Banks recently increased their hedging against the effects of changes in interest rates by means of interest rate swaps. The increase in holdings of interest rate swaps was driven by the need to meet regulatory requirements in the area of interest rate risk in the banking book.[20] Since 2023 banks have notably increased their holdings of these instruments and are using them to hedge asset and liability items, and as collective (macro) and individual (micro) hedges. The ratio of the notional stock of interest rate swaps to total assets almost tripled between December 2022 (when it stood at just over 5%) and June 2025 (when it stood at 15%).

Interest rates

The trend of decline in interest rates on new loans continued for the two largest customer segments (households and NFCs). In the household portfolio, the prevailing fixed interest rates on new lending fell for housing loans (to 2.9% in June) and

[20] These have been applied since 14 May 2024 and stipulate a maximum permissible decline in net interest income of 5% relative to Tier 1 capital. The decline represents the difference in net interest income under the baseline scenario, and net interest income under the worst possible adverse scenario. Should the maximum permissible decline be exceeded, additional capital requirements may be imposed, which banks can avoid by using derivatives to reduce their interest exposure.

consumer loans (to 5.8% in June) alike. While interest rates on housing loans were close to the euro area average last year, and followed a similar pace of decline, by June of this year they were lower, interest rates having risen in the euro area overall since the beginning of the year (to 3.2% by June). Interest rates on consumer loans were significantly below the euro area average, and the gap with the euro area overall (where they stood at 7.5% in June) widened further during the rapid decline in rates. Variable interest rates on loans of both kinds also fell, although variable remuneration continues to account for just a minor share of all new lending. Variable interest rates on new loans to NFCs, which are more prevalent than fixed rates,[21] fell at the same pace as in the euro area overall, and were slightly lower at 3.2% in June. Fixed interest rates meanwhile remained highly volatile, fell slightly more slowly overall than variable rates, and were mostly higher than the euro area average. They stood at 3.9% in June.

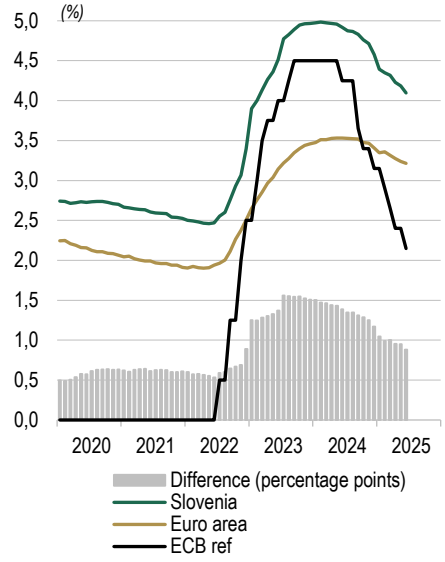
The fall in interest rates on the stocks of loans to the non-banking sector picked up pace in Slovenia in the first half of the year. After beginning in the first quarter of last year, the fall in interest rates on the stocks of loans to households and NFCs was modest at first but picked up pace towards the end of the year and in the first half of this year. The interest rates on existing variable-rate loans were adjusted concurrently with the changes in the interest rate benchmarks, while the interest rates on fixed-rate loans continued rising for a little longer on account of the maturing of debt that had been concluded in the past at significantly lower interest rates. The rise in the average fixed interest rate on the housing loan stock came to an end in the first half of this year (at 2.8%), while interest rates on the consumer loan stock already fell slightly (the rate averaged 6.4% in June). Meanwhile the average fixed interest rate on loans to NFCs rose this year (and stood at 3.1% in June). Interest rates on existing variable-rate loans fell discernibly over the first six months of this year.[22] In recent BLSs banks have cited competitive pressure and competition from other banks as the most important factor in the relaxation of loan terms and conditions for loans to NFCs and household loans alike, which is also reflected in developments in interest rates. Meanwhile the fall in interest rates on loans to households and NFCs in the euro area overall was significantly slower, which visibly narrowed the gap between rates in Slovenia and the euro area average over the first six months of this year (see Figure 2.14, left).

[21] Fixed-rate loans accounted for approximately a quarter of all new loans in the first half of this year.

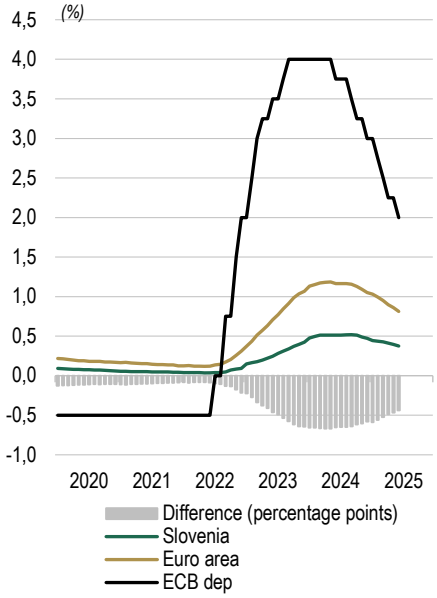
[22] To 4.5% on housing loans (by 1.0 percentage points), 6.7% on consumer loans (by 1.2 percentage points) and 3.9% on loans to NFCs (by 0.9 percentage points).

Figure 2.14: **Interest rates**

Average interest rates on stock of loans to households and non-financial corporations, comparison with the euro area



Average interest rates on stock of deposits by households and non-financial corporations, comparison with the euro area



Note: ECB ref is the interest rate on main refinancing operations. ECB dep is the interest rate on the deposit facility.
Sources: ECB Data Portal, Banka Slovenije calculations.

Interest rates on the stock of deposits by the non-banking sector fell more slowly in Slovenia than in the euro area overall, albeit from a significantly lower level. Interest rates on new long-term household deposits[23] began to gradually fall at the beginning of last year, and they had reached 1.6% by June of this year. Interest rates on new short-term deposits only began to fall in the final quarter of last year, but had fallen notably by June of this year to 0.9%. Interest rates on new long-term and short-term deposits by NFCs began to fall significantly in the second half of last year and over the first half of this year: in June they stood at 1.7% and 1.3% respectively. Interest rates on sight deposits, whose share of total deposits by the non-banking sector has been increasing overall since spring of last year (see Figure 7.10, right, in the appendix), held at below 0.1% for households and just over zero for NFCs. The gradual fall in interest rates on the stock of deposits by households and NFCs strengthened last year and in the first half of this year, but was significantly outpaced by that in the euro area overall. This visibly narrowed the gap with the euro area average (see Figure 2.14, right).

The interest spread[24] declined in the first half of the year in Slovenia, particularly in the NFCs portfolio. It has been narrowing in both the household portfolio (see Figure 7.9, left, in the appendix) and NFCs portfolio (see Figure 7.9, right, in the appendix) since key interest rates hit their peak in September 2023. Meanwhile in the euro area overall it widened moderately over the first half of the year in the household portfolio, and narrowed slightly in the NFCs portfolio. This significantly narrowed the gap with the euro area average in both customer segments. The major changes in the gap with the euro area average were again due to the faster and more intensive adjustment in interest rates on loans in Slovenia, particularly those to NFCs. Given the persistently high share of sight deposits (see Figure 7.10, right, in the appendix), interest rates on deposits stocks are also responding more slowly to the fall in key interest rates. Despite major changes over the last six months, the interest spread in both customer segments

[23] Deposits fixed for more than one year are classed as long-term deposits, while short-term deposits are fixed for up to one year.

[24] The interest spread is defined as the difference between average interest rates on loan stocks and average interest rates on deposit stocks.

remained wider than its level from before the beginning of the key interest rate hikes. Banks in Slovenia remain in a better position with regard to net interest income than those in the euro area overall, but the conditions are gradually becoming less conducive to maintaining the solid developments in income as interest rates fall.[25]

2.4 Credit risk

Q2 25 Q3 25 ⇨

After being raised in the first quarter of this year, the credit risk assessment has been held at moderate with a stable outlook. The deterioration in the quality of the loan portfolio is being driven primarily by industry, which is under greater influence from the challenging international economic situation. For now, it is nevertheless limited to certain sectors and individual firms and does not reflect the potential of a more broadly based issue with debt servicing at banks. The quality of the portfolio in service-oriented sectors is improving by contrast. While the labour market remains in good shape and households on average maintain a sound financial position, the quality of the household loans portfolio remains good, although the stock of non-performing consumer loans is increasing. The number of bankruptcies initiated last year was up in year-on-year terms, which also increased the banking system's exposure to these firms, but it remains small. Coverage of NPEs and performing exposures by impairments and provisions declined.

NPEs, credit risk stages and exposure to firms in bankruptcy

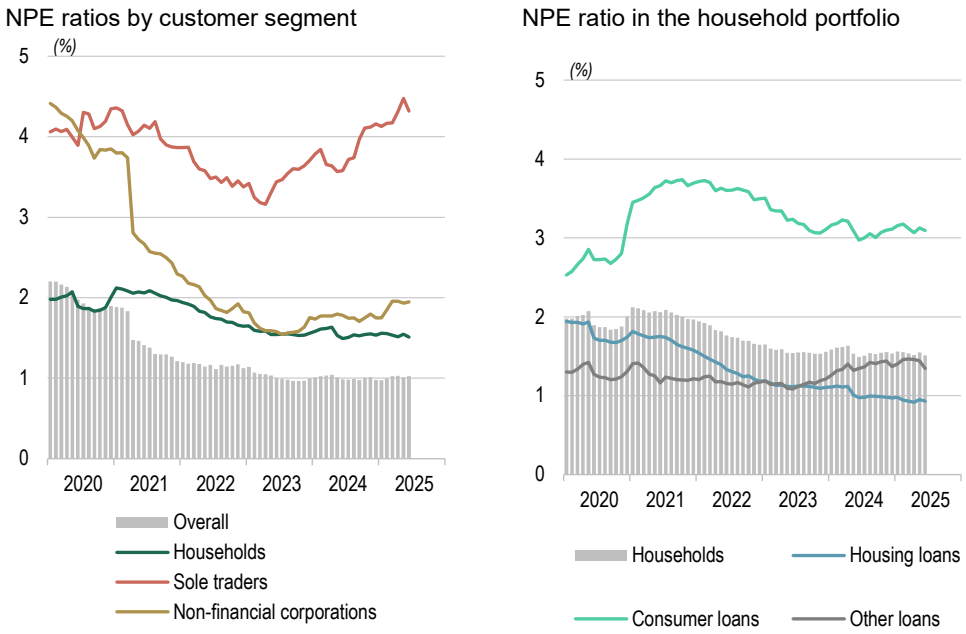
The quality of bank assets as measured by the NPE ratio remained at a favourable level over the first half of 2025. The NPE ratio remained stable and has been unchanged since falling to 1.0% in April 2023 (see Figure 2.15, left). The stock of NPEs has increased by 10.1% since then to EUR 645 million, but growth in total bank exposure was even higher at 12.8%. The pace of the increase in NPEs changed noticeably in the first half of the year from the perspective of credit risk. Having been broadly unchanged last year, the stock has increased by 8.5% since the beginning of the year (see Figure 7.11, left, in the appendix), significantly outpacing the increase in total exposure (3.6%). There were rises in the NPE ratio in the portfolios of NFCs (to 1.9%) and sole traders (to 4.3%), where the more challenging economic situation is already being reflected gradually and in certain segments, while other customer segments saw no change in the NPE ratio. Amid a buoyant labour market and a solid average financial position of households, the NPE ratio remained stable in the household portfolio (see Figure 2.15, right) and has held at close to 1.5% since May of last year, with stable figures in the portfolios of housing loans (0.9%), consumer loans (3.1%) and other household loans (1.3%). The stock of NPEs in the consumer loans portfolio has increased by 5.1% since the beginning of the year, but the growth in exposure was slightly higher, while the stock of NPEs in the housing loans portfolio is broadly unchanged since December 2024 (see Figure 7.11, right, in the appendix).

The deterioration in the quality of the portfolio of loans to NFCs was primarily driven by firms in professional, scientific and technical activities, manufacturing, and construction. The NPE ratio in the professional, scientific and technical activities portfolio underwent a sharp rise to 3.6% (see Figure 2.16, left), with the increase of EUR 20 million in the stock of NPEs in this sector over the first half of this year accounting for half of the total increase in NPEs to NFCs. The increase in NPEs was driven solely by a few firms and did not entail a broader based deterioration in loan quality in

[25] For more, see the section on income risk.

this sector. The uncertainty in the global metal industry is also being reflected in Slovenia, with certain firms facing a major fall in new orders, and the difficulties are already being reflected in the capacity to repay bank loans. Loans to several firms engaged in the manufacture of basic metals were reclassified as NPEs in March, but the NPE ratio in manufacturing then declined again over the period to June (to 2.5%). A major factor in the deterioration in the quality of the NFCs portfolio in June was the increase in the stock of NPEs in construction, which was concentrated at a single firm under foreign ownership, the NPE ratio in the construction portfolio rising to 2.3%.

Figure 2.15: **NPE ratios in individual portfolio segments**

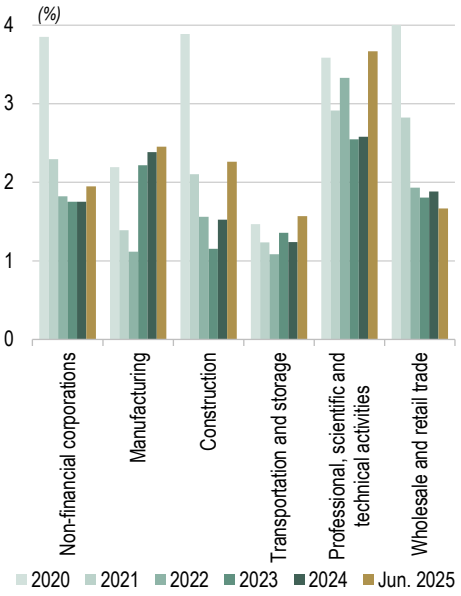


Source: Banka Slovenije.

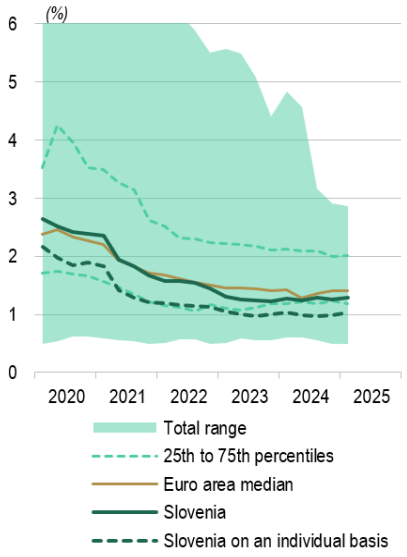
The services portfolio saw an improvement in quality. The largest decline in the stock of NPEs in the first half of the year was seen in wholesale and retail trade, although the large exposure to this sector meant that the NPE ratio only declined slightly (by 0.2 percentage points) to stand at 1.7% in June (see Figure 2.16, left). Following several months of stagnation, and the previous sharp trend of decline after the pandemic, the quality of the portfolio of loans to firms in accommodation and food service activities has improved again. The NPE ratio had declined to 3.6% by June of this year. Most other sectors where services are prevalent also saw a decline in the stock of NPEs. The NPE ratio has been approximately 0.4 percentage points lower than the euro area average for the last year and a half and also remains lower than the euro area median (see Figure 2.16, right).

Figure 2.16: **NPE ratio for non-financial corporations in selected sectors and comparison of NPE ratio with the euro area**

NPE ratios by economic sector



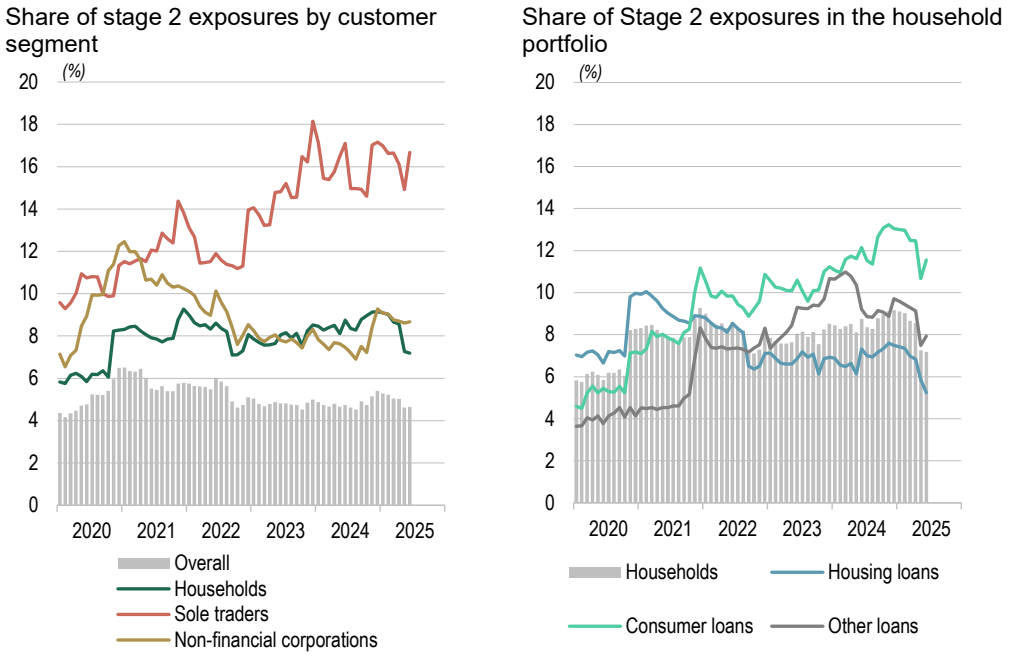
NPE ratios, comparison with the euro area



Notes: In the left chart the NPE ratio for wholesale and retail trade in 2020 is not fully illustrated and exceeds 8%. The right chart solely captures data for debt instruments (loans and debt securities) on a consolidated basis, while the data for Slovenia on an individual basis captures bank exposure in its entirety on an individual basis. The upper limit of the total range is not fully visible for the period to 2022, on account of the extremely high values recorded by Greece. The data for Estonia, Finland, Ireland and Lithuania is missing for the first quarter of 2025, as a result of which the data for the previous quarter for these four countries is used in the calculation of the euro area median for that quarter.
Sources: Banka Slovenije, ECB Data Portal.

The share of Stage 2 exposures (those with increased credit risk) has declined since December of last year. It stood at 4.6% in June, close to its lowest level of recent years (see Figure 2.17, left); the decline was broadly based across customer segments. The stock of Stage 2 exposures declined by EUR 357 million (or 10.9%) over the first six months of this year to stand at EUR 2.9 billion, with households and NFCs accounting for the majority of the decline. The share of Stage 2 exposures in the household portfolio had declined to 7.2% by June of this year, its lowest level since October 2022, which alongside the stable NPE ratio is further evidence of the sound financial position of households as recognised by the banks. The decline was driven by housing loans, consumer loans and other household loans, with all three segments recording a discernible decline in the share of Stage 2 exposures. At 5.2% in June, the figure in the housing loans portfolio hit its lowest level in several years, while the figure in the consumer loans portfolio fell below its trend level of the last five years, hitting 11.6% in June. The figure in the portfolio of other household loans stood at 7.9% (see Figure 2.17, right). Sole traders remained prominent, although the share of Stage 2 exposures in this portfolio has stabilised at around 16% over the last two years. This portfolio also accounts for just 1.3% of the banking system's total exposure.

Figure 2.17: **Share of Stage 2 exposures in individual portfolio segments**



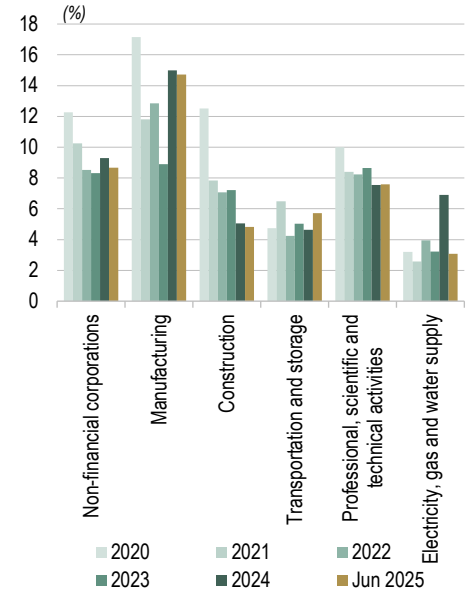
Source: Banka Slovenije.

While the share of Stage 2 exposures in the NFCs portfolio increased notably at the end of last year, it gradually declined over the first six months of this year. Last year's increase was driven by the manufacturing portfolio, where the share of Stage 2 exposures almost doubled over the course of two months. The increase in risk was mainly driven by the manufacturing of steel, equipment for motor vehicles, and plastics (see Figure 2.18, left). The share of Stage 2 exposures in the manufacturing portfolio stood at 14.7% in June of this year, similar to last December, which means that the decline in the NFCs portfolio was mainly driven by other sectors. The most notable of these was electricity, gas, and water supply,[26] where the share of Stage 2 exposures stood at 3.0% in June, down more than a half on the previous month. The decline in the stock of Stage 2 exposures was mainly attributable to the reclassification of a large exposure to a single firm to Stage 1, which was the largest single reclassification from Stage 2 in absolute terms in the first half of the year. After several months of stagnation, the share of Stage 2 exposures in the accommodation and food service activities portfolio declined again. From its extremely high levels during the pandemic, when more than half of total bank exposure to firms in this sector were classified as Stage 2, the share of Stage 2 exposures had declined to 17.6% by June of this year.

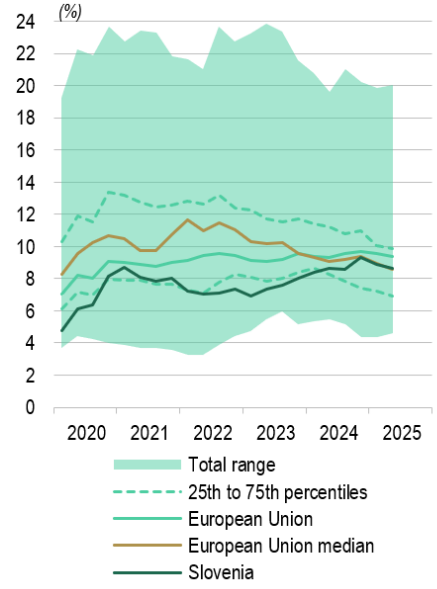
[26] Combines the two sectors of electricity, gas, steam and air conditioning supply (D) and water supply, sewerage, waste management and remediation activities (E).

Figure 2.18: **Share of Stage 2 exposures to firms in selected sectors, and comparison with the EU**

Share of Stage 2 exposures to non-financial corporations by economic sector



Comparison of share of Stage 2 exposures with the EU

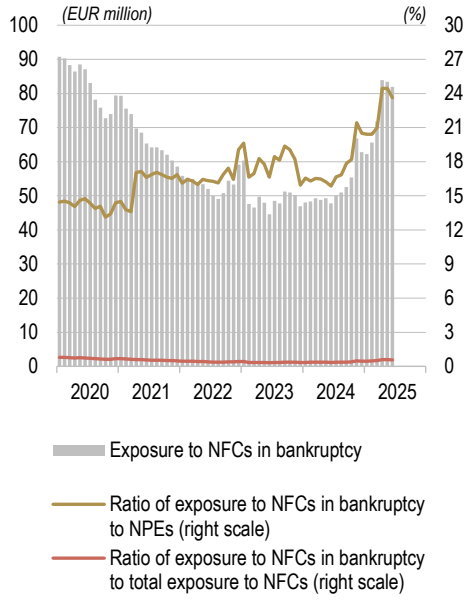


Note: The data in the right chart captures loans alone, covers significant institutions only, and is on a consolidated basis.
Sources: Banka Slovenije, EBA.

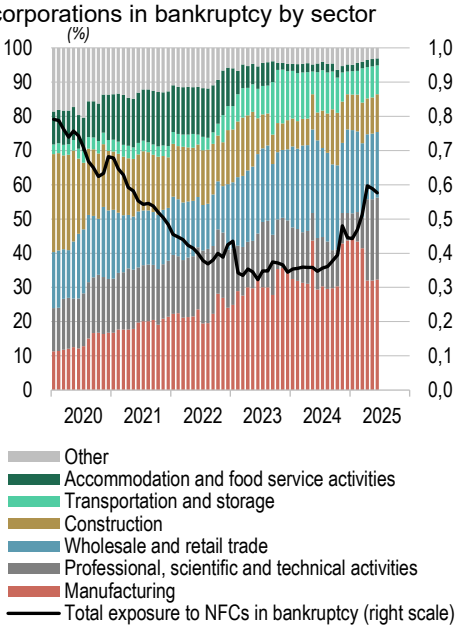
The number of bankruptcies initiated is rising, but bank exposure to these firms remains low despite the increase. The difficult economic situation last year is being reflected in an ongoing rise in the number of firms in bankruptcy, which has been increasing again since September of last year after several years of decline. The number in the 12 months to June was up 9.3% on the same period a year earlier. This is also increasing the banking system's exposure to firms in bankruptcy, which amounted to EUR 82 million in June (see Figure 2.19, left), up 31% on December of last year and up 71% in year-on-year terms. Despite the relatively large increase, bank exposure to firms in bankruptcy remains small relative to total exposure to NFCs. The ratio stood at 0.6% in June, up from 0.3% a year earlier, close to its record low. Manufacturing firms accounted for 32% of the total exposure to firms in bankruptcy in June, the figure having ranged above 40% between November of last year and March of this year, before declining (see Figure 2.19, right). Their share had increased fastest over the preceding five years, while further evidence of the difficult economic environment faced by manufacturing firms comes from the rapid increase in the stock of exposure during this period. The largest increase in the breakdown over the last year was recorded by firms in professional, scientific and technical activities, whose share hit 24% in June, while the share accounted for by wholesale and retail trade declined discernibly to 19%. In terms of the size of firms in bankruptcy proceedings to which banks hold exposure, the share accounted for by large enterprises has declined over the last few years to hit 2.2% in June, having stood at around a fifth five years ago. Medium-size enterprises make up the majority of the other firms; their share increased in previous years and stood at 63.2% in June of this year.

Figure 2.19: **Bank exposure to non-financial corporations in bankruptcy**

Bank exposure to non-financial corporations in bankruptcy



Breakdown of exposure to non-financial corporations in bankruptcy by sector



Sources: Banka Slovenije, Supreme Court.

Bank credit standards and interest rates

According to the BLS, banks slightly eased their credit standards for NFCs in the first half of the year but slightly tightened them for households. There were a number of factors in the slight easing for loans to NFCs in the first quarter (see Figure 7.28, left, in the appendix), but these changes were reported by a limited number of banks.[27] Credit standards were also eased in the second quarter. Again, the changes in this direction were reported by a limited number of banks, and related to risk tolerance at the bank, risk related to the collateral demanded, the industry-specific situation and outlook, and the general economic situation and outlook. Credit standards in the household portfolio were slightly tightened for consumer loans and other loans in the first quarter (see Figure 7.32, left, in the appendix), and for housing loans in the second quarter (see Figure 7.30, left, in the appendix). The banks cited the borrower's creditworthiness as a factor in the first, and the change in risk tolerance at the banks as a factor in the second.

The fall in interest rates is reducing the burden of servicing the non-banking sector's liabilities at banks, albeit differently with regard to the type of remuneration. Expectations of cuts in the ECB's key interest rates had in the recent period driven a fall in interest rates on new loans to the non-banking sector, while developments in average interest rates in the loan stock varied according to the customer segment and the type of loan. While the interest rates on existing variable-rate loans were adjusted concurrently with the changes in the interest rate benchmarks, the interest rates on fixed-rate loans continued rising for some time further on account of the maturing of debt that had been concluded in the past at significantly lower interest rates. Given the breakdown of borrowing, the favourable effect of the fall in interest rates is reflected most evidently in the NFCs portfolio, where the share of variable remuneration is largest at more than four-fifths.[28]

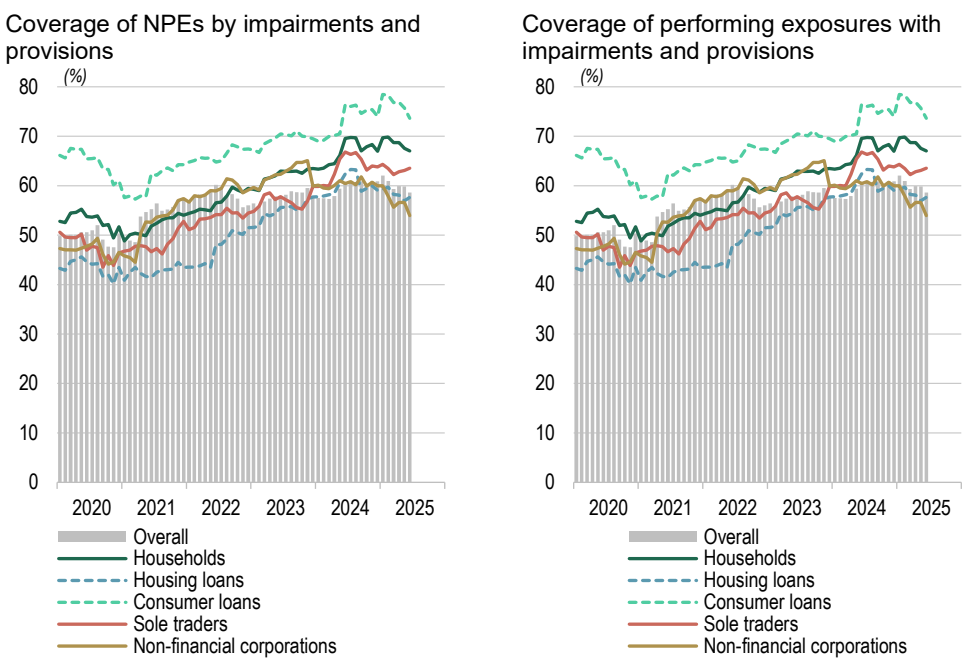
[27] Eight banks are included in the BLS for Slovenia.

[28] For more on interest rates, see the section on interest rate risk.

Coverage by impairments and provisions

Coverage of NPEs and performing exposures by impairments and provisions declined over the first half of this year. While coverage of NPEs by impairments and provisions reached its highest level for several years in January at 62.1%, by June of this year it had declined to 58.6%, close to its average over the previous three years (see Figure 2.20, left). The decline was driven in particular by NFCs: coverage of their NPEs declined by 6.0 percentage points over the first six months of the year to stand at 54.0%, largely as a result of a significant increase in NPEs in professional, scientific and technical activities, construction, and manufacturing. New NPEs are generally impaired to a lesser extent. Meanwhile coverage of NPEs in the household portfolio is broadly unchanged since December of last year, as the housing loans portfolio saw a slight decline, the consumer loans portfolio was virtually unchanged, and the other household loans portfolio saw an increase.[29] Consumer loans remain notable for the coverage of performing exposures in the portfolio, at 1.6%, unchanged from December of last year (see Figure 2.20, right). Overall coverage of performing exposures by impairments and provisions was down only slightly on December of last year. It stood at 0.41% in June.

Figure 2.20: **Coverage of NPEs and performing exposures by impairments and provisions**



Source: Banka Slovenije.

[29] Coverage of NPEs by impairments and provisions stood at 57.7% in the housing loans portfolio in June (down 1.4 percentage points on December 2024), 73.7% in the consumer loans portfolio (down 0.4 percentage points on December 2024), and 68.9% in the other household loans portfolio (up 4.2 percentage points on December 2024).

2.5 Income risk

Q2 25 Q3 25 ⇧

Income risk in the Slovenian banking system is assessed as low for the second consecutive year. The decline in net interest is indicative of an increase in risk, but the net interest and income in the banking system are still at a level that markedly exceeds that before the rise in interest rates. In contrast to the decade of very low or even negative interest rates, the higher interest rates allow banks to continue generating relatively high net interest income, and thus higher income than before the interest rate rises. The extremely low interest expenses generated by the relative importance of deposits, sight deposits in particular, on the funding side are an even greater factor. Non-interest income remains relatively stable. Net fee and commission income grew at a similar pace to total assets in the first half of the year, while dividends, which constitute the majority of non-interest income, were received by the banks earlier than last year, in May, and were consequently recorded under income in the first half of the year. Operating costs increased at significantly lower rates than in 2024, the base effect from the introduction of the tax on total assets having waned.

Gross income and net income

Gross and net income in the Slovenian banking system over the first half of this year remained comparable to the same period last year. Net income in the banking system has been around the EUR 0.6 billion mark for a number of six-month periods now (see Figure 2.21, left). Gross income was up EUR 63 million on the first half of last year at EUR 1,173 million, while net income was up EUR 42.5 million at EUR 647 million, driven by year-on-year growth in non-interest income. The increase in the latter was attributable to the earlier receipt of dividends (in May), the banks not having received dividends until the second half of last year (July). Excluding this temporary effect year-on-year growth in income would have been negative at the halfway point of the year as in the previous months, as the fall in interest rates reduced net interest income. By July gross and net income were again down in year-on-year terms.

Net interest income and non-interest income

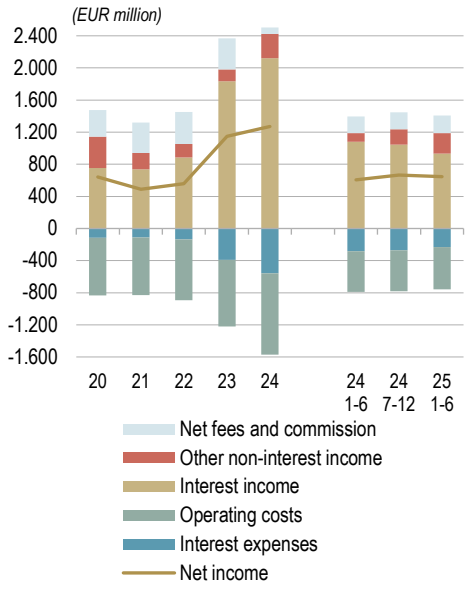
Net interest income in the first half of 2025 was down slightly more than a tenth in year-on-year terms. The year-on-year decline stood at 11.9% in June, comparable to the previous months. Interest income and interest expenses both declined. Interest rates in the first half of this year were down significantly on the same period last year, which was reflected in a decline in income from loans and claims against the central bank. Meanwhile interest income from securities increased. Having only partly adjusted in the previous years during the rise in interest rates, interest expenses remain conducive to maintaining a relatively high level of net interest income. However the interest rate level is not allowing for a further reduction in interest expenses as in other euro area countries that recorded larger changes in liability interest rates during the period of rising interest rates. The banks were able to compensate for around a third of the decline in interest income by reducing interest expenses.

The net interest margin is gradually declining, but remains above its long-term average.[30] Calculated over the preceding 12 months it fell to 2.84% in June, while the annualised quarterly figure stood at 2.66%, down almost 0.7 percentage points on its peak from December 2023.

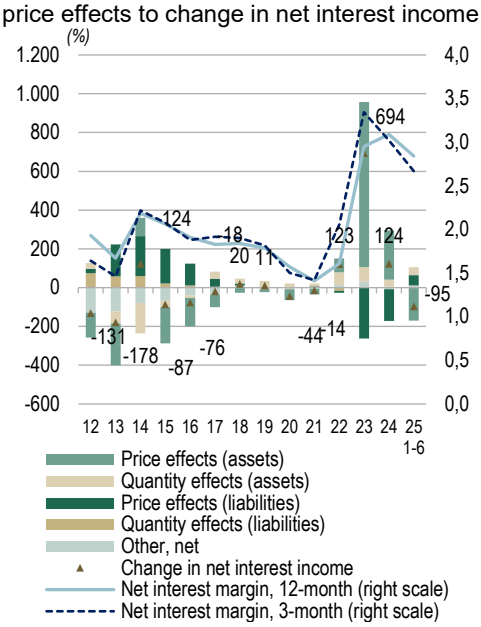
[30] The average value of the net interest margin in the Slovenian banking system in the period from Slovenia's entry into the EU in 2004 to the end of 2024 was 2.15%, and the value since Slovenia's entry into the euro area in 2007 was 2.07%.

Figure 2.21: **Components of net income and contribution made by quantity effects and price effects to change in net interest income**

Net income and its components



Contribution made by quantity effects and price effects to change in net interest income



Note: The data for the change in EUR million for the first half of the year 2025 illustrates the change relative to the same period last year.
Source: Banka Slovenije.

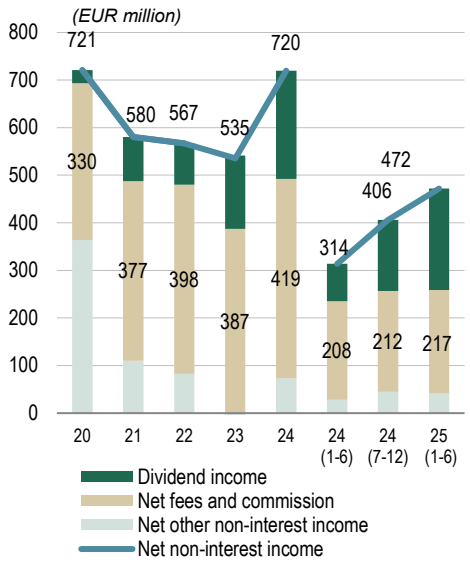
The decline in net interest income in the first half of the year was driven by price effects on the asset side of the balance sheets. Similarly to last year, but in the reverse direction, they outweighed the now positive price contributions made by liabilities (see Figure 2.21, right). The negative price effects on the asset side came from loans to the non-banking sector, and from the most liquid assets such as claims against the central bank and banks. The price effects from securities holdings were positive by contrast, the banks having gradually replaced the lower-yielding securities issued during the period of low interest rates with newer and higher-yielding securities. On the liability side, the fall in interest rates meant that there were positive price effects in deposits and wholesale funding in the first half of the year. Aggregate quantity effects were minor, and on the asset side were reflected in an increase in (net) interest income from the increase in loans and securities, the banks having again slightly reduced their claims against the ECB this year and increased their holdings of securities. Meanwhile on the liability side the increase in interest expenses was driven mainly by wholesale funding, but also fractionally by deposits by the non-banking sector.

Net interest income in the banking system over the first six months of this year was up a half (51%) on the same period last year. Earlier dividends compared with last year were a factor in the increase. Dividend income (see Figure 2.22, left) over the first half of this year was up 172% in year-on-year terms at EUR 213 million, but this effect was merely temporary, and had waned by July, non-interest income of a similar size from dividends having been realised in July of last year.[31] Net fees and commission were up 4.7% this year, comparable to the increase in total assets, while the net commission margin in June remained at a similar level to the previous months and last year (0.79%).

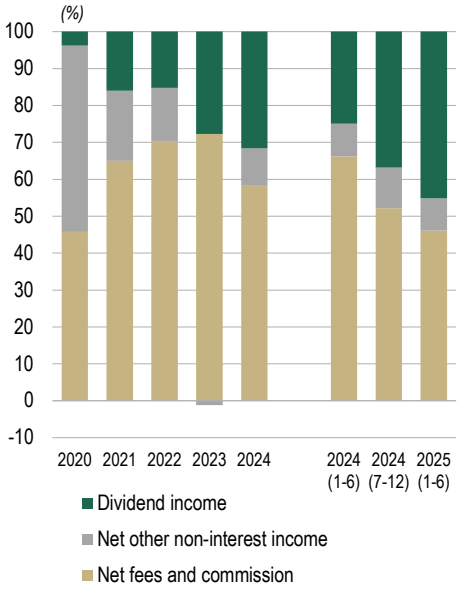
[31] Income of this kind could be reflected on bank balance sheets in different months from year to year, depending on realisation, which drive high volatility in year-on-year rates of growth in individual months.

Figure 2.22: **Absolute and relative breakdown of non-interest income**

Absolute breakdown of non-interest income



Relative breakdown of non-interest income



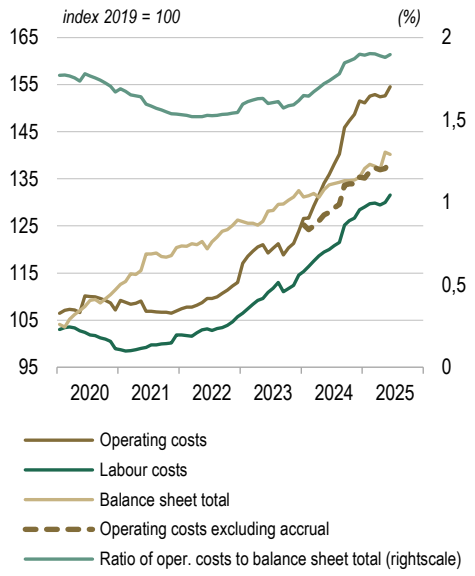
Note: The overall effect of other net non-interest income in 2023 was negative.
Source: Banka Slovenije.

Operating costs

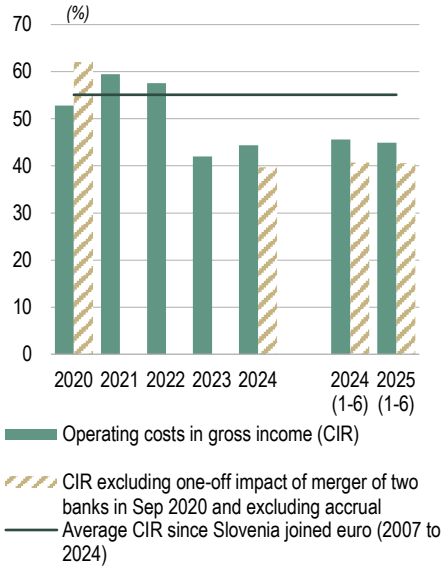
Operating costs increased at significantly lower rates in the first half of 2025 than in 2024, the base effect from the introduction of the tax on total assets having waned. The accrual of costs following the introduction of the tax on total assets drove a sharp increase in year-on-year growth in operating costs (to 22.3% in December), but the rate has slowed to 4.0% this year. Another factor in the lower growth in costs is the slight decline in the amount of accrued tax on total assets in 2025, with the banks able to reduce their taxable base on account of the rise in corporate income tax by 3 percentage points in 2024. Labour costs in the first half of the year were up 5.1% (compared with 12.8% in December of last year). The Cost-to-income ratio (CIR) remains well below average, as income in the banking system remains high. The CIR over the first six months of this year (44.9%) was entirely comparable to the figures seen in the same period last year (45.6%) and across the whole of the year (44.4%), and was thus significantly below its long-term average (see Figure, 2.23, right). The CIR in the Slovenian banking system is relatively low compared with banks in the EU and in the euro area overall (see below and in the appendix).

Figure 2.23: **Operating costs and CIR**

Growth in operating costs, labour costs and balance sheet total



Cost-to-income ratio (CIR)



Source: Banka Slovenije.

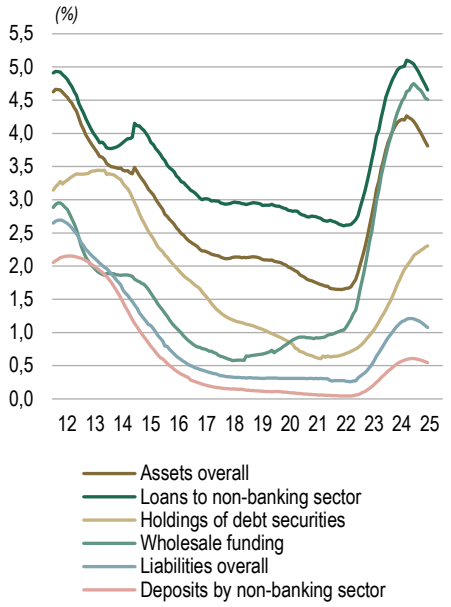
Expected developments in income in the second half of 2025

Our expectation is that the banks will generate slightly less income in 2025 than last year. The spread between asset and liability interest rates remains relatively wide, and is allowing the banks to generate high income, particularly compared with the period when low interest rates prevailed. The current level of net interest income is still high, even though the figure for the first six months of this year was down almost 12% on the exceptionally high level in the first half of last year. It should be noted that net interest income had almost doubled in 2023 relative to the previous year, before further increasing by just under a tenth in 2024. The fall in the ECB interest rates slowed at the same time, and by July the 3-month Euribor had stabilised at just under 2%. The net interest margin is still above average (see Figure 2.26, right): over the summer it was around 0.5 percentage points higher than its long-term averages since Slovenia joined the EU (2.1%) and the euro area (2.0%). Growth in net non-interest income will slow in the second half of this year, on account of a base effect from dividend payments. Non-interest income is expected to remain stable compared with last year. Growth in net fees and commission remains solid, and comparable to growth in total assets, while growth in operating costs will be significantly lower than last year on account of a base effect and the possibility of excluding some of the corporate income tax paid last year.[32] Operating costs amounted to EUR 0.53 billion over the first six months of the year, and slightly exceeded EUR 1 billion over the 12 months to June, comparable to the level in 2024. The gross and net income generated in the banking system will be down on last year, but will still allow for higher profitability than during the period of low interest rates, with the banks still recording an above-average net interest margin.

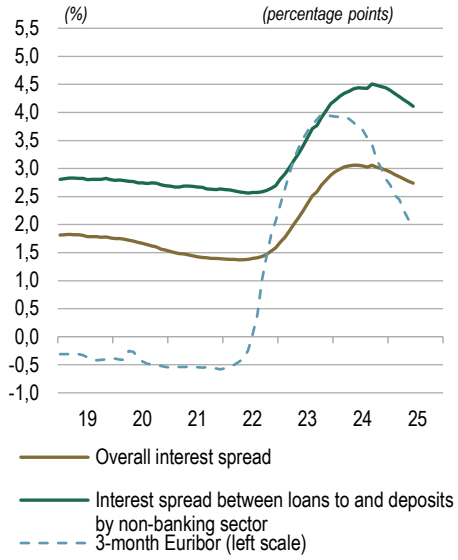
[32] The ninth paragraph of Article 78 of the Act on Reconstruction, Development and the Provision of Financial Resources.

Figure 2.24: **Interest rates on main asset and liability classes, and interest rate spreads**

Effective interest rates by main instruments of interest-bearing assets and liabilities



Interest spreads between total assets and liabilities, and between loans to and deposits by the non-banking sector



Note: The overall interest spread reflects the difference between the interest rates on interest-bearing assets and interest-bearing liabilities. The interest rates and the resulting spreads are calculated for the preceding 12-month period. The Euribor reflects the monthly data on each occasion.
Source: Banka Slovenije.

Comparison of income and cost indicators in the Slovenian banking system with EU Member States and the euro area

In 2025 the net interest margin has been above-average in Slovenia, and also in the euro area overall and the EU overall.[33] The net interest margin in the Slovenian banking system in 2024 was still higher than in 2023, although it gradually declined following the onset of interest rate cuts on the financial markets in the early part of last year. The net interest margin, net non-interest margin and net commission margin in Slovenia were again higher than those in the EU overall last year, particularly in the case of the net commission margin, where Slovenia ranked fourth among all EU Member States. In terms of the ratio of operating costs to total assets, banks in Slovenia were again ranked higher than the EU and euro area averages, similarly to the previous years, while last year the CIR in Slovenia was again below-average.

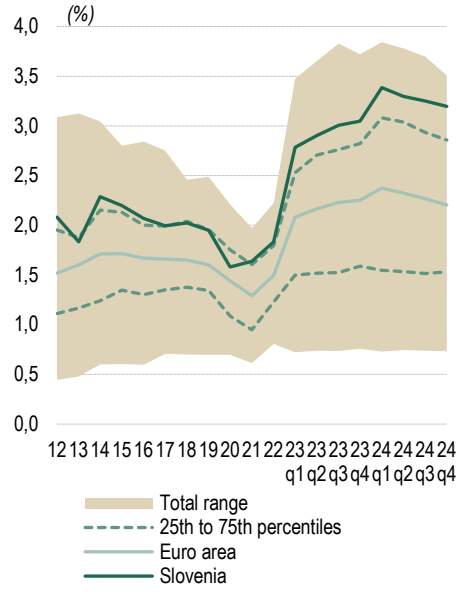
Compared with banks of similar size, only the net interest margin in Slovenia was above-average last year. The other key indicators were comparable, with the exception of the CIR, which was significantly lower in Slovenia. Banks in Slovenia recorded an above-average net interest margin compared with banks of similar size in the EU overall. The actually widened compared with 2023, stood at fully 0.9 percentage points on a margin of 3.2%. Last year the net non-interest margin and net commission margin in the Slovenian banking system were comparable and almost exactly the same as those in the group of small banks in the EU and the euro area overall, while a similar picture was painted by the ratio of operating costs to total assets. Similarly to the previous year, the CIR at banks in Slovenia last year was around 12 percentage points less than at banks of comparable size in the EU overall.

[33] The compared values relate to the whole of 2024 (ECB Data Portal, August 2025). See the Appendix at the end of the report on pages 111-113.

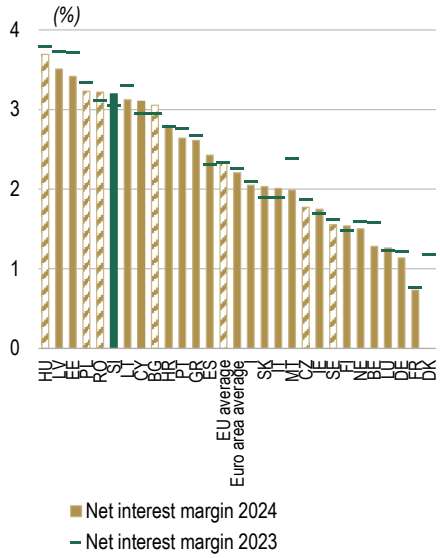
In terms of the performance indicators, the Slovenian banking system is relatively competitive compared with banks of comparable size in the EU overall. The deviation evident in the higher net interest margin at banks in Slovenia (see Figures 2,25 left and 2.26 left) , as a result of which banks also have higher income and consequently a lower CIR, is driven primarily by extremely low interest expenses.[34] Banks in Slovenia offer savers relatively uncompetitive conditions in the form of below-average interest rates on long-term saving products compared with banks across the EU and euro area. The same is true of interest rates on sight deposits, which have been building up for more than a decade and a half and barely generate any interest.

Figure 2.25: **Net interest margin in the euro area and EU Member States**

Net interest margin in Slovenia and the euro area



Net interest margin in euro area countries and EU Member States in 2023 and 2024



Note: In the left chart the data for net interest margin during the year reflects the cumulative data on each occasion. The net interest margin began to fall in 2024, but at the end of 2024 was still higher than at the end of 2023. The data for Denmark for 2024 in the right chart was not available.
Source: ECB Data Portal.

Slovenia had one of the highest net interest margins in the euro area in 2023 and 2024, thanks primarily to its low interest expenses. Slovenia ranked third in the euro area in terms of net interest margin in 2024, behind Latvia and Estonia, and fifth in the EU (see Figure 2.25, right), having been in the top quartile of euro area countries since the first quarter of 2023 (see Figure 2,25, left).[35] Last year Slovenia was also ranked only at the top of the lowest third (14th) in terms of the ratio of interest income to total assets, even while its net interest margin stood high. The ratio of interest income to total assets has been lower than the euro area average almost a decade now. The below-average ratio is a reflection to the comparatively high share of low-yielding liquid assets in the form of the ECB deposit facility and securities, and the low share of higher-yielding bank loans to the non-banking sector. The net interest margin in the Slovenian banking system was still well above the euro area average in the first quarter of this year (by 0.9 percentage points). The margin in the Slovenian banking system stood at 3%, down 0.15 percentage points on the same period last year. The decline in the net

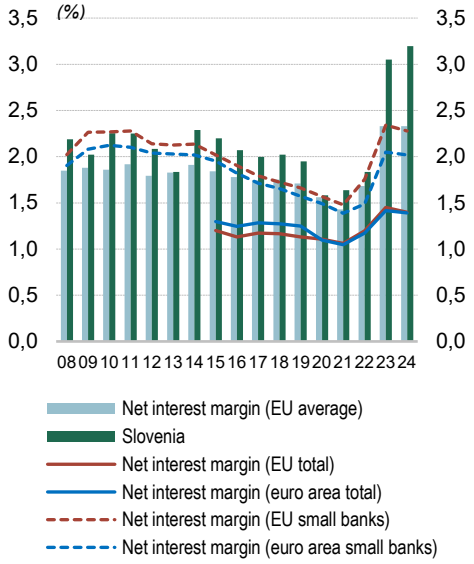
[34] See the paragraphs below, and the section on interest rate risk (if a comparison of interest rates is added) or in the appendix.

[35] The left chart compares Slovenia with the euro area alone, as these are the countries of the single currency zone that face the same central bank (ECB) interest rates. For more on the comparison, see also the October 2024 issue of the Financial Stability Review, where the ratios of interest income and interest expenses to total assets are illustrated in connection with a similar comparison.

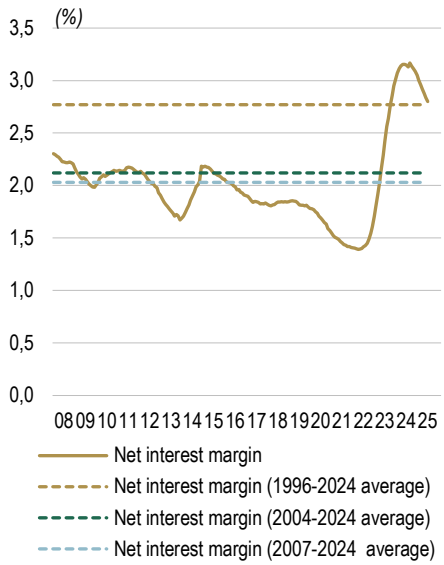
interest margin in Slovenia and in other European countries was expected. The EU and euro area averages in the first quarter of this year remained almost entirely comparable to last year (at 2.3% and 2.1% respectively).

Figure 2.26: **Net interest margin in the EU and euro area, and long-term interest margins in Slovenia**

Net interest margin in the EU and euro area and in Slovenia, 2008 to 2024



Net interest margin and long-term averages



Note: The left chart illustrates series on the basis of consolidated bank data, while the right chart is based on individual balance sheet data for banks in Slovenia. The EU and EA data illustrates the two zones overall.
Sources: ECB Data Portal, Banka Slovenije.

The ratio of interest expenses to total assets at banks in Slovenia remained one of the lowest of any euro area country and is a decisive factor in the high net interest margin in the Slovenian banking system. Only one country in the EU (Bulgaria) has a lower ratio of interest expenses to total assets. The exceptionally low ratio of interest expenses to total assets of 0.9% was less than half of the euro area mean (2.3%) and the euro area median (2.1%) and was the product of structural factors that have gradually developed over more than a decade. This process began in earnest after 2012, when the ECB's key interest rate on the deposit facility hit zero, and the period of negative interest rates between 2014 and 2022. During this time the share of bank funding accounted for by deposits by the non-banking sector and the share of total deposits accounted for by sight deposits increased. The two shares have stabilised in recent years, but both are factors in the low interest expenses and the increase in the net interest margin. This bank funding structure suggests that the banks could continue to keep funding costs (very) low over the short and medium terms.

The assessment of cyber risk in the banking system remains elevated with a stable outlook. In the first half of 2025, Slovenian banks reported no cyber incidents[36] to Banka Slovenije that caused financial loss or affected business with customers. The number of cyber incidents remained stable compared with previous quarters. Similarly, banks reported no potential cyber threats but did provide reports on incidents involving operational malfunctions or faults in payment systems and non-access to the services provided by external contractors. According to the output of the cyber mapping tool, cyber risk remains stable at the level of the banking system.[37] Because the elevated geopolitical risk means that cyber threats remain high, our cyber risk assessment remains elevated, with a stable outlook.

The number of cyber incidents reported to SI-CERT by the banking sector continues to decline.[38] In the first half of 2025, banks reported only four incidents, which meant that the number of cyber incidents in the banking sector halved (year-on-year figure). The most likely reason for the significant fall in the number of cyber incidents reported in the banking sector is the fall in the number of attempts at phishing and other online fraud. The survey results show that there have been improvements in the security culture and heightened awareness of the general cybersecurity measures in place at banks. Most of the other events and incidents were reported by individuals and firms (SMEs), with the research and education sector, central government administration and electronic communications operators seeing the highest levels of exposure (see Figure 2.27, left).

The Slovenian banking system was not the target of any major cyberattacks in the first half of 2025, in contrast to what has been seen in recent years at EU level. Despite geopolitical threats (war in Ukraine, conflict in the Middle East), there has been no rise in the number of critical[39] cyber incidents in the banking sector, nor have banks reported any major financial losses caused by cyberattacks. The most common types of attack on banks and their customers remain phishing,[40] DDoS attacks and online fraud. According to figures from the Slovenian police, customers of Slovenian banks suffered losses of EUR 3 million to cyberattacks in 2024. Most customers were adversely impacted by fraud involving the abuse of electronic and mobile banking services (90 cases), payment card abuse (88 cases) and false credit claims (28 cases). Banks report that they are expecting an increase in online fraud (attempts) and abuses in the electronic and mobile banking sector.

[36] DORA provides that banks and savings banks must report major incidents and cyber threats to financial system supervisors.

[37] The cyber mapping tool is designed to monitor and identify cyber risk at the level of the banking system, and also enables forecasts to be made of the cyber risk in the next quarter.

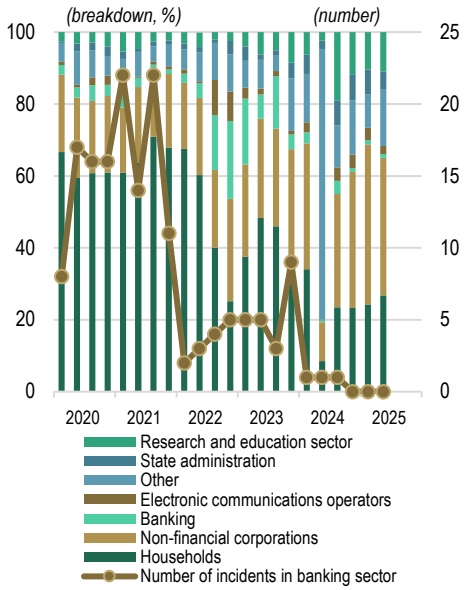
[38] Banks report to SI-CERT pursuant to the NIS2 Directive, which is implemented via the new Information Security Act (ZInfV-1). SI-CERT reporting captures a broader set of cyber incidents (including less significant incidents) than those reported to Banka Slovenije by banks. Only critical cyber incidents that meet the reporting criteria under the EBA guidelines are reported to Banka Slovenije.

[39] A critical incident is one that affects the performance of key economic functions that are essential to normal banking operations.

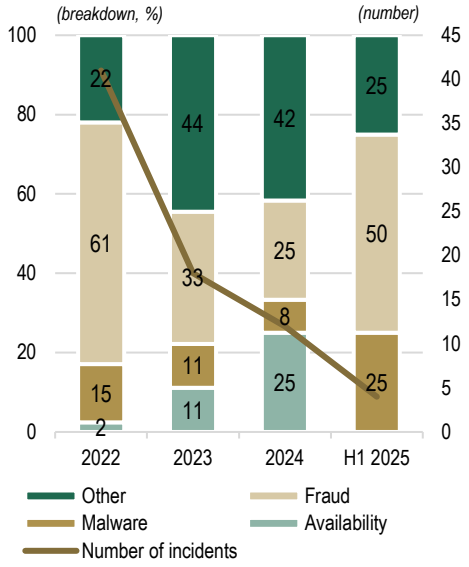
[40] Phishing attacks involve false representation, with the attacker sending a fraudulent (e.g. fake or otherwise misleading) message that causes the victim to reveal sensitive data to the attacker or install malware on their infrastructure.

Figure 2.27: **Cyber incidents by sector**

Breakdown of cyber incidents by sector, and number of critical incidents



Types of incident in the banking sector



Note: The term "Other" in the left chart covers the energy sector, financial markets infrastructure, online marketplace providers, healthcare, transportation, drinking water supply, digital infrastructure and cloud service providers.
Sources: SI-CERT, Banka Slovenije.

Fake bank emails, online fraud and ransomware accounted for most cyber incidents in Slovenia in the first half of 2025. These are the most common resources used by cybercriminals, whose primary motivation is financial (see Figure 2.28, right). Cyberattacks are also becoming increasingly sophisticated and complex. Criminals use sophisticated social engineering techniques to obtain confidential information from victims. Malicious emails and phishing are becoming increasingly more targeted and personalised, and consequently more effective. Rapidly advancing AI technologies, as well as deep fake technologies that enable highly realistic fake video content to be produced, are also helping criminals to target victims more effectively. There is a continuing upward trend in the number of cyber attacks on SMEs. Firms in this sector are faced with the challenge of a lack of financial resources to ensure that their cybersecurity arrangements are as effective as they can be. As a result, these firms remain highly exposed to ransomware attacks. These attacks usually penetrate the information system and encrypt all accessible files, which can then only be decrypted after payment of a ransom. Cyberattacks cause the most financial damage to individuals and SMEs. This indirectly impact on the banking sector as well.

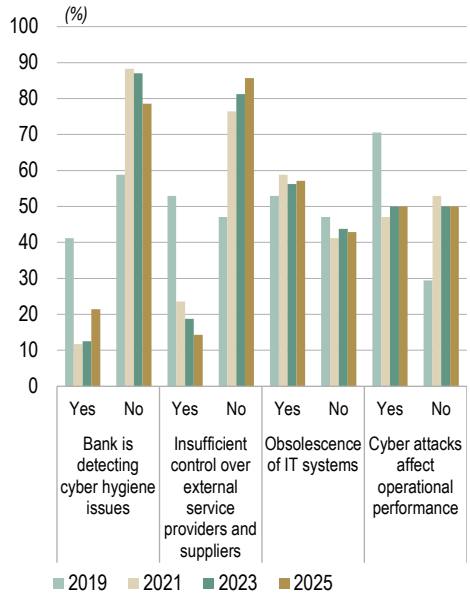
The EU banking sector is most affected by incidents involving external ICT service providers, DDoS attacks[41], unauthorised access and ransomware. These account for just over a third of all cyber incidents reported. There has also been an increase in incidents involving third-party service providers. These incidents indirectly affect bank operations (e.g. theft of confidential information, impact on the provision of banking services, instances of unauthorised access). The number of critical cyber incidents in the SSM remained stable in the first half of the year, while cyber threats remained elevated across the EU on account of geopolitical tensions.

[41] The aim of DDoS attacks is to disrupt or deny the provision of services to users. Botnets are commonly used to make attacks of this type. To prevent DDoS attacks, banks are setting up security operations centres and installing antivirus software.

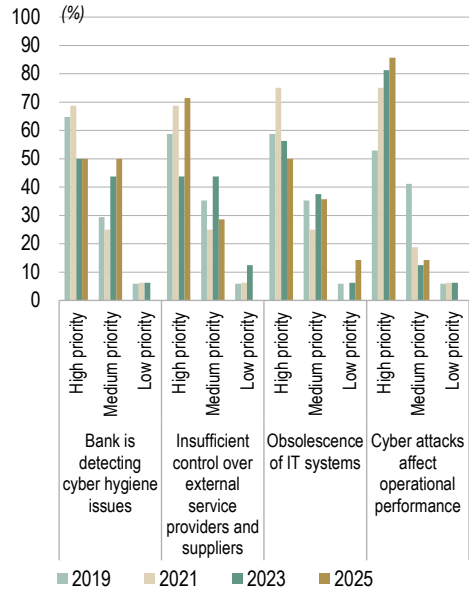
A **survey of challenges conducted among Slovenian banks shows that banks are facing three forms of cyber vulnerability: (i) insufficient supervision of outsourcing and suppliers, (ii) obsolescence of information systems, and (iii) issues with cyber hygiene.** However, banks are less subject to these vulnerabilities than they were in the past. Banks have chiefly improved their internal processes and policies in the area of outsourcing supervision and supplier management, which now meet the requirements of the EBA Guidelines on outsourcing arrangements and DORA.. Over the last year, banks have set up procedures for selecting external contractors that involve assessments of a range of relevant risks (information security management, personal data protection, use of cloud services, ethics, conflicts of interest, business continuity, ESG, ICT). According to the EBA Guidelines on outsourcing arrangements, banks produce a risk assessment once a year for all existing critical external contractors. Additionally, it is standard practice for service agreements to include clauses that enable banks to carry out reviews of the state of information security management at contractors to which they have outsourced services (see Figure 2.28, left).

Figure 2.28: **Cyber vulnerability of banks**

Cyber vulnerability of the banking system



Priorities for reducing cyber vulnerabilities in the banking system



Source: Banka Slovenije.

The survey results **show that, because of upgrades and replacements, banks' information systems are more fit for purpose than was the case in the past.** Banks are mainly reporting a reduction in the number of out-of-date information systems they use, employing regular IT planning processes that help them to assess when a system has become obsolete. Risks arising from the use of information systems that are no longer fit for purpose are identified and recorded in the bank's risk register. To improve cyber resilience, increase the speed at which threats are identified and respond more effectively to cyber threats across the system as a whole, banks need to earmark more resources in the future to strengthening cyber defences with additional security mechanisms (introduction of a secure operating system, and internal and application firewalls).

Banks report that they are still facing issues with regard to cyber hygiene,[42] albeit to a lesser extent than in previous years. They address cyber hygiene in an integrated and comprehensive way by upgrading control mechanisms and establishing minimum security requirements increase protection. They are also strengthening their resilience and their awareness of the importance of cyber hygiene by carrying out regular phishing attack simulations and providing information security training to staff. Our survey also set out to identify the order of priority given to various types of cyber vulnerability by banks, with the responses indicating that banks do take them sufficiently seriously. The cyber resilience[43] of the banking system has improved since 2023. The banking system is more prepared for cyberattacks and more able to mitigate their consequences (Figure 2.29, right).

Banks have not identified an increase in cyberattacks on their information systems due to geopolitical tensions, such as the war in Ukraine. Between January and June of 2025, there were 108,177 cyberattacks on the banking system. According to estimates, they caused financial losses of around EUR 205,000. Banks are not reporting any increased exposure of their information systems to cyberattacks on account of geopolitical tensions, and are not earmarking additional funding for cybersecurity to prevent those specific types of risk. Banks have not changed their strategic plans in response to current geopolitical tensions. Banks also report that there have been no serious cyberattacks on the providers of external services vital to bank operations in 2025. Banks are already facing the risk of cyberattacks involving AI. Bank staff and customers are already receiving phishing messages created using generative AI, which is one of the reasons why banks are incorporating AI technologies into security processes for their internal bank information systems. Banks are using AI chiefly to identify threats, simulate phishing attacks, analyze daily logs, protect email and conduct research. Most banks also already have a strategy for defending themselves against cyberattacks that use AI.

Box 2: **Risk management in the field of information and communications technology in the banking sector**

The scope and importance of risk management in the field of information and communications technology (ICT) in the banking sector have increased in recent years, largely because of technological advances and digitalisation. This is one reason why financial institutions and supervisors are carefully to monitor business disruptions, as well as fraud and financial crime. All of these adversely affect the ability of institutions to operate properly and damage the reputation of the financial sector. In July 2024 saw the CrowdStrike incident, which was caused by an operating error in the software made by a firm of that name. This was the first major operational incident[44] to have a global impact (banks, airports and numerous firms were affected). Longer IT service outages also have the potential to threaten financial stability. For example, at the end of April 2025, an extensive power blackout in Spain and Portugal led to the introduction of a state of emergency. The event affected infrastructure, telecommunications and transport, with electricity supply disruptions also affecting the operations of

[42] Cyber hygiene comprises the practices and steps that users of computers and other devices take to improve their online security.

[43] Cyber resilience is the capacity of a bank or any other financial institution to realise its mission statement through the anticipation

and management of cyber risks, and to recover fast from cyber incidents.

[44] Operational incidents are the result of inadequate or underperforming processes, people and systems, or of force majeure affecting the integrity, availability, confidentiality and/or authenticity of services related to key economic functions.

banks and other financial institutions. These cases demonstrate that operational incidents can also give rise to systemic risk. This is one reason why financial system supervisors are paying more attention to operational risk, particularly ICT risk management.

In the last year we have seen an increase in the number of incidents involving payment infrastructure and delivery of essential financial services. Thirty-nine serious operational incidents were identified in 2025, causing financial losses to banks totalling EUR 674,000. Within the financial system, most of the operational incidents occurred in February and March 2025 (an average of ten a month). The bulk of the incidents involved the malfunctioning of bank information systems and faults attributable to third parties that provide information solutions to banks (Figure 2.29, left).

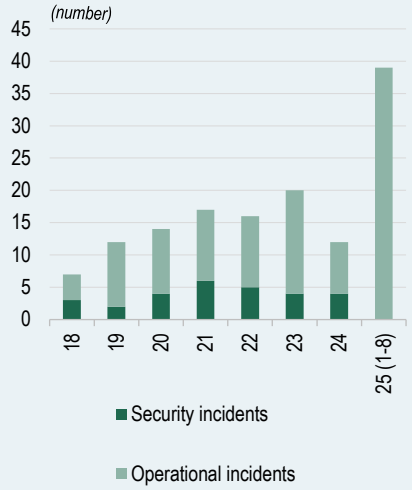
Cyber risk and data protection remain by far the most important operational risk factors for banks as the digital transformation gathers pace. Banks' exposure to risks, including their vulnerability to sophisticated cyberattacks, have increased on account of technological advances, ever more sophisticated ICT, an ever greater reliance on digital and ICT solutions, and an increase in the capacities of cyber criminals, who are turning to AI for support in ever increasing numbers. So far in 2025 Slovenian banks have not reported any serious cyber incidents that led to disruptions to their business. In contrast to security incidents,[45] we have been noticing a rapid rise in the number of operational incidents in recent years (see Figure 2.29, right).

Several operational incidents occurred in the first half of 2025 that impacted transactions at POS terminals and cash machines. The reasons for these types of disruption included the malfunctioning of authorisation interfaces or servers, leading to customers having transactions refused at POS terminals and cash machines. These are systemic faults that occur in the information system operation and prevent transactions from taking place for a certain period of time. While the operational incidents in question did not affect the solvency, liquidity or financial stability of the banking system, we note that some incidents have affected the reputation of certain banks (customers have closed their accounts).

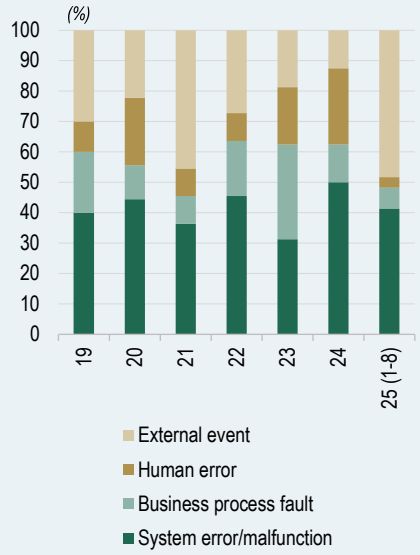
[45] A security incident involves unauthorised access to, use, disclosure, disturbance, change to or destruction of an entity's assets such as to affect the integrity, availability, confidentiality and/or authenticity of services related to key economic functions.

Figure 2.29: **Causes of incidents and the ratio between security and operational events**

Ratio between security and operational events



Root cause of operational incidents



Source: Banka Slovenije.

Banks work with external contractors who provide IT services and support the implementation of critical banking services. The key external ICT services include the operations of the security operations centres (SOC), support to the network and server infrastructure, and software and infrastructural support to central banking applications and to payment and digital channels. Banks are increasingly leasing services from external contractors that provide support in the area of information security. Most of the operational incidents in 2025 involved external contractors that provide services to banks. These incidents also caused banks to incur financial losses. It is therefore vital for banks to make thorough assessments of the risks before outsourcing critical business processes to external contractors. External events have accounted for the bulk of the operational incidents this year (e.g. malfunctioning of payment transactions), with faults in system operations and human error occurred relatively frequently.

Box 3: **Cyber risk and AI**

Cyber threats involving AI[46] can compromise the integrity of and trust of the banking sector. Serious incidents can also endanger financial stability. . AI-driven cyberattacks on information systems can weaken the banking sector's ability to precisely assess, evaluate and manage information risks, potentially leading to a build-up of undetected systemic risks. The results of the survey show that there has been an increase in the number of instances of sophisticated AI-based fraud in 2025. These are no longer being directed solely at individuals, but also at banks and businesses. The goal of most cyberattacks remains the theft of money. The survey shows that more and more banks are reporting that an increasing number of AI-based cyberattacks are aimed at identity theft, intrusion into firms' business operations, the spreading of disinformation and extortion. After stealing an identity using AI, attackers usually use that identity to mount further cyberattacks.

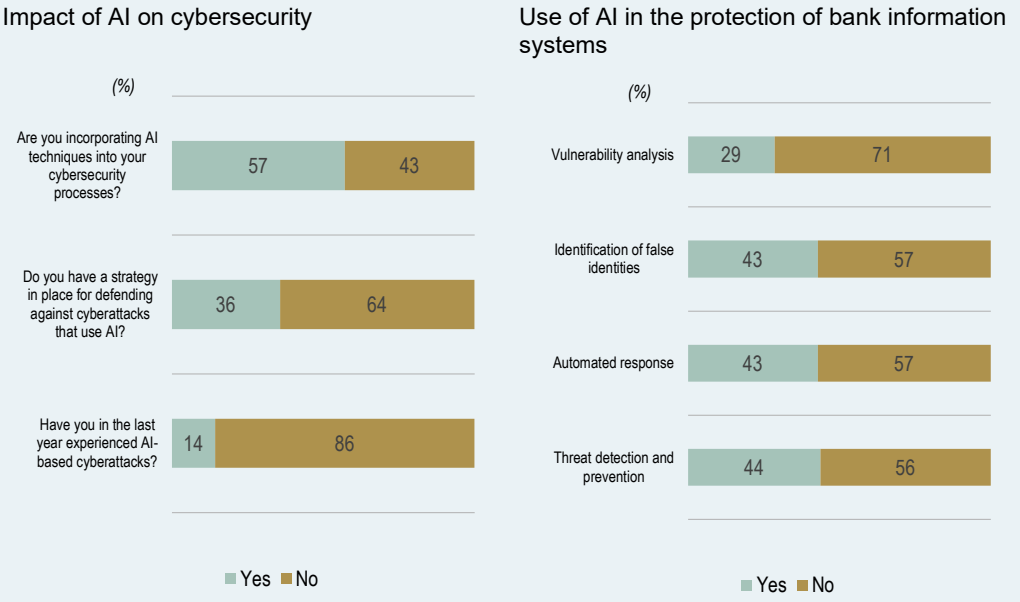
Slovenian banks are already having to deal with AI-based cyberattacks, albeit to a limited extent. Banks report that they are detecting attacks using generative AI

[46] AI is a field of computing involved in the development of systems that are capable of carrying out tasks that usually require human intelligence. It encompasses machine learning techniques, with a particular emphasis on the use of neural networks (e.g. the deep learning used for natural language processing), and other techniques.

tools[47] that can create sophisticated fake messages. These attacks have the potential to increase cases of identity theft and fraud. . Several successful attacks affecting bank customers have already occurred. Banks report these attacks to SI-CERT and the police.. The range of AI-based tools for monitoring users' online behaviour is also increasing. This increases the likelihood of users or employees clicking on a malicious link in a fake email. Banks and bank customers report that phishing emails are becoming more polished in terms of content and grammar as a result of advances in AI-based translation tools (part of the wider trend in improvements to AI tools that has been going on for several years).

To protect themselves against AI-driven fraud, banks are attempting to raise the awareness of both employees and customers. Employees are the first line of defence in bank security. Banks are therefore allocating additional funds to education and training in the field of information security. Banks are also using two-factor authentication for staff access to emails and for online banking. This makes it more difficult to enter a system even if the intruder has access to the password. Various tools are employed to protect against fraud, and designed to verify domain ownership and limit access to malicious sites. These tools enable banks to raise the level of protection against fraud that can be caused by AI. Most banks already have strategies for defending themselves against cyberattacks that use AI techniques and technologies (Figure 2.30, left).

Figure 2.30: **Impact and use of AI in banking**



Source: Banka Slovenije.

Banks are investing more and more in solutions that are based on AI techniques and are designed to become part of the security infrastructure. These developments lead to better automation and improvements in cybersecurity through advanced algorithms and machine learning. AI is used in the cybersecurity field to identify and prevent threats, automate response, analyse vulnerability and identify false identities. Banks use AI in particular to analyse large quantities of data in real time, and to identify

[47] Generative AI is a subset of AI. It does not just interpret information but also creates original content. Generative AI combines the power of machine learning, deep learning and AI to generate texts, videos, sound, code and images.

unusual patterns that could indicate a cyberattack. Advanced algorithms are also increasingly being used to detect attempts at identity theft and to prevent phishing attacks. We are also seeing advances in the use of AI to enable the development of more sophisticated security systems that learn from past attacks and continuously adapt themselves to new threats (see Figure 2.30, right). According to banks, the growth trend in the use of AI in cybersecurity is towards the use of generative AI models that analyse security events and develop smart chatbots designed to proactively prevent cyber threats. We are seeing AI playing an increasingly more important role in protecting banking systems against growing cyber threats.

AI creates numerous security-related opportunities for banks, as well as certain risks and challenges Therefore, it is vital that we properly utilize AI in cybersecurity When using AI for cybersecurity purposes, it is important to strike a balance between automation, security and ethical issues.

2.7 Climate risks

Q2 25 Q3 25 ⇨

Climate risks in the banking system remain moderate. Exposure to highly climate-sensitive sectors has increased, although there have been further improvements in the carbon indicators. There has been a slight increase in the credit risk in climate-sensitive sectors. Transition risks in the banking system therefore continue to be assessed as moderate, while physical risks remain relatively stable (and are currently assessed as low). The results of the survey on future challenges in the banking system indicate that banks have made significant progress in operationalising their ESG strategies.

Exposure to climate-sensitive sectors increased by an average of 4.2% year-on-year, while carbon indicators have seen further improvement. According to the first definition based on emissions in Slovenia, the largest factor in the increase was construction (accounting for 5.3 percentage points), while according to the second definition, which is based on emissions in the EU, the largest factor was the increase in exposure to the energy-intensive and housing sectors (3.9 and 2.5 percentage points, respectively). The shares of exposure to climate-sensitive sectors remain relatively stable: 34% under the first definition and 35% under the second definition as of June 2025. Carbon indicators further improved, largely as a result of a decrease in exposure to the electricity, gas and steam supply sectors. Carbon credit intensity and weighted carbon intensity decreased by an average of around 4.5%. The tilt towards polluting activities declined further, to reach an average of 17.8% by June (average year-on-year decline of 5 percentage points).

In the first half of the year the credit risk of climate-sensitive sectors increased, although it remains low in historical terms. The NPE ratio in the most climate-sensitive sectors in the NFCs portfolio increased by 0.15 percentage points to 0.7% (relative to December). NPEs in these sectors accounted for 36% of all NPEs to NFCs (a record high)[48], which is an increase of 4.9 percentage points from December (see Figure 2.32). The increase is the result mainly of weaknesses in manufacturing and construction. In the segment of climate-sensitive sectors, the NPE ratio rose to 2.1%, exceeding the NPE ratio for the entire NFCs portfolio for the first time (and indicating a deterioration in the credit risk in climate-sensitive sectors).[49]

Physical risks in the banking system remain relatively stable. As of June 2025, the share of exposure to entities in municipalities with a high or elevated physical risk (including chronic and acute physical risks) was 14.8% at the level of the system, while

[48] The data time series for exposure by sector covers the period from October 2016 onwards.

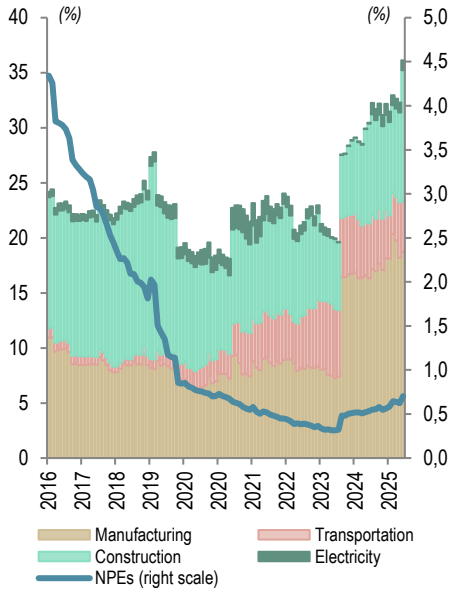
[49] For more details, see the FSR of April 2025.

the share of exposure to areas with high exposure to at least one acute physical risk was 14.1%. As a result of the larger spread of exposure to households, the share in the household portfolio remains higher than the share in the NFCs portfolio (18.6% versus 9.9%). In terms of acute physical risks, the banking system is least exposed to flood risk (share of exposure of 0.6% as at June 2025).[50] The NPE ratios in total exposures (households and NFCs) remain low, both in exposures to entities in municipalities with a high or elevated risk and exposures with a high acute physical risk (average of 0.23%).

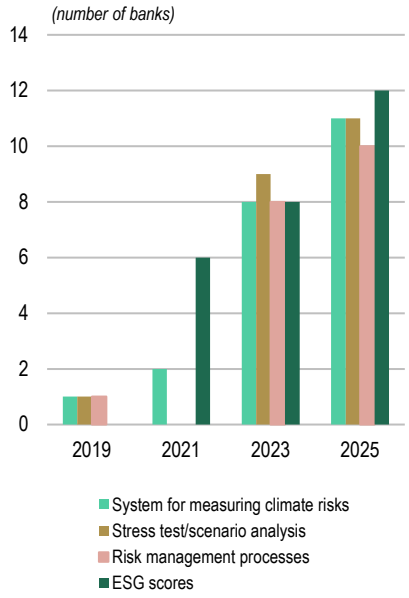
When interpreting the indicators, it is important to note that they do not reflect all the indicators related to physical or transition risks. Indicators of physical risk, for example, are based on long-term climate scenario projections and do not reflect current changes to environmental indicators that could have a significant impact on conditions in particular sectors and consequently on the performance of the banking system. One particularly relevant case is that of the increased risk of drought, which could have a major impact on the agricultural sector. The direct impact on the banking system would be limited, as its exposure to the agricultural sector is low. In the case of transition risks, however, the escalation and materialisation of geopolitical risks could lead to an increase in inflation, which would in turn have an impact on the green transition. The redirecting of investments to other strategic purposes (e.g. defence) is another factor that could affect the green transition timeline, where access to the financing of climate-sensitive sectors remains a topical issue.

Figure 2.31: **Credit risk in the most climate-sensitive sectors and the operationalisation of ESG risks at commercial banks (survey results)**

NPE ratio in highly climate-sensitive sectors in the NFCs portfolio and share of NPEs to NFCs accounted for by highly climate-sensitive sectors



Measurement and management of ESG/climate risks in Slovenian banks



Note: The left axis of the left chart illustrates the share of NPEs to NFCs accounted for by highly climate-sensitive sectors. Owing to the low baseline stock of NPEs, larger shifts in the value of the indicator can occur as a result of the reclassification of some exposures, as was the case at the end of 2023. The figure on the right is based on the responses of banks to the survey on the future challenges for the banking system.
Source: Banka Slovenije.

The survey responses indicate that banks have made significant progress in operationalising their ESG strategies. All banks incorporate sustainability into their

[50] Acute physical risks include risks of drought, flood, extreme wind and high temperatures.

business strategies, and significant progress is noticeable in the use of ESG assessments and in definitions for the classification of ESG exposure (see Figure 2.32, in the appendix). In the area of ESG risk management, banks continue to acknowledge climate risks as the most relevant ESG risks. Banks have made considerable progress in the area of sustainability since 2023. The number of banks that monitor the impacts of the sectors they finance and have in place a network of sustainable financing arrangements designed to transfer sustainable strategies into operating segments has increased. Similarly, an increasing number of banks are using ESG assessments, particularly for their corporate loan portfolios, or have developed their own tools or methodologies for classifying exposure according to ESG risks. At the same time, there has also been a considerable rise in the number of banks with systems for measuring climate risks that include analyses of climate scenarios or stress tests, or processes and tools for managing climate risks. They are also marketing green products, with some banks offering financial incentives for loans and investing in green bonds on financial markets. The lack of standardised data and methodologies for assessing ESG risks remains one of the central challenges in the area of ESG.

Green fintech remains relatively undeveloped in the Slovenian banking system, although it stands at the intersection of two important trends in modern banking, digitalisation and the greening of business. Green financial technology (fintech) encompasses the use of digital solutions for delivering sustainable business or promoting sustainable financing. It can be used, for example, to measure the impact of specific activities, obtain information or assess risks, while green blockchain solutions are among its most advanced products (e.g. for emissions trading or collecting funds for green projects). Banks in Slovenia are aware of the potential benefits of green fintech, particularly in improving data processing, reporting and promoting green financing. However, their introduction is still in a consideration stage. Some Slovenian banks are already working with partner firms involved in green fintech, while others reporting an intention to introduce technical innovations in the area of ESG as well.

3 Resilience of the Banking System

3.1 Solvency and profitability

Q2 25 Q3 25 ⇨

The banking system's resilience from the perspective of solvency and profitability was high at the halfway mark of 2025. Our assessment is that the good profitability resulting from persistently high net interest income will continue to be enjoyed by the banks in the second half of this year amid relatively unchanged conditions. The banks are expected to maintain good solvency until the end of the year, albeit with the expectations of a decline in capital adequacy ratios, driven largely by growth in risk-weighted exposures for credit risk. Given the anticipated good profitability, the banks might again earmark some of their earnings for further strengthening regulatory capital. A risk to the maintenance of the current solvency position might in the future be posed mainly by growth in credit exposure and the potential realisation of risks from the economic environment.

Solvency

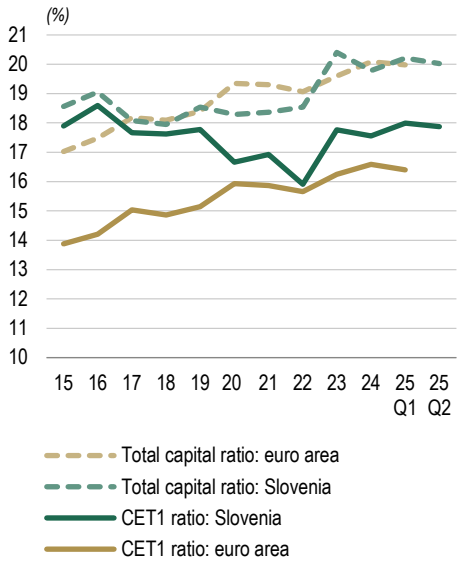
The strengthening of solvency in the first half of this year is further evidence of the banking system's high resilience. The total capital ratio ended the first half of the year at 20.0% on a consolidated basis, up 0.2 percentage points on the beginning of the year, while the common equity Tier 1 capital (CET1) ratio stood at 17.9%, up 0.3 percentage points (see Figure 4.1, left). The rise in the capital ratios was driven by retained earnings and reserves, which increased regulatory capital by 0.9%, and by a decline of 0.3% in the risk-weighted exposure amounts. Their developments were also conditioned by the updated regulations (see Figure 4.1, right). The decline in risk-weighted exposure amounts was driven in particular by a decline in the risk-weighted exposure amount for operational risk, which compensated for the increase in the risk-weighted exposure amount for credit risk. The decline under operational risk was mainly attributable to changes in regulations.[51] The good solvency is also reflected in the favourable surplus over the overall capital requirements,[52] which nevertheless declined slightly over the first half of the year (to 5.8%), and in the favourable leverage ratio, which also declined slightly (to 9.3%) (see Figure 4.2, right). The latest data for the euro area (for the end of the first quarter of 2025) also shows bank resilience to be high (see Figure 4.1, left). The total capital ratio in the euro area overall stood at the level of that in the Slovenian banking system, while the CET1 ratio still trails the average in the Slovenian banking system. The total capital ratio on an individual basis in the Slovenian banking system remained at 22.2%, while the CET1 ratio rose by 0.2 percentage points to 19.6%, which is also indicative of high solvency.

[51] The new calculation of capital requirements for operational risk replaces all the previous approaches, and is based on performance indicators in various business segments, covering a three-year average of the relevant accounting data. The capital requirement amounts to 12% to 18% of the business indicator.

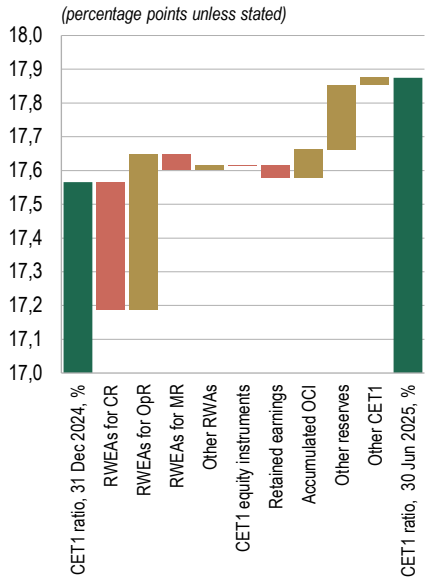
[52] The overall capital requirement encompasses the Pillar 1 and Pillar 2 capital requirements and the capital buffers, but not the Pillar 2 guidance.

Figure 3.1: **Capital ratios and decomposition of change in CET1 ratio**

Capital ratios, comparison with the euro area, consolidated basis



Decomposition of change in CET1 ratio, consolidated basis



Note: CR: credit risk; MR: market risk; OpR: operational risk.
Sources: Banka Slovenije, ECB Data Portal.

Growth in credit exposure was the main factor in the increase in the risk-weighted exposure amount. Growth in credit exposure was the main factor in the increase (of 1.8%) in the risk-weighted exposure amount for credit risk in the second quarter of 2025,[53] the latter accounting for 86% of the total risk-weighted exposure amount. The largest components in the increase were the standardised approach exposure classes of retail exposures, and exposures secured by mortgages on real estate and ADC exposures[54] (see Figure 4.2, left). Exposures secured by mortgages[55] on residential real estate accounted for approximately half of the nominal increase (and were up 4.4%), while ADC exposures accounted for the other half (and were up 16.0%). The major factors reducing the risk-weighted exposure amount for credit risk were exposures to institutions (down 5.9%) and exposures to central governments and central banks (down 5.9%).

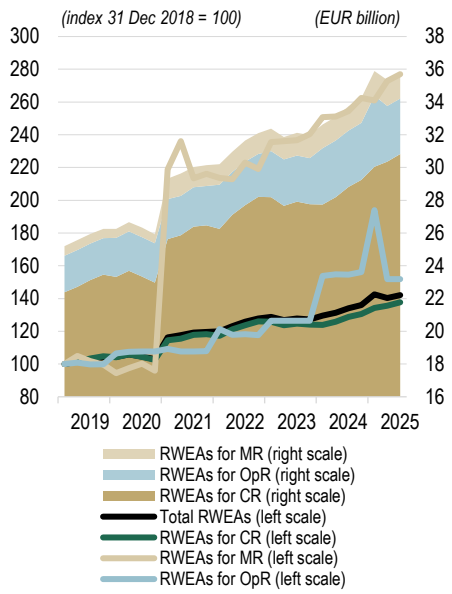
[53] The changes introduced by the CRR3 make it difficult to compare the data for risk-weighted exposure amounts from the end of June 2025 with those from the end of 2024.

[54] Exposures to corporates and special-purpose vehicles financing any land acquisition for development and construction purposes, or financing development and construction of any residential or commercial real estate (Acquisition, Development and Construction).

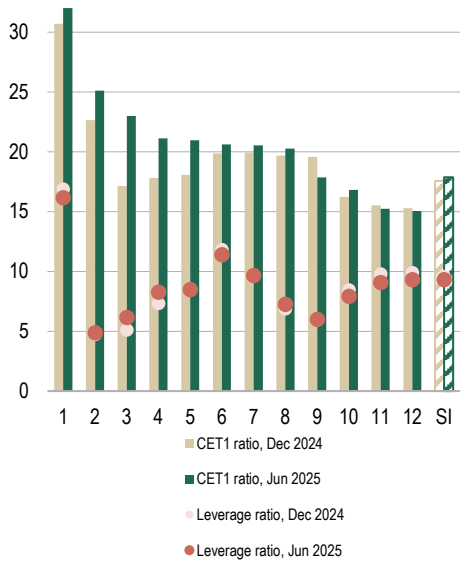
[55] Under the standardised approach for credit risk modified by the CRR3, the calculation of the risk-weighted exposure amount for exposures secured by real estate became more sensitive to risk. The treatment of these exposures differs not only according to the type of real estate (residential or commercial), but also according to the type of financing of the exposure and the phase of the real estate (under construction or completed). Special treatment applies to exposures under income-producing real estate (IPRE) lending and ADC exposures. The CRR3 tightened the conditions for applying more favourable risk weights to exposures secured by real estate (to IPRE exposures and to exposures that are not IPRE).

Figure 3.2: **Evolution of RWEA, and leverage ratio and CET1 ratio at individual banks**

Evolution of RWEA over time



Leverage ratio and CET1 ratio at individual banks



Note: CR: credit risk; MR: market risk; OpR: operational risk.
Source: Banka Slovenije.

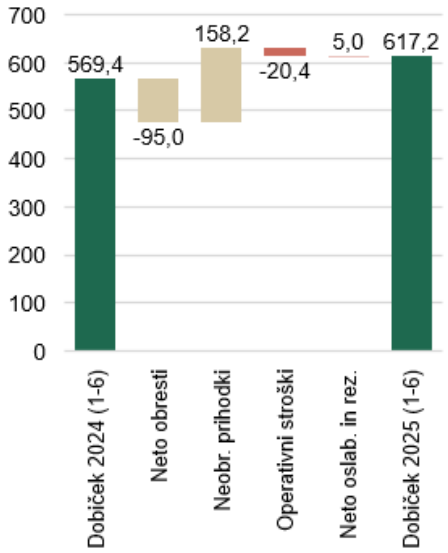
The banking system is expected to maintain good solvency over the remainder of the year, albeit amid a decline in the capital adequacy ratios. Our expectation is that the decline in the capital ratios will mainly be driven by growth in credit exposure. Any increase in the credit risk posed by the business environment will be reflected mainly in the creation of additional impairments and provisions, in light of the prevailing use of the standardised approach. Despite the risks identified in the business environment, the conditions for strengthening regulatory capital through internal accumulation, particularly at the end of the year, remain favourable, largely on account of the stable income flows. The opportunity for strengthening capital by issuing capital instruments on the financial markets remains limited, and is less attractive to banks in cost terms. Strengthening regulatory capital maintains and increases bank resilience, while in doing so banks are also addressing their MREL requirements, which they are meeting successfully. The risks that might adversely affect future developments in solvency are evidenced primarily in a decline in net income, the potential for higher growth in net impairments and provisions, growth in operating costs, and the banks' poor access to the capital markets. Despite the high capital adequacy ratios, it therefore remains important for banks to diligently manage their regulatory capital while ensuring that risk exposure is suitable.

Profitability

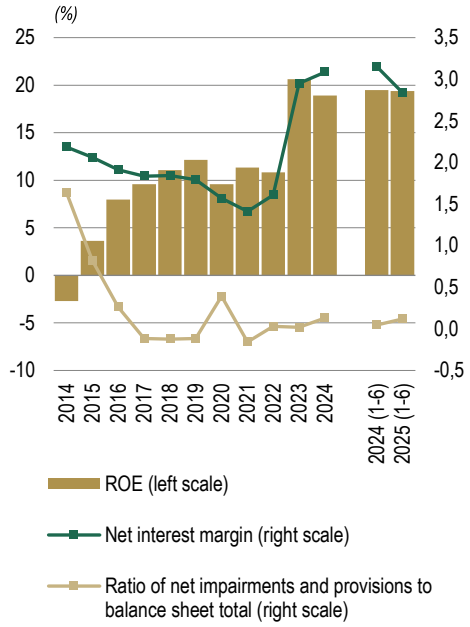
Slovenian banks' pre-tax profit amounted to EUR 617 million over the first six months of this year, up 8.4% on the same period last year amid comparable profitability. This year's rise in profit (see Figure 3.3, left) was primarily attributable to an increase in net income driven by the rise in non-interest income (dividends) cited previously. The decline in net interest income acted to reduce profit relative to last year as expected. Net impairments and provisions amounted to EUR 29.6 million in the first half of this year, accounting for just 2.5% of the disposal of gross income, and was down slightly on the same period last year. Nine of the credit institutions in Slovenia recorded the net creation of impairments and provisions in the first half of the year, comparable to the figure of eight seen last year. Profitability as measured by ROE (see Figure 3.3, right) stood at 19.4% in the first half of this year, entirely comparable to the same period last year (19.5%) and 2024 as a whole (18.9%). Since 2023 pre-tax ROE at system level has profoundly exceeded its average level of the years before the rise in interest rates, and also its long-term average.[56]

Figure 3.3: **Changes in components of profit, and selected performance indicators**

Impact on pre-tax profit from changes in components



Selected bank performance indicators



Note: The June figures for net interest margin and net impairments and provisions are measured over the preceding 12 months.
Source: Banka Slovenije.

Our expectation for the second half of this year is still that the banks will enjoy above-average profitability, albeit at slightly lower levels than in the previous two years. The decline in the second half of the year will mainly be driven by the (net) income side. Should the current trends continue, this year's net interest income would be approximately EUR 0.2 billion down on last year. This figure is nevertheless still almost double the net interest income seen in 2022, when profit amounted to around EUR 0.5 billion and the ROE stood at close to 11%.

[56] Profitability at system level has fluctuated around 10% over the long term. It averaged 10.4% between 2016 and 2022, while the long-term average between 1996 and 2024, excluding the two years before and one year during the recovery and resolution of the banking system, stood at 9.9%.

Profitability at banks in Slovenia, the euro area and the EU

The ratio of net impairments and provisions to total assets in EU Member States in 2024 was comparable to that in 2023. Net impairments and provisions were low in all EU and euro area countries, and did not have a major impact on bank profitability.[57] The ratio of net impairments and provisions to total assets last year was only slightly higher than in 2023. The figure stood at 0.23% in the EU overall, while the median for EU Member States was 0.15%. The figure for the Slovenian banking system was 0.19%, slightly above the EU median, but below the EU mean similarly to the previous year. Since 2016 inclusive (after the years of recovery and resolution) the figure has been below the EU and euro area averages, with Slovenian banks even recording net releases of impairments and provisions in certain years.

The first quarter of 2025 saw no major changes in net impairments and provisions compared with the same period last year, either in Slovenia or in the EU or euro area overall. The ratio of impairments of financial assets to total assets excluding provisions in Slovenia was entirely comparable to the EU and euro area means this year, and to the two figures for the zones overall.

Last year the Slovenian banking system was again more profitable than the EU and the euro area averages. Bank profitability in Slovenia and on average in EU Member States declined slightly last year, but increased in the EU overall. Post-tax ROE[58] in the Slovenian banking system stood at 14.9% in 2024 (2023: 16.8%), while the average of EU Member States (Figure 3.4, left) stood at 13.1% (down from 13.6%). The difference by which ROE in Slovenia outperformed the mean of EU Member States narrowed slightly to 1.7 percentage points last year.[59] The difference by which ROE in Slovenia outperformed banks of comparable size, where ROE stood at 7.4% in the EU and 6.3% in the euro area, was even larger in 2024. The comparison for the last decade shows that ROE in the Slovenian banking system averaged 10.3%, almost double the average values for EU and euro area countries, which stood at 5.4% and 5.3% respectively. Bank profitability in Slovenia declined slightly in the first quarter of this year, but was comparable to the mean of EU and euro area countries. Post-tax ROE[60] in the Slovenian banking system has always outperformed the mean of EU and euro area countries in recent years, and since mid-2023 has been ranked around the 75th percentile in the distribution of EU Member States. The figure for the first quarter of this year, which was comparable to the mean of EU Member States, was down slightly on last year, but increased again in the following months to return to being comparable to last year.

[57] See the comparison across EU and euro area countries at the end of the appendix.

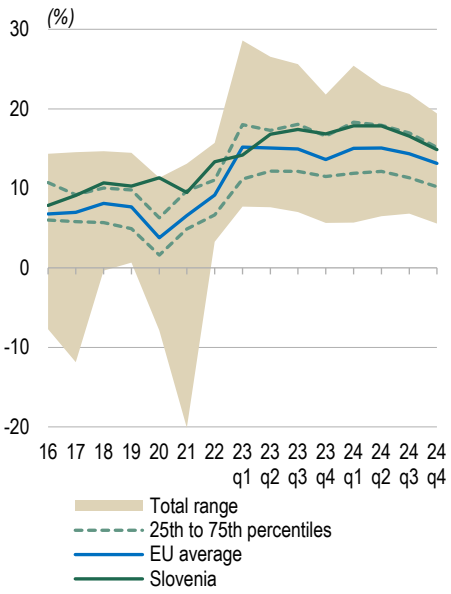
[58] Consolidated bank data at national level (ECB, ECB Data Portal, CBD), annualised post-tax ROE.

[59] The difference by which it outperformed the EU and euro area overall also narrowed slightly, as they recorded ROE of 9.1% (2023: 8.9%) and 8.8% (2023: 8.5%) respectively last year.

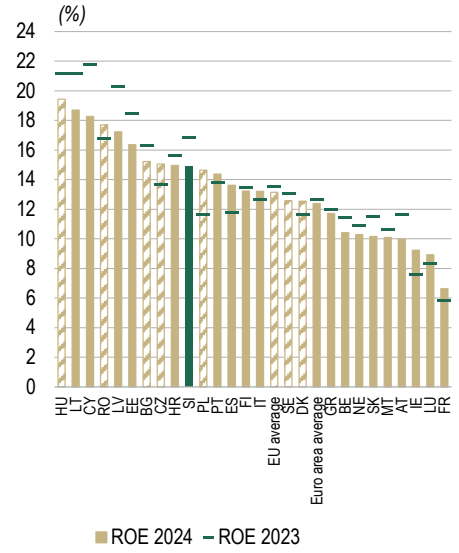
[60] Consolidated bank data at national level (ECB SDW (CBD)), annualised post-tax ROE.

Figure 3.4: **Profitability in Slovenia and the EU**

Profitability (ROE) after tax in Slovenia and in the EU (consolidated data)



ROE in EU Member States, 2023 and 2024 (consolidated data, after tax)



Sources: Banka Slovenije, ECB Data Portal, own calculations.

Box 4: **Lending in Slovenia during the energy shock: importance of the management buffer in the banking system**

Following the Russian invasion of Ukraine, the global economy faced an energy shock, which triggered an international energy crisis. The sudden rise in prices and disruption to energy supply chains reshaped markets, and offered insight into how geopolitical shocks are transmitted via commodity prices, production costs and financing conditions. The time and scale of the invasion allow for a clear comparison between the situation before and after the shock, and an assessment of the direct impact on the credit conditions in energy sectors and the duration of the effects on corporate access to financing. In Slovenia, as in further afield, the worst hit were energy-intensive firms, where electricity and gas account for more than 5% of input production costs (e.g. mining and quarrying, timber, paper, chemicals, rubber and plastic, non-metallic mineral products, and basic metals) (Møller & Poeschl, 2025).[61] The energy and transport sectors were also hit hard. Alongside the direct effects, the consequences of the crisis were also exacerbated by changes in bank lending.

A difference-in-difference panel case study was used to estimate the impact of the energy shock on corporate lending. Data from the AnaCredit database and supervisory reports (COREP/FINREP) for the period of the first quarter of 2021 to the first quarter of 2023 was used.[62] A particular focus is placed on the role of the management buffer over the regulatory requirements (the management buffer), and its impact on lending before and after the invasion. The analysis is undertaken in three steps: first

[61] Møller, N.F. and Poeschl, J. (2025). *The effects of a large energy price shock on firm credit*, Danmarks Nationalbank Working Paper No. 209.

[62] The sample includes 7,758 firms, of which 1,158 are energy-intensive (15% of the total). The bank sample encompasses 11 institutions in Sector S.122 (deposit-taking corporations except the central bank), where the average number of bank-firm links per quarter ranged between 370 and 639. The analysis is based on a broader analysis drawn up by the ECB/ESRB *Workstream on financial stability risks from geoeconomic fragmentation* (as yet unpublished).

the credit conditions are compared between energy-intensive[63] and other firms, then a distinction is drawn inside the energy-intensive sectors between more and less vulnerable firms,[64] and then finally how the differences in bank capital affect the credit dynamics is examined. The amount of lending (existing and new lending) and the credit conditions (interest rates and maturities) are monitored.[65] The following regression models are used to estimate these effects:

$$y_{ibt} = \beta_0 + \beta_1 MB_{b,t-1} + \beta_2 Energy_i + \beta_3\left(MB_{b,t-1} * Energy_i\right) + \beta_4 POST_t + \beta_5\left(MB_{b,t-1} * post_t\right) + \beta_6(Energy_i * POST_t) + \beta_7\left(MB_{b,t-1} * Energy_i * POST_t\right) + \beta_8 X_{bt} + \alpha_{ib} + \varepsilon_{ibt}$$

where y_{ibt} denotes the credit conditions at the level of bank-firm (growth in loan stock, amount of new loans, interest rates or maturity); $MB_{b,t-1}$ represents the lagged management buffer at banks (capital over the regulatory requirements and P2G); $Energy_i$ denotes the energy-intensive sectors and is formulated as a dummy variable with a value of one if the firm is in an energy-intensive sector, or zero if it not; $POST_t$ takes a value of one from Q2 2022 onwards; X_{bt} are control variables at bank level;[66] α_{ib} are fixed bank-firm effects; and standard errors (ε_{ibt}) are clusters at the bank-firm level.

The results show that the impact of the invasion on the amount of lending varied markedly between sectors. Credit growth at firms in non-energy sectors declined by an average of 1%, while the decline at energy-intensive firms was more than double this figure (a decline of 2.4%). New lending increased in both groups at the same time: by 16.1% at non-energy-intensive firms, and by 13.5% at energy-intensive firms. This indicates that firms tried to secure additional liquidity during the crisis, with government schemes in particular proving helpful.

An important role was played by the banks' management buffer, as it allowed for greater support for lending during the energy crisis. In the loan stock an additional percentage point of management buffer was associated with a 1.5% increase in loans[67] to non-energy-intensive firms, and a 1.0% increase in loans to energy-intensive firms. The effect was even more pronounced in new loans, which were up 6.4% at energy-intensive firms and 4.3% at non-energy-intensive firms. Well-capitalised banks were thus able to actively support lending to the energy sector, while the banks with less management buffer were significantly more constrained.

Within energy-intensive sectors there is a clear difference between more and less vulnerable firms. Less vulnerable firms saw a 16% increase in new loans in the period following the invasion, while the increase at vulnerable firms was just 1% and statistically insignificant, an indication of the more stringent credit constraints faced by weaker firms.

[63] "Energy-intensive sectors" were defined ex-ante at the NACE 2 level with regard to the share of production costs accounted for by electricity and gas (more than 5%). This corresponds to sectors designated NACE B07–B08, C16–C24, E36–E39 and H49–H51.

[64] "Vulnerable" versus "non-vulnerable" within energy-intensive sectors is defined on the basis of the performance indicator before the invasion (income-to-assets ratio). Firms who recorded values below the median in the energy sector in 2021 were classed as vulnerable.

[65] The estimates are based on specifications that compare the credit conditions after the invasion between sectors, within energy-intensive firms, and in the interaction with the management buffer of banks as follows:

[66] The bank attributes used as control variables (X_{bt}) are: the lagged management buffer (surplus of capital over requirements and P2G), the lagged average risk weight (total risk-weighted exposure amount relative to total exposure), the lagged impairment ratio (impairments relative to total assets), the lagged market discipline metric (ratio of liabilities excluding deposits to total liabilities), the lagged size (logarithm of total assets) and the lagged sum of the overall capital requirement and P2G.

[67] The results represent the estimated correlation in the sample, and do not imply an unrestricted linear correlation. Accordingly Budnik et al. (2019) find that banks with a larger management buffer reduce lending less sharply in crisis situations. (See Budnik, K., Dimitrov, I., Groß, J., Jancoková, M., Lampe, M., Sorvillo, B., Stular, A., and Volk, M. (2021a). Policies in support of lending following the coronavirus (COVID-19) pandemic. ECB Occasional Paper No. 257).

In addition to the amount of lending, the invasion also had an impact on the price and maturity of loans. The average interest rates on existing loans rose moderately (by 1 basis point at non-energy-intensive firms and 6 basis points at energy-intensive firms), while the average interest rates on new loans rose significantly (by 73 and 64 basis points respectively) in the wake of an even larger rise in the ECB's key interest rates.[68] This shows that banks raised the price of lending, but by slightly less at energy-intensive firms, perhaps in light of their strategic role and the presence of support schemes. As part of the EU's temporary crisis framework (March 2022) and the later transitional framework, Slovenia introduced measures that indirectly strengthened confidence in the banks and supported lending to firms hit by the energy shock. These included government guarantees and subsidised or favourable loans, grants, and liquidity support, augmented by national measures such as price caps and SID banka's programmes. The measures did not directly target banks, but reduced credit risk and improved the viability of debtors.

The management buffer also played a stabilising role in price formation. The banks with larger management buffers were associated with interest rates that were approximately 3 to 4 basis points lower, which was not observed before the invasion. In the period after the invasion these banks offered even more favourable terms to energy-intensive firms, most notably lower interest rates (by 33 basis points) and longer maturities on new loans. This is further evidence of capital strength allowing for a more countercyclical approach. Vulnerable firms were in a worse position: their interest rates on new loans were approximately 15 basis points higher than those of less vulnerable firms.

Table 3.1: **Average marginal effects on loan parameters after the invasion**

Marginal effects	Loan stock (%)	New loans (%)	Interest rates, stock (percentage points)	Interest rates, new (percentage points)
After invasion	-1.0 (non-energy)	+16.1 (non-energy)	+1.0 (non-energy)	+73 (non-energy)
	-2.4 (energy)	+13.5 (energy)	+6.0 (energy)	+64 (energy)
Management buffer (after invasion)	+1.5 (non-energy)	+4.3 (non-energy)	-3.5 (non-energy)	-29 (non-energy)
	+1.0 (energy)	+6.4 (energy)	-2.7 (energy)	-33 (energy)

Note: The table illustrates the average marginal effects in the period after the invasion (Q2 2022 to Q1 2023) relative to the period before the invasion.
Source: Banka Slovenije.

The results indicate that energy-intensive firms were hit harder in the period after the invasion by volatility in input costs and geopolitical risks, while well-capitalised banks played a stabilising role. The difference between existing lending and new lending is key, in that during a crisis firms access liquidity mainly via new loans, while the loan stock reflects past performance. The banks with larger management buffers supported energy-intensive firms with a larger amount of new loans, lower interest rates, and longer maturities, often backed by government guarantees. This confirms that capital strength on the part of banks allows for a countercyclical response and mitigates the transmission of geopolitical shocks to the economy.

[68] During this period the ECB's key interest rates were raised by approximately 300 basis points, which means that the banks partly mitigated the pass-through of market interest rates to their customers.

3.2 Liquidity

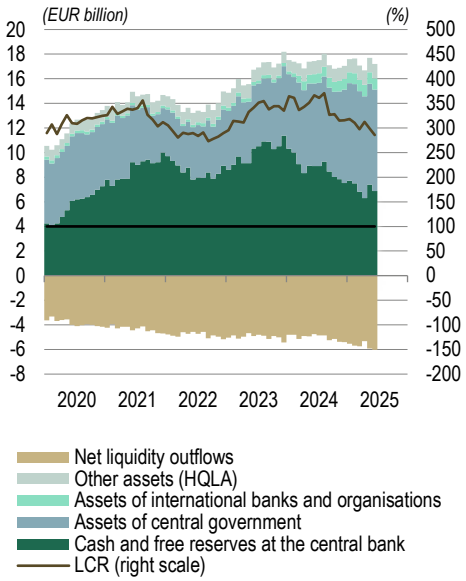
Q2 25 Q3 25

The resilience of the banking system in the liquidity segment remained high, with a stable outlook for the future. The capacity to cover net liquidity outflows over a short-term stress period and to finance liabilities over a one-year period deteriorated slightly at system level, but remained high. By redirecting free liquid assets from accounts at the central bank into loans and securities purchases, the banks continued to make changes to their liquidity structure. This might be less beneficial in the event of a sudden major need for liquidity, which would also require securities to be sold off. All the banks exceeded their minimum requirements with regard to LCR and NSFR, although there remains considerable variation in the size of their liquidity surpluses. It should be reiterated that diligent liquidity management and careful monitoring of the market situation will remain key to maintaining the current good level of liquidity, and thus the high resilience of the banking system.

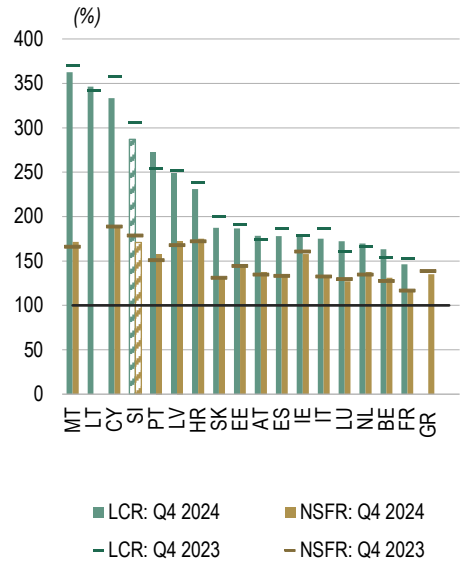
The capacity to cover net liquidity outflows over a one-month stress period deteriorated at system level, but remained high. As a result of an increase in net liquidity outflows,[69] and a decline in the stock of high-quality liquid assets (HQLAs), the liquidity coverage ratio on an individual basis declined over the first half of this year to stand at 286% in June (see Figure 3.5, left), but remains well above the regulatory minimum (100%). The liquidity surplus thereby declined slightly, but remains large at EUR 11.2 billion. The trend of decline in the LCR was also evident in other euro area countries (see Figure 3.5, right), among whom Slovenia ranked a high fourth in terms of this indicator.[70]

Figure 3.5: **Liquidity indicators for Slovenia and the euro area**

LCR in Slovenia, individual basis



LCR and NSFR in euro area countries



Note: Net liquidity outflows are shown in the negative zone in the left chart for the sake of clarity. The horizontal line in both charts denotes the minimum regulatory requirement (100%). The right chart includes public data on a consolidated basis; the ECB Data Portal has no data for the NSFR in Lithuania, or the LCR in Greece.
Sources: Banka Slovenije, ECB Data Portal.

[69] Net liquidity outflows are the difference between expected outflows and expected inflows over a 30-day stress period. Inflows are counted as no more than 75% of outflows.

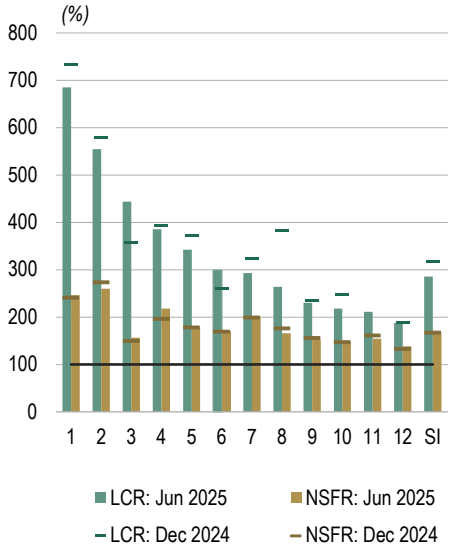
[70] Data on a consolidated basis for the end of 2023 and 2024 is included in the comparison. Later data was not available at the time of writing.

There was a further change in the breakdown of HQLAs, which the banks use to cover short-term net liquidity outflows (see Figure 3.5, left). Similarly to 2024, in the first half of this year banks redirected some of their cash and free reserves held in accounts at the central bank into purchasing debt securities. This reduced their holdings of the most liquid assets by almost a fifth: they amounted to EUR 6.9 billion or 40% of total HQLAs in June, down significantly from the peak in late 2021 (65%). Meanwhile they increased their holdings of sovereign assets, including government debt securities, to EUR 8.2 billion, or almost half of total HQLAs. The breakdown of HQLAs is likely to change further in the future, if banks will continue to replace lower-yielding overnight placements at the ECB with purchases of higher-yielding debt securities.[71]

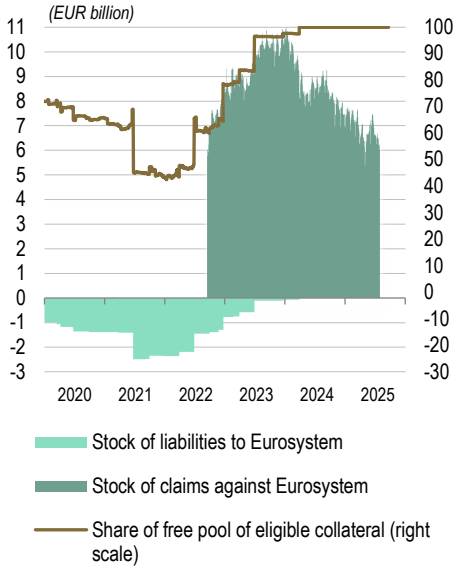
The capacity to fund liabilities over a one-year period remained relatively high at system level. The net stable funding ratio (NSFR) declined minimally over the first half of the year to stand at 166% in June, reasonably in excess of the regulatory requirement (100%). The increases in loans to the non-banking sector and securities holdings saw required stable funding increase by slightly more than available stable funding. The latter strengthened primarily as a result of the inflow of deposits by the non-banking sector. The banking system's available stable funding nevertheless exceeded its required stable funding for a one-year period by EUR 17.8 billion in June. Slovenia slid in the euro area rankings according to the NSFR, but still stood at a high fifth at the end of 2024,[72] having been among the third of euro area countries that saw a slight decline in the NSFR.

Figure 3.6: **LCR and NSFR at individual banks, and stock of claims and liabilities vis-à-vis the Eurosystem**

LCR and NSFR at banks, individual basis



Liabilities and claims vis-à-vis the Eurosystem, and share of the pool of eligible collateral that is free



Note: The horizontal line in the left chart denotes the minimum requirement for the LCR and the NSFR under the CRR (100%). For the sake of transparency, one of the banks is not fully illustrated in the left chart: its LCR stood at 4,181% in December 2024.
Source: Banka Slovenije.

The majority of banks retained high resilience to funding risk, but there nevertheless remains considerable variation in their liquidity surpluses. Almost all banks saw a decline in the LCR, primarily on account of a decline in available liquid

[71] The breakdown of debt securities is illustrated in Figure 7.18 in the appendix.

[72] No more recent data for euro area countries was available in the ECB Data Portal at the time of writing.

assets held in accounts at the central bank, but only at one bank was the LCR less than double the regulatory minimum in June (see Figure 3.6, left). The NSFR declined at less than half of banks, with the majority holding at least 50% more available funding than would be needed to fund liabilities over the next one-year period. Should the change in the structure of liquidity continue, the liquidity indicators might decline further in the future.

The pool of eligible collateral at the Eurosystem increased slightly, but remained free. The pool increased by less than a tenth over the first half of 2025 to stand at EUR 2.5 billion. Banks also hold EUR 10.5 billion of eligible collateral on their balance sheets that could be mobilised to the pool, to thereby obtain additional liquidity from the Eurosystem. Given their large liquidity holdings, banks have no such need for now, and the pool of eligible collateral therefore remained free. Given the fall in interest rates on the deposit facility, banks also reduced their stock of overnight placements with the Eurosystem (see Figure 3.6, right), and redirected them into other assets thought to be higher-yielding. The placements averaged EUR 7.0 billion, down a fifth on the previous year. Our expectation is that holdings of liquid assets at the ECB will continue declining in the future, particularly in the wake of further cuts in ECB interest rates.

4 Households and Non-Financial Corporations

4.1 Households

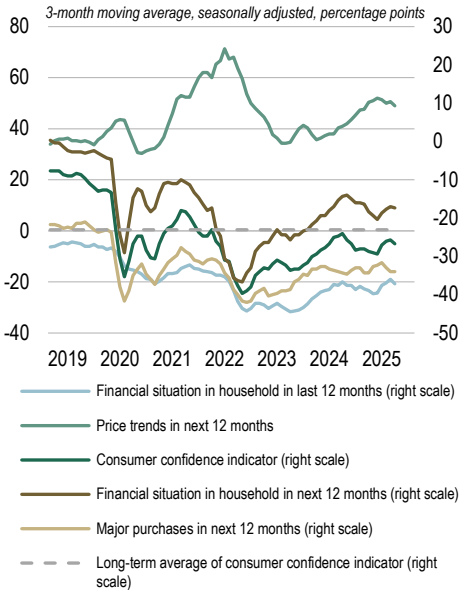
Households remained in a good financial position in the first half of 2025. Consumer confidence in Slovenia remains below its long-term average, but expectations regarding the economic and financial situation improved slightly. The ratio of consumer loans to GDP has increased over the last three years, and surpassed the euro area average last year. The ratio of housing loans to GDP nevertheless remains significantly below the euro area average. Demand for loans for the purchase or construction of real estate and also for debt repayments increased in the first half of this year.

Consumer mood and households' financial assets

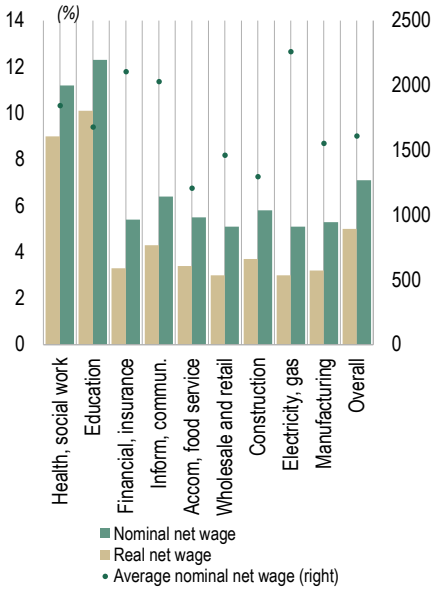
Consumer confidence in Slovenia remains below its long-term average, but expectations regarding the economic and financial situation improved slightly. The consumer confidence indicator gradually deteriorated over the early months of the year, and in April hit its lowest level since the end of 2023. It improved slightly in the second quarter, but still remains just below its long-term average (-23 points) (see Figure 4.1, left). Nominal net wages in June 2025 were up 7.1% in year-on-year terms, while real wages were up 5%, having maintained a similar trend of growth across the entire second quarter. Wage growth was seen in all sectors in June, most notably in education, and in human health and social work activities (see Figure 4.1, right). The average net wages in both sectors were higher than the average for the whole country, but were not the highest. The highest net wage in June was recorded by electricity, gas, steam and air conditioning supply, while the lowest was in accommodation and food service activities.

Figure 4.1: **Consumer confidence indicator, and nominal and real wage growth**

Consumer confidence indicator



Nominal and real growth in net wages by economic sector



Source: SORS.

The ratio of Slovenian households' financial assets to GDP at the end of the first quarter of 2025 was up slightly on the end of the previous year, but at 130.4% remains significantly below the figure for the euro area overall. Households' financial assets amounted to EUR 90 billion in the second quarter of 2025, up EUR 7 billion in year-on-year terms. The breakdown of financial assets in the second quarter remained similar to previous years (see Figure 7.20, left, in the appendix). The main increase in the first half of the year was in bond holdings, following the new issuance of government bonds targeted at the general public. Compared with the euro area overall, in the breakdown of their financial assets households in Slovenia have a higher share of currency and deposits, which account for almost half, and a higher share of equity. Households in the euro area overall hold more assets in the form of life and pension insurance, shares, and bonds.

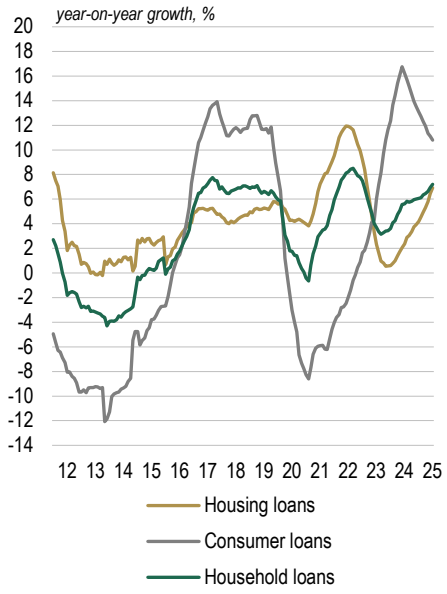
Household indebtedness and housing cost burden

The indebtedness of households in Slovenia is lower than in the euro area overall. The ratio of households' financial liabilities to GDP stood at 27.8% in the first quarter of 2025, almost half less than the figure in the euro area overall (58.5%). Households held the majority of their loans in the first half of the year with domestic financial corporations, primarily banks, with smaller holdings at other domestic intermediaries, non-financial corporations and non-residents. The debt structure remains stable, which is contributing to the favourable assessment of credit risk in the household portfolio.

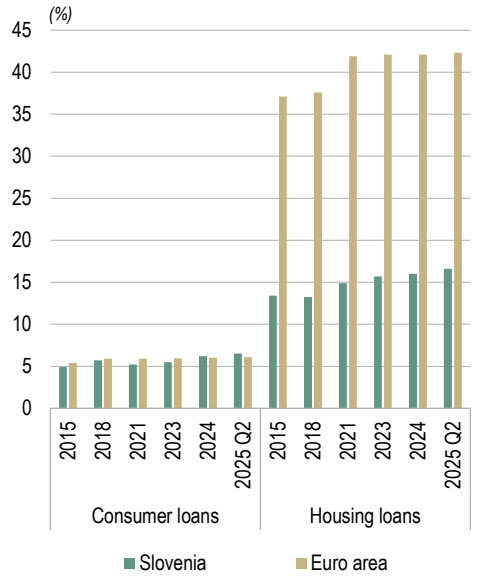
Household lending at Slovenian banks strengthened further in the first half of 2025, raising the year-on-year rate of growth to 7% in June. The growth in household lending since the beginning of the year was driven by consumer loans and housing loans alike. Year-on-year growth in consumer loans is gradually slowing, and stood at 11.1% in June, while growth in housing loans strengthened to 6.5%, with the fall in interest rates an important factor (see Figure 4.2, left). The stocks of consumer loans and housing loans amounted to EUR 3.3 billion and EUR 8.8 billion respectively at the end of June 2025. The ratio of housing loans to GDP in Slovenia remains significantly below the euro area average. The ratio of consumer loans to GDP has increased over the last three years, and surpassed the euro area average last year (6.2%) (see Figure 4.2, right).

Figure 4.2: **Household indebtedness**

Growth in housing loans and consumer loans



Ratio of household loan stock to GDP



Sources: ECB Data Portal, Banka Slovenije.

In the survey on demand for loans and in the BLS banks are reporting an increase in household deposits for loans. Demand for loans for the purchase or construction of real estate and also for debt repayments increased in 2024 and in the first half of 2025 (see Figures 7.21, left, in the appendix). In terms of the number of applications, households' heaviest demand in the first half of the year was for loans for the purchase or construction of real estate. Compared with 2024, when demand was heaviest for loans for current consumption, the change in the trend in demand was mainly driven by lower interest rates. Some 56.6% of applications for consumer loans and 28.9% of applications for housing loans in terms of the loan amount were rejected in the first half of this year. Banks cited no grounds for rejection in the largest number of cases for housing loans, which was followed by the customer's non-acceptance of terms offered, while the main grounds cited for consumer loans were the banks' credit standards, which are stricter than the Banka Slovenije requirements (see Figure 7.21, right, in the appendix).

Households assess their financial position in general as better than a decade ago. Over the last decade the share of households who find it difficult or very difficult to manage on their income and are ranked in the lowest income bracket declined by almost a half (see Figure 7.22, left, in the appendix). A quarter of households assessed in 2024 that they could survive the month on their income without difficulties (easy or very easy). This figure was significantly lower a decade ago, at 12%. The share of those finding it difficult or very difficult to survive the month declined by contrast.

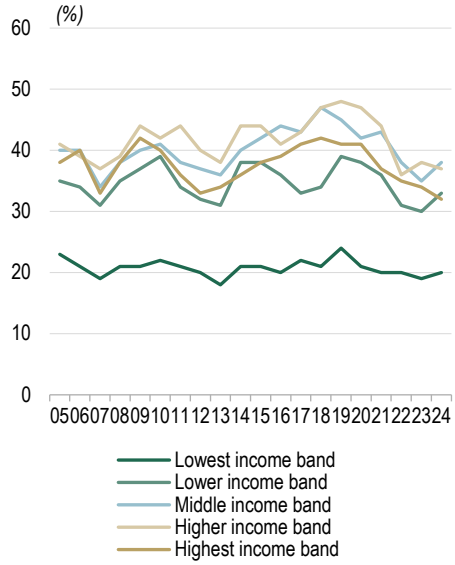
The share of households thinking that their income would increase stood at 42% in 2024, unchanged from the previous year. The main reasons for the increase were rises in social benefits, statutory wage increases, and wage growth. The share of households in the lowest income bracket that thought that their income would increase rose by 8 percentage points to 45%. Compared with the previous year, in 2024 there were slightly fewer households expecting their income to increase over the next year, while slightly more households in the lowest income bracket had this expectation. The willingness to purchase a car during the next year declined slightly in 2024, while the

willingness to purchase or construct real estate or make housing improvements over the next year remained almost unchanged from the previous year.

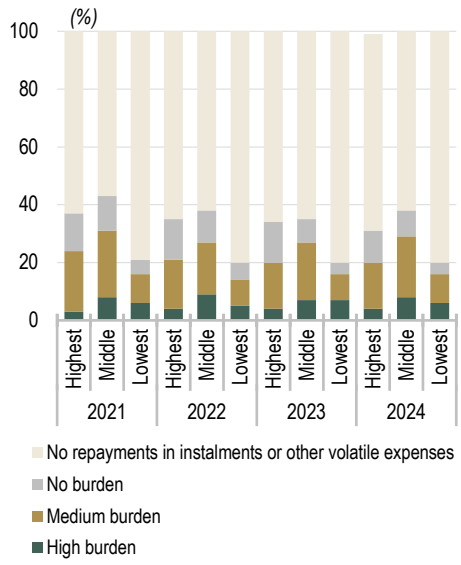
Hire-purchases and other non-housing loans are held mostly by households in the medium and higher income brackets. Loans of this kind were held by 38% and 37% of households in the aforementioned brackets in 2024, compared with only 20% of households in the lowest income bracket (see Figure 4.3, right). The latter would be hit hardest by any economic downturn or deterioration in the labour market. Between 2017 and 2019, when growth in consumer loans was highest, the share of households in the middle and higher income brackets that were making hire-purchases or held other non-housing loans was higher than in 2024 (at 46%), and these purchases and loans also entailed a heavier debt servicing burden (see Figure 4.3, left).

Figure 4.3: **Households making hire-purchases or holding other non-housing loans**

Households making hire-purchases or holding other non-housing loans



Breakdown of households making hire-purchases or holding other non-housing loans according to burden and income bracket

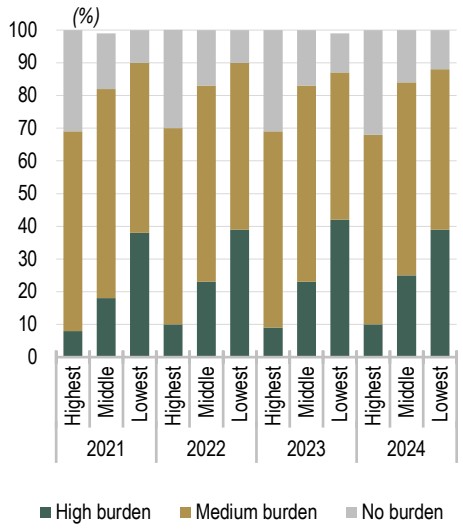


Note: Households in the right chart are classified into five quintiles with regard to net disposable income per equivalent person living in the household. The first quintile consists of persons living in households with the lowest equivalent income, while the fifth quintile contains persons living in households with the highest equivalent income. Credits or hire-purchases are all credits raised at a bank, savings bank or other financial institution, and credits raised at a non-bank organisation (e.g. at a pawnbroker or other creditor that is not a financial institution), and hire-purchases (directly from the provider of the goods or services), revolving loans (e.g. credits related to credit cards, but only those where the limit is exceeded) and loans from friends and family (when money is lent by relatives, friends or acquaintances). The analysis is conducted on the basis of SORS data from the survey of living conditions.
Sources: Banka Slovenije, SORS.

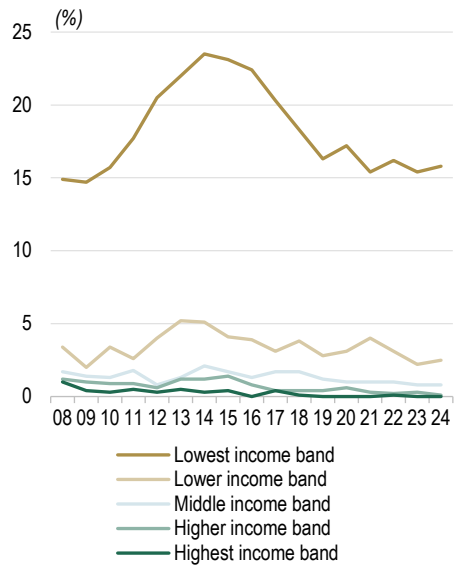
Housing costs, such as loans, rents and communal expenses are continuing to have a significant impact on the financial position of households. Over the last decade the burden imposed by these costs has diminished slightly, but remains pronounced among certain groups. Renters generally assess their financial position worse than owner-occupiers, and here the differences between income brackets are considerable. Low-income households face a significantly heavier burden from housing costs than higher-income households. Despite improvements, overburdening by housing costs is still present, particularly among the most vulnerable population groups (see Figure 4.4, right).

Figure 4.4: **Housing cost burden**

Housing cost burden according to income bracket



Housing cost overburden rate



Note: Households are classified into five quintiles with regard to net disposable income per equivalent person living in the household. The first quintile consists of persons living in households with the lowest equivalent income, while the fifth quintile contains persons living in households with the highest equivalent income. The left chart illustrates the lowest, middle and highest quintiles. Housing costs are all costs associated with housing: any housing loans or mortgage loans, rents, insurance, costs for water, sewerage, waste disposal, costs for electricity, gas, heating, etc. The housing cost overburden rate is the percentage of people living in households where housing costs are more than 40% of the household's total disposable income. The calculation of housing cost overburden includes all annual household costs in connection with housing (interest on housing loans or mortgage loans, rents, insurance, regular maintenance and repair costs, costs for water, sewerage, waste disposal, electricity, gas, heating, etc.) minus any rent subsidy. The analysis is conducted on the basis of SORS data from the survey of living conditions.
Source: SORS.

Household arrears in repaying hire-purchases or non-housing loans have declined considerably over the last decade. Household arrears in repaying housing costs are greater than their arrears in repaying hire-purchases or non-housing loans, but they have also declined considerably over the last decade. Arrears remain largest at households in the lowest income bracket, which also have the heaviest debt servicing burden (see Figure 7.22, right, in the appendix).

4.2 Non-financial corporations

The financial position of NFCs remains good. Despite an increase in liabilities in the first half of the year, Slovenian NFCs lie below the euro area average according to the majority of indebtedness indicators. The improvement in leverage was driven by further inflows of equity, and its high revaluation. The surplus of trade credits granted over trade credits received is increasing, which given their important role in the financing of NFCs is also an indication of their importance in promoting sales of goods and services. Despite the favourable indebtedness indicators, the number of bankruptcies and current account freezes is rising, which amid the uncertainty in the international environment suggests the possibility of further deteriorations.

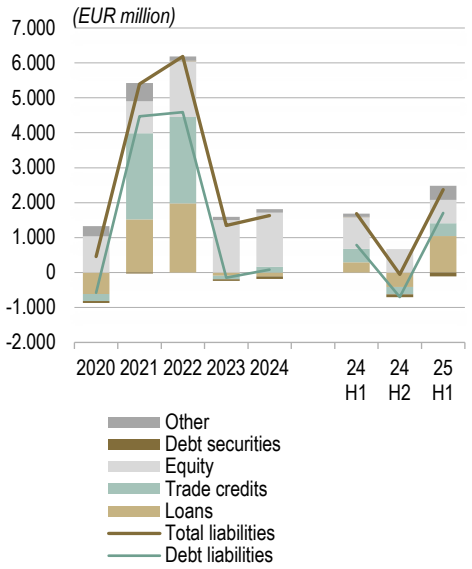
Financing and indebtedness of non-financial corporations

After two years of modest growth, NFCs' debt liabilities increased sharply during the first half of 2025. After two years of minimal change, the inflow of debt liabilities was significantly larger in the first half of 2025 at EUR 1.7 billion (it stood at EUR 1 billion at the annual level) (see Figure 5.3, left). The increase was driven primarily by

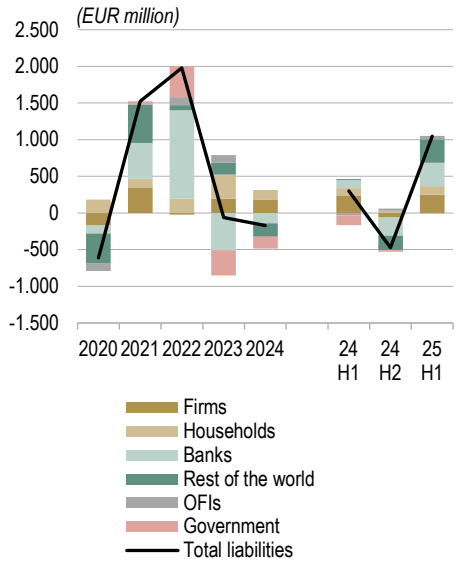
loans, and also by trade credits. The inflow of equity remained within the bounds of the inflows over the last three years. Over the last eight years, with the exception of a small inflow in 2022, NFCs have reduced their holdings of debt securities.

Figure 4.5: **Financing of non-financial corporations**

Non-financial corporations' flows of financing by instrument



Non-financial corporations' flows of loan financing by creditor sector



Note: The charts capture all financing of NFCs, irrespective of creditor sector.
Source: Banka Slovenije.

NFCs increased their financing via loans from all creditor sectors in the first half of 2025. Loans from domestic banks increased sharply in the first half of the year, after a year and a half of sustained decline. Business-to-business financing via loans between Slovenian NFCs and at sole traders (captured under households) continued to increase (see Figure 5.3, right). Financing via foreign loans also increased in the first half of this year, after several years when it increased at foreign parent undertakings but fell at unaffiliated creditors.

Firms assess their access to finance as having improved recently,[73] whether via bank loans or loans from non-bank providers. Firms judge access to finance to be one of the least important factors limiting their performance, although the share of SMEs who consider finance to be a major limiting factor increased in 2024. Fully two-thirds of firms highlight the huge and increasing importance of internal resources and equity. This might also be a reflection of a more cautious attitude to external borrowing during the uncertain economic and trade situation.[74]

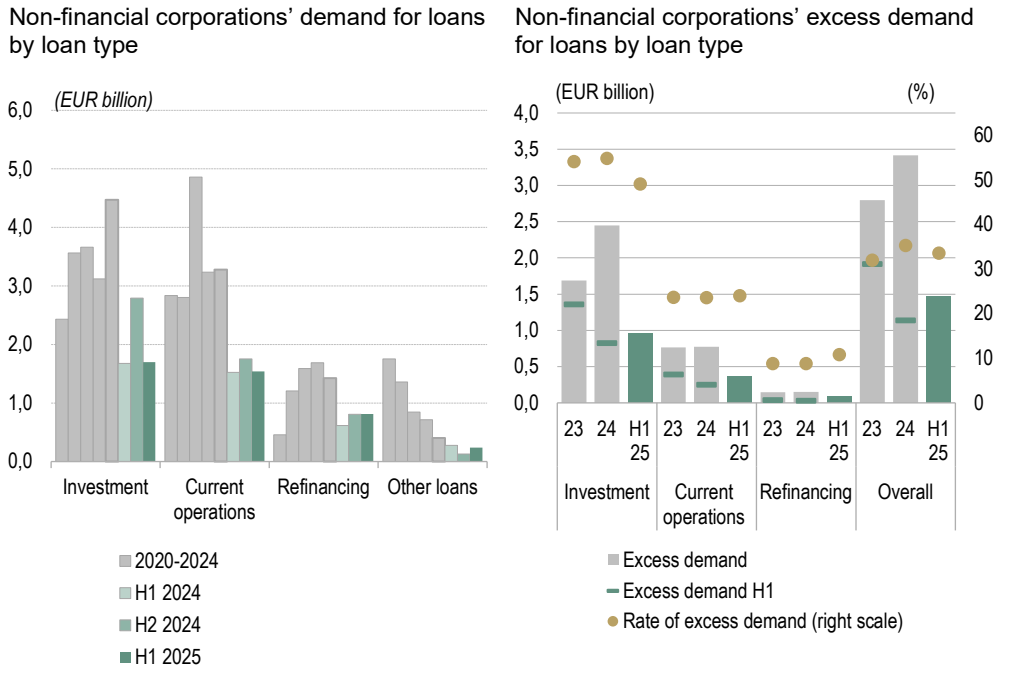
According to a bank survey on corporate demand for loans, demand from NFCs declined in 2023, but increased by around 11% in 2024 and 6% in the first half of 2025 (see Figure 5.4, left). Demand for loans for investment increased significantly in 2024, but remained virtually unchanged in year-on-year terms in the first half of 2025. After recording low growth in 2024, demand for loan refinancing at lower interest rates also increased in the first half of this year.

[73] Survey on the access to finance of enterprises in 2024, Banka Slovenije.

[74] See also *Dostopnost financiranja v letu 2024 in zeleni prehod gospodarstva* (Access to financing in 2024 and the green transition), Ana Gorišek and Uroš Geršak, Bančni vestnik 6/2025.

Amid the increase in demand, the rate of excess demand also rose. Access to loans was assessed by the banks as high, largely thanks to firms' low indebtedness and high liquidity. Applications were nevertheless rejected at a slightly higher rate than in 2023. The rate of excess demand rose from 32.0% in 2023 to 35% in 2024, and stood at 34% in the first half of this year (see Figure 5.4, right). The rise in the rate in 2024 was mainly evident in loans for investment, where the rate of excess demand is also highest at 55%. The rejection rate for loans for refinancing increased slightly in the first half of 2025, but remains low at 11%.

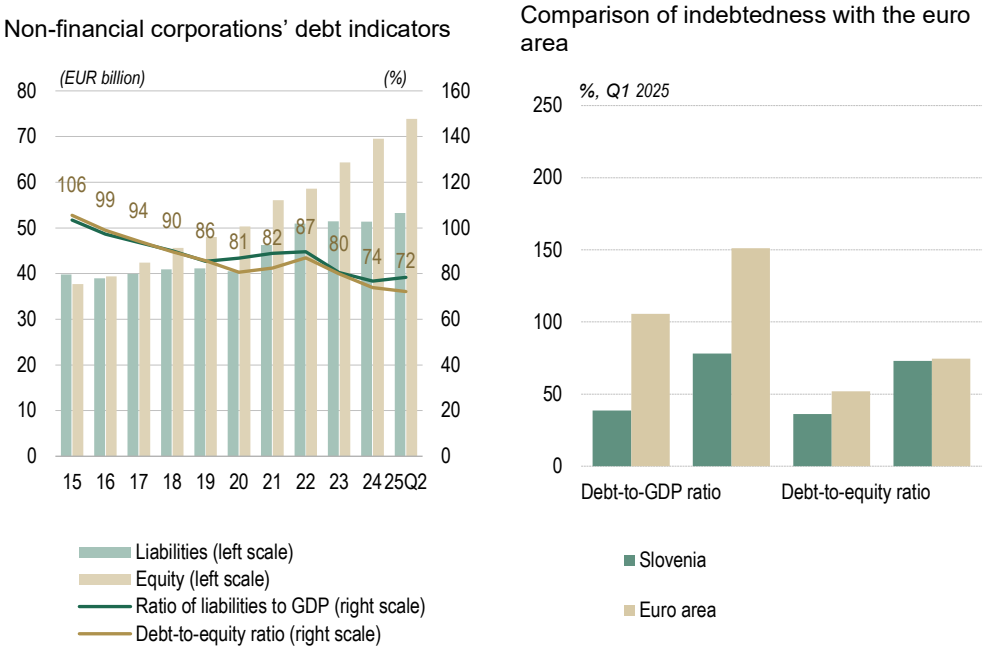
Figure 4.6: **Non-financial corporations' demand for bank loans**



Note: Demand for loans for refinancing was first reported in the survey for 2020; previously it had been included in the category of other loans. Excess demand is the difference between demand and new loans. The rate of excess demand is computed as excess demand divided by total demand (as a percentage).
Sources: Banka Slovenije, Survey of demand for loans.

The increase in NFCs' liabilities in the first half of this year drove a slight deterioration in their indebtedness as measured against GDP. Slovenia remains below the euro area average according to the majority of indebtedness indicators.NFCs' debt liabilities had been stable for three years at around EUR 51 billion, but increased to EUR 53.3 billion in the first half of 2025 (see Figure 5.5, left). They rose to 78.3% of GDP. Leverage as measured by the debt-to-equity ratio improved further in declining to 72.1%. In terms of leverage, Slovenian NFCs drew level with the euro area average (see Figure 5.5, right), but are considerably less indebted according to several other indicators. The most notable of these is the ratio of debt to GDP.

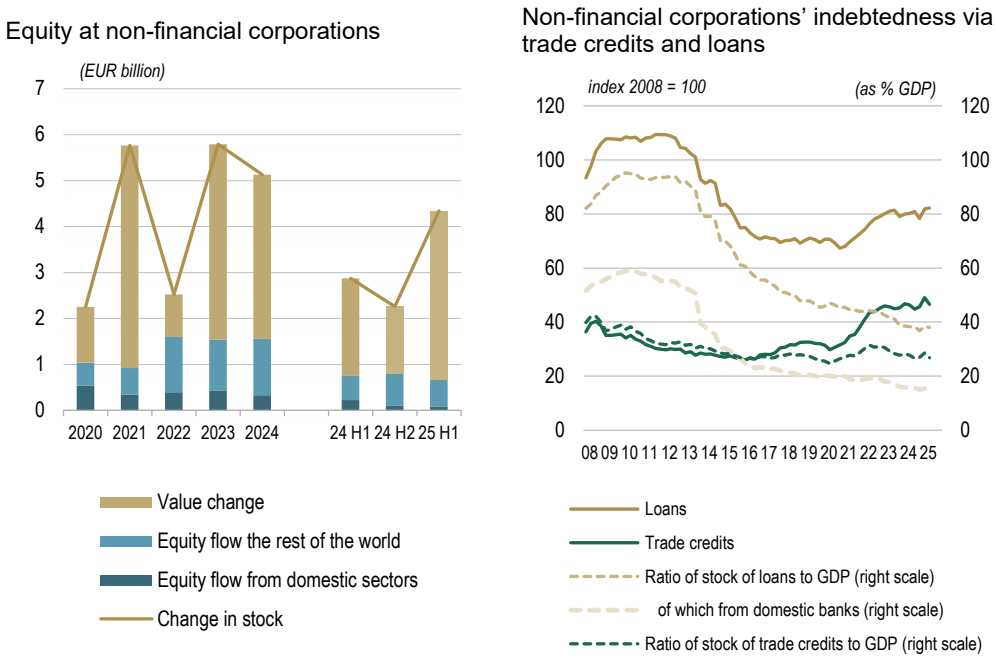
Figure 4.7: **Non-financial corporations' indebtedness, and comparison with the euro area**



Note: The indicators in the left chart include all debt liabilities of NFCs. In the right chart this applies to indicators where total debt appears in the numerator, while "debt" covers loans and debt securities only.
Sources: Banka Slovenije, ECB Data Portal.

The improvement in leverage along with a rise in total debt liabilities reflects the above-average revaluation of equity. The inflow of equity in the first half of 2025 did not deviate significantly from previous periods, while the revaluation changes during this period accounted for EUR 3.7 billion of the increase in equity (see Figure 5.6, left).

Figure 4.8: **Growth in non-financial corporations' equity and indebtedness**



Source: Banka Slovenije

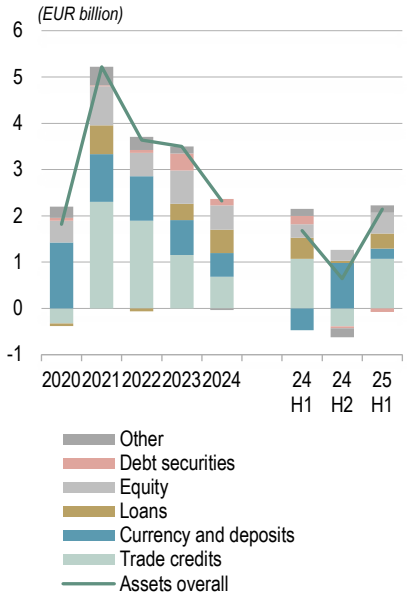
Non-financial corporations' financial assets

Similarly to liabilities, the flow of financial assets increased in the first half of 2025. The surplus of NFCs' total liabilities over financial assets increased further, but the surplus in the narrower aggregate of debt instruments has been declining since 2023 (see Figure 5.7, left). The key factor in the widening of the overall negative net financial position of NFCs was the increase in net equity received. In the debt segment the negative position is narrowing in all debt instruments, where the largest factor was the increase in the surplus in trade credits.

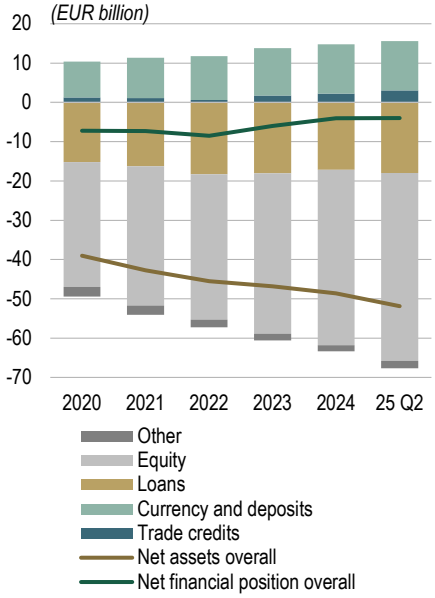
Trade credits granted have increased sharply over the last 12 months (see Figure 5.7, left). They have been outpacing the increase in trade credits received since 2023, and their stock is also greater than the stock of trade credits received. Alongside currency and deposits, this is the only segment of corporate financing where Slovenian NFCs generate a surplus in financial assets over liabilities (see Figure 5.7, right). The surplus in trade credits averaged EUR 1.2 billion or a relatively stable 2.7% of GDP between 2013 and 2022, but over the next two years rose to fully EUR 2.7 billion or 4.0% of GDP.

Figure 4.9: **Non-financial corporations' financial assets and net financial position**

Flows in non-financial corporations' financial assets by instrument



Net financial position of non-financial corporations



Source: Banka Slovenije.

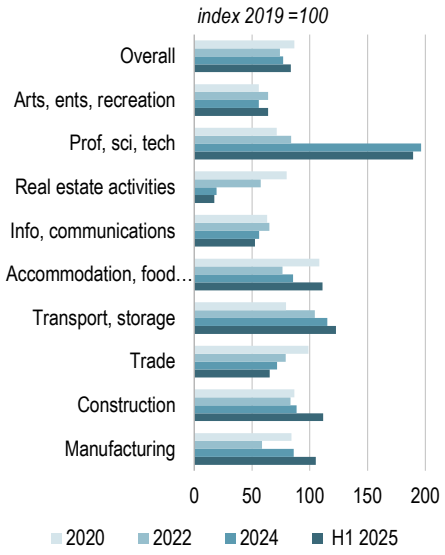
Bankruptcies and current account freezes at non-financial corporations

The rise in the number of bankruptcy proceedings initiated and current account freezes at NFCs that began in 2024 continued in the first half of 2025. This year has seen notable rises in the number of bankruptcies in manufacturing, construction, and accommodation and food service activities (see Figure 5.6, left). Professional, scientific and technical activities is also notable for its elevated level, although the number is down slightly on last year. The number of current account freezes has also been rising over last year and this year in the aforementioned sectors (see Figure 5.6, right). The number of current account freezes in the NFCs sector increased by 2.6% in the

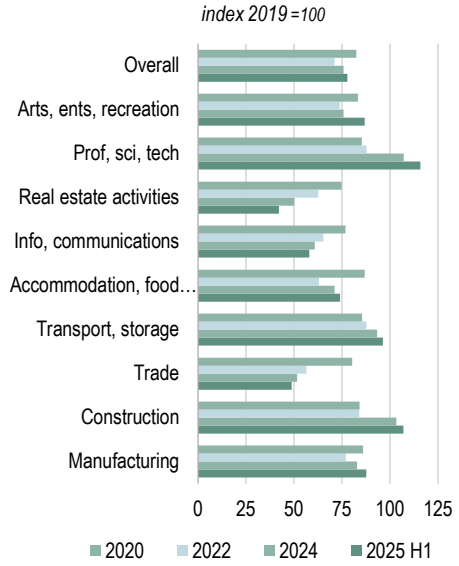
first half of 2025. Although service sectors are displaying a deterioration in terms of these indicators, the latest data for economic activity and expectations in these sectors is more encouraging. The data is less promising in manufacturing, where further deteriorations are possible given the uncertainties seen in the international environment.

Figure 4.10: **Bankruptcies and current account freezes at non-financial corporations**

Number of bankruptcy proceedings initiated at non-financial corporations



Number of non-financial corporations with a frozen current account



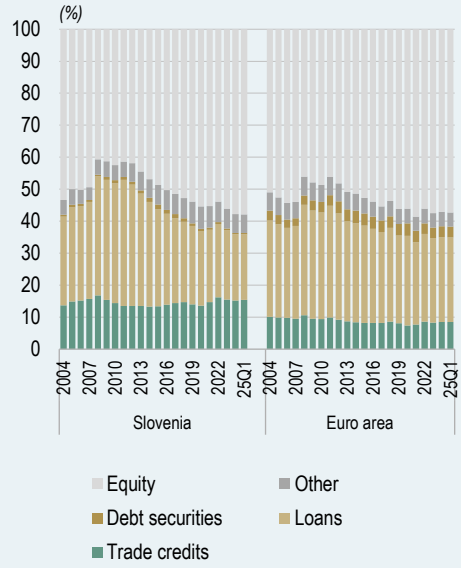
Sources: Supreme Court, Banka Slovenije.

Box 5: **Financing of non-financial corporations**

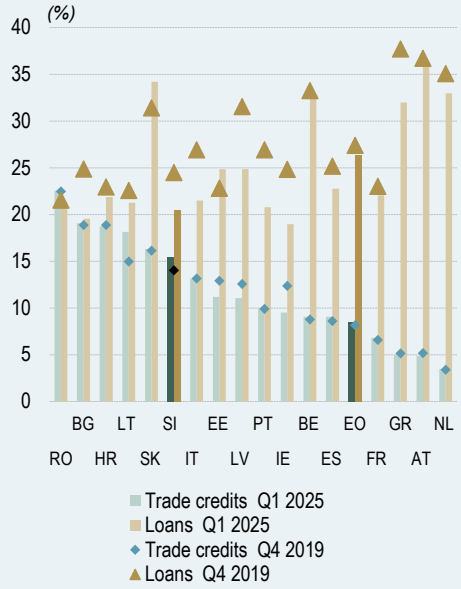
The breakdown of NFCs' liabilities in Slovenia differs from that in the euro area overall primarily in terms of the larger share of trade credits and the smaller share of debt securities and loans. Slovenian NFCs hold less financing in the form of loans (20.5% versus 26.4% in the euro area overall), less in the form of issued debt securities (0.4% versus 3.4%), and significantly more in the form of trade credits (15.4% versus 8.5%). Slovenia's share of trade credits is one of the highest of any euro area country: only Croatia, Slovakia and Lithuania have higher shares (see Figure 4.11, right), while in the EU only Romania and Bulgaria also have higher shares. The share of NFCs' total liabilities accounted for by equity stood at 57.5%, extremely close to the figure in the euro area overall (see Figure 4.11, left).

Figure 4.11: **Breakdown of financing, comparison with other countries**

Breakdown of non-financial corporations' financial liabilities in Slovenia and the euro area



Share of total liabilities accounted for by trade credits by countries



Source: ECB Data Portal.

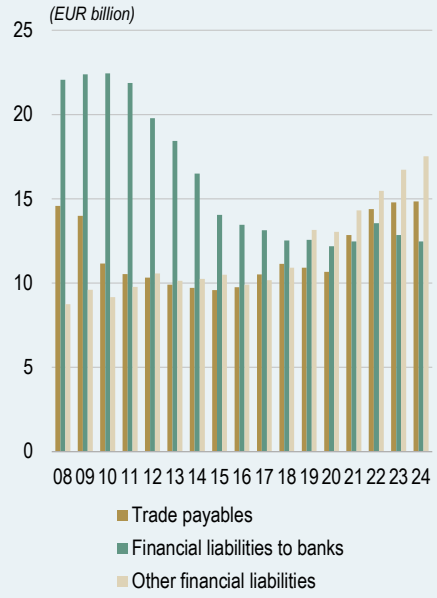
NFCs saw their holdings of bank loans[75] decline by almost a half between 2010 and 2024, from EUR 22 billion to around EUR 12.5 billion, while in 2024 trade credits were at a similar level to 2008 (see Figure 4.11, left). The ratio of trade payables to assets has averaged around 12% over the last ten years, while the ratio of financial liabilities to banks to assets, which in 2008 were significantly larger than trade payables, had declined sharply by 2024 (see Figure 4.11, right).[76] NFCs have held slightly more trade payables than financial liabilities to banks since 2021, and other financial liabilities (financial liabilities to undertakings in the group and miscellaneous financial liabilities) have been more important than bank financing since 2019. The ratio of financial liabilities to banks to GDP declined sharply between 2008 and 2024 (from 58.4% to 18.6%), while the ratio of trade payables to GDP declined by significantly less (from 38.6% to 22.2%).

[75] Financial liabilities to banks refer to liabilities to banks in Slovenia and in the rest of the world.

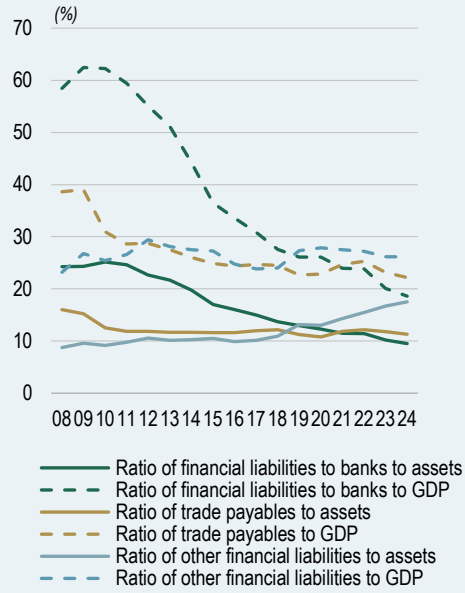
[76] See also the section on the macroeconomic environment.

Figure 4.12: **Financial liabilities and trade payables**

Financial liabilities and trade payables



Ratio of financial liabilities and trade payables to assets and GDP



Source: AJPES.

NFCs have seen their indebtedness decline over the last two years, and in 2024 the debt-to-equity ratio stood at 85.4%,[77] down from 165% in 2008 (see Figure 4.12, left). Leverage in construction and real estate activities declined to 129.3% and 107.9% respectively, down significantly on 2008. Indebtedness also declined in wholesale and retail trade and in accommodation and food service activities, but increased slightly in manufacturing, although it remained low at 76.4% (see Figure 4.12, left). Indebtedness at construction firms was high in 2008 and 2009, when construction activity was also high: the amount of construction put in place and the number of housing completions were the highest of the last 20 years. Construction activity declined sharply after the economic and financial crisis, and with it the banking sector's exposure to construction also declined.[78]

The ratio of trade payables to assets over the last decade was highest in construction, wholesale and retail trade, and information and communication (see Figure 5.2, right). These three sectors also had the highest ratios of trade payables to sales revenue, which were also notably high in the sectors of manufacturing, transportation and storage, and administrative and support service activities. Trade credits are mostly more expensive than bank loans,[79] but are used to finance inventories and working capital. Credit of this kind is often used by firms who would not be granted bank financing, but can sometimes be obtained more quickly, thanks in part to shorter approval procedures.

Trade credits have been a more important source of financing than bank loans in recent years, particularly in construction, wholesale and retail trade, and information and communication. The difference between the ratios of trade payables to assets and financial liabilities to banks to assets fluctuated around 10 percentage points between 2018 and 2024. In certain sectors such as construction, trade credits are also important in cash flow management, as a shortage of capital or a focus on a

[77] The debt-to-equity ratio differs slightly from that disclosed in Figure 4.13 (left), which illustrates the ratio of debt to equity in the financing of NFCs on the basis of financial accounts data (the differences are the result of the differences in the methodology of data capture). The analysis presented here is based on data from NFCs' closing accounts filed with AJPES.

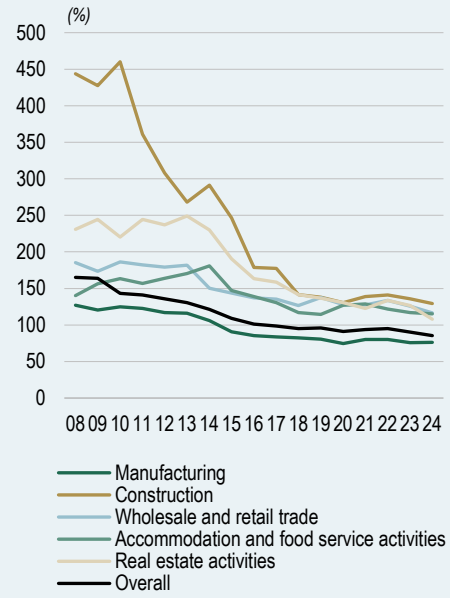
[78] See the section on risk inherent in the real estate market.

[79] Engemann. M, Eck K. and Schnitzer, M. (2014): Trade Credits and Bank Credits in International Trade: Substitutes or Complements? The World Economy. Volume 37, 11, pp. 1507-1540.

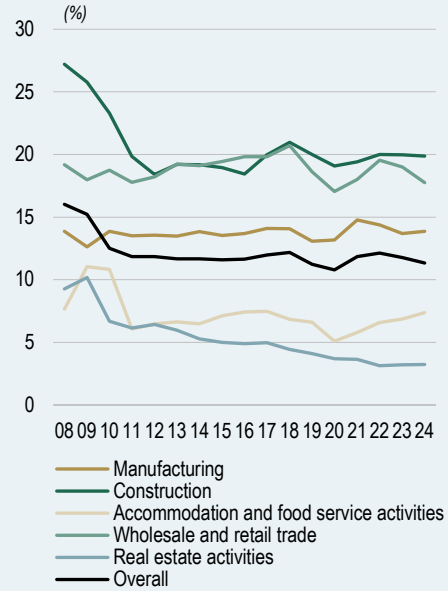
single construction project often leads to a deterioration in cash flow, which might expose firms to greater vulnerability during difficult periods without adequate financing. The ratio of trade payables to assets in manufacturing was broadly unchanged over the entire period at around 14%, while the ratio of financial liabilities to banks to assets declined from its peak of around 25% in 2010, to a low of 9.5% in 2024.[80]

Figure 4.13: **Leverage by sector and ratio of trade payables to assets by sector**

Debt-to-equity ratio at NFCs in selected economic sectors



Ratio of trade payables to assets at NFCs in selected economic sectors



Note: In the left chart leverage is measured as the ratio of debt to equity. Debt liabilities include operating liabilities and financial liabilities.
Source: AJPES.

[80] Latest data.

5 Non-Bank Financial Institutions

5.1 Leasing companies

Q2 25 Q3 25

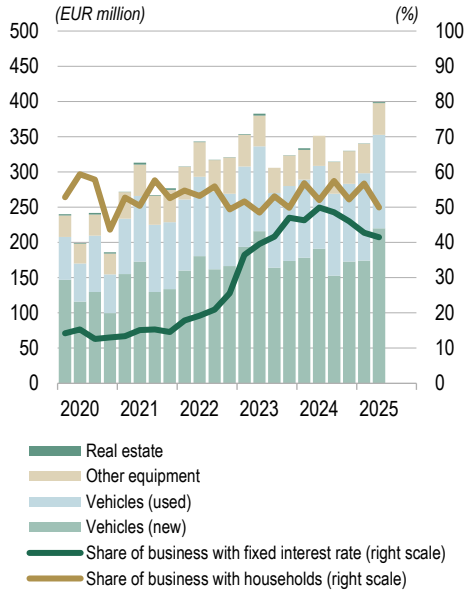
The risk inherent in leasing companies is assessed as low, with a stable outlook. Leasing companies concluded more new business in the first half of this year than in the same period last year. In an environment of falling interest rates, interest rates on leasing business with households fell more quickly than interest rates on consumer loans. After three years of decline, leasing companies' profitability strengthened again. They also saw their total assets and the stock of leasing business strengthen. Arrears in leasing business remain at low levels.

Leasing companies concluded more new business in the first half of this year than in the same period last year. Leasing companies concluded EUR 739 million of new business in the first half of the year, up 7.9% on the same period last year (see Figure 5.1, left). The breakdown of new business by lease subject was similar to previous years. The majority of new business was to finance cars (67.0%), goods and commercial vehicles (21.0%), other equipment (6.9%) and industrial plant and equipment (3.7%). More than half of the new business was concluded with a maturity of five to ten years, followed by business with a maturity of one to five years. Approximately half of the new business was entered into with households, and the other half with NFCs.

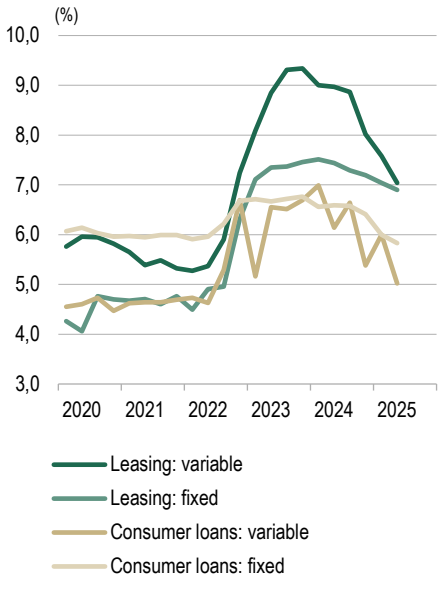
The gradual fall in interest rates drove a decline in the share of new business with a fixed interest rate. Fixed-rate business accounted for 41.5% of total business during the first half of the year (see Figure 5.1, left). The average interest rates on leasing business with households fell more quickly than interest rates on consumer loans, but still remain higher than the latter. In the first half of 2022 interest rates on leasing business were below those on consumer loans (see Figure 5.1, right).

Figure 5.1: **New leasing business and interest rates on leasing business**

New leasing business by purpose of financing and by type of interest rate



Average interest rates on leasing business with households

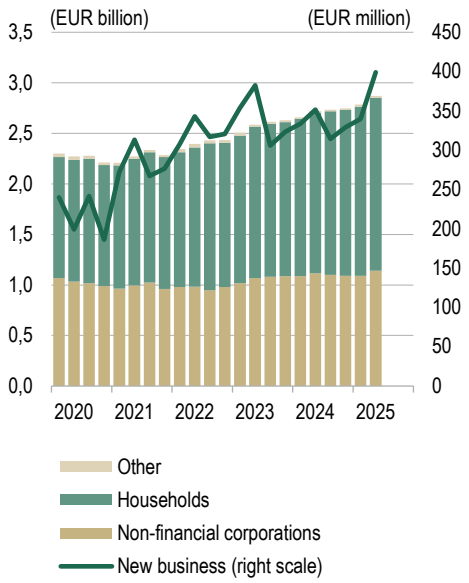


Source: Banka Slovenije.

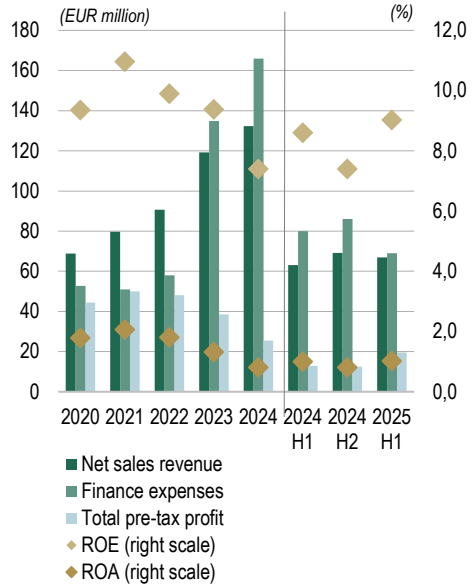
This year has seen an increase in leasing companies' total assets. They stood at EUR 3.3 billion in June, up 5.9% in year-on-year terms. Financial receivables from leasing business account for the majority of total assets. The stock of leasing business was up 5.5% at EUR 2.9 billion (see Figure 5.2, left). Households account for the majority of the stock of leasing business (59.6%), followed by NFCs (39.7%). Among the latter, activities are dominated by businesses in transportation and storage trade, maintenance and repair of motor vehicles. Slovenian leasing companies are predominantly engaged in finance leasing.[81]

Figure 5.2: **Stock of leasing business and leasing companies' profitability**

Stock of leasing business by customer segment and new business



Profitability of leasing companies



Source: Banka Slovenije.

Leasing companies also saw an improvement in their profitability. After three years of declining profitability, profits have risen again this year. Leasing companies' pre-tax profit amounted to EUR 19.5 million in the first half of this year, up a strong 52.1% in year-on-year terms. The increase was driven above all by an improvement in borrowing terms, and consequently lower finance expenses (see Figure 5.2, right). The quality of leasing business remains high. Arrears of more than 90 days remain stable, and accounted for 0.7% of the stock of leasing business at the end of June 2025.

5.2 Insurers

With high profits and good performance, insurers are reinforcing the sector's high resilience. Insurance corporations have seen increases in gross written premium and claims paid this year compared with the same period last year. The largest segments in non-life insurance are motor vehicle insurance and car liability insurance, while the largest segment in life insurance is unit-linked life insurance. Claims ratios at insurance corporations were broadly unchanged in year-on-year terms. The capital adequacy of insurance corporations in Slovenia remains at a high level. The reinsurance

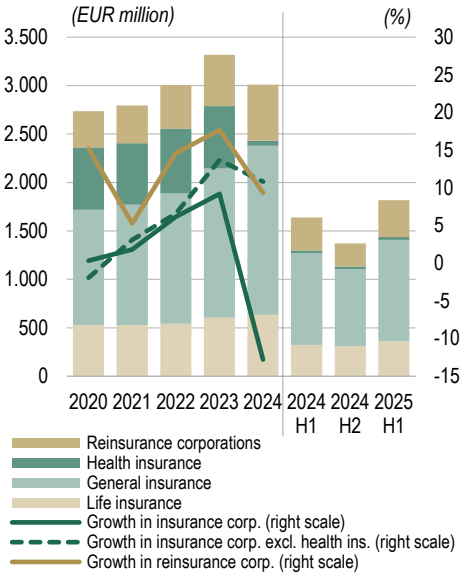
[81] The leasing business of leasing companies includes finance leases (89.2% of business), operating leases (6.6%) and loans (4.3%).

corporations also performed well, and saw year-on-year growth in gross written premium and large profits.

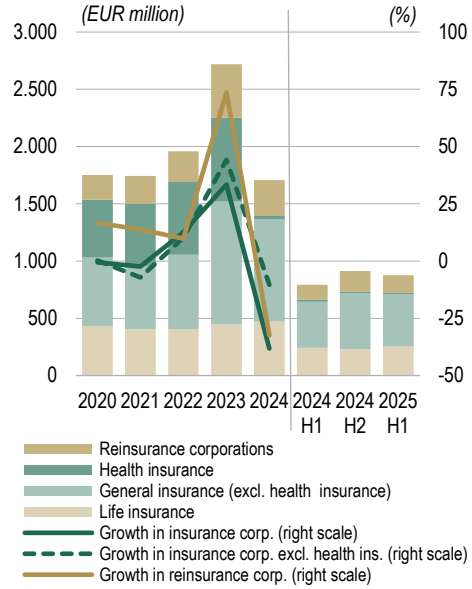
Insurance corporations have seen increases in gross written premium and claims paid this year. The insurance corporations generated gross written premium of EUR 1.4 billion in the first half of the year, up 10.8% on the same period last year. Similar growth was recorded by the reinsurance corporations, who generated gross written premium of EUR 380.4 million in the first half of the year (see Figure 5.3, left). The insurance corporations' gross claims paid increased by 9.5% in year-on-year terms to EUR 723.5 million. Non-life insurance accounted for 64.9% of the claims payments, and life insurance for 35.1%. The reinsurance corporations' total claims paid amounted to EUR 154.2 million, up 16.4% on the previous year (see Figure 5.3, right).

Figure 5.3: **Gross written premium and claims paid**

Gross written premium and annual growth by type of insurance



Claims paid and year-on-year growth in claims at insurers

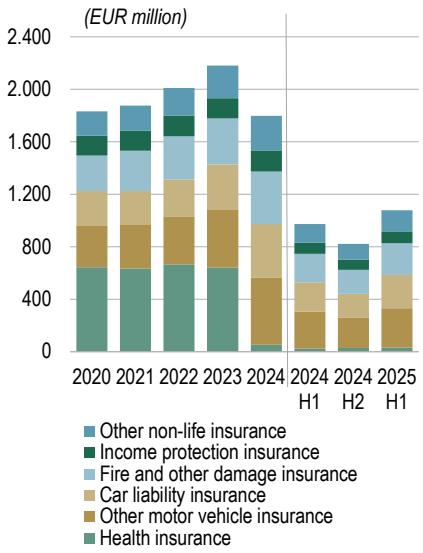


Sources: Insurance Supervision Agency, Banka Slovenije calculations.

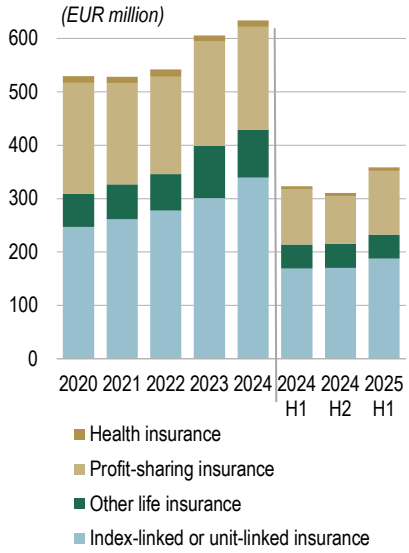
The breakdown of gross written premium by individual insurance classes remains broadly unchanged. The leading forms of non-life insurance are other motor vehicle insurance, car liability insurance, and fire and other property insurance. The highest year-on-year growth was recorded by car liability insurance, and other property insurance (see Figure 5.4, left). The largest component in the life insurance segment is unit-linked insurance, followed by profit-sharing life insurance, and health insurance. The highest year-on-year growth in the life insurance segment was recorded by profit-sharing insurance (see Figure 5.4, right).

Figure 5.4: **Gross written premium by type of insurance**

Gross written premium by type of non-life insurance



Gross written premium by type of life insurance



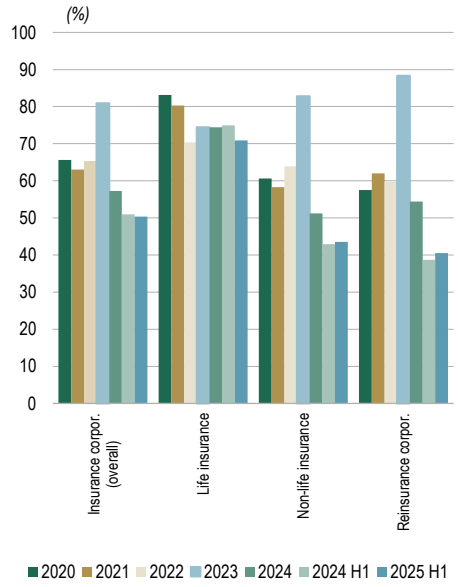
Sources: Insurance Supervision Agency, Banka Slovenije calculations.

Amid similar rates of growth in gross written premium and claims paid, the claims ratios at insurance corporations and reinsurance corporations remained at a similar level. The claims ratio over the first half of the year stood at 50.3% at the insurance corporations, and 40.5% at the reinsurance corporations. The largest improvement in the claims ratio came in the life insurance segment, while non-life insurance recorded a minimal deterioration (see Figure 5.5, left).

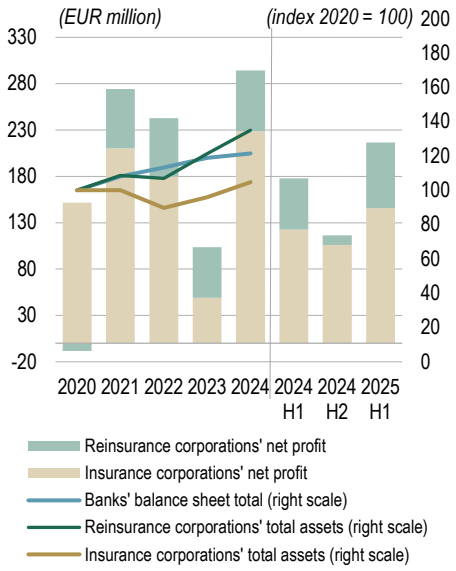
Insurance corporations and reinsurance corporations strengthened their holdings of assets. The insurance corporations' assets amounted to EUR 7.4 billion at the end of June 2025, up 6.6% in year-on-year terms. Of the asset holdings that are not unit-linked, the leading form is government debt securities, followed by other debt securities, and equities. The reinsurance corporations also saw their asset holdings increase, by 18.5% in year-on-year terms to EUR 1.3 billion.

Figure 5.5: **Claims ratio, net profit and total assets**

Claims ratio for reinsurance corporations, insurance corporations, and life and non-life segments



Insurers' net profit and total assets



Sources: Insurance Supervision Agency, Banka Slovenije calculations.

The insurance corporations and reinsurance corporations enjoyed improved performance in the first half of this year, which was reflected in high growth in profit. This was up 19.1% in year-on-year terms at EUR 146 million (see Figure 5.5, right). The increase was driven in particular by non-life insurance, which was up 37.7% at EUR 114 million, while profit from life insurance declined by 19.8% to EUR 31.9 million. The reinsurance corporations' profit amounted to EUR 70.7 million in the first half of 2025, up 27.6% in year-on-year terms. The insurance corporations recorded stable growth in total assets in the first half of the year, while growth was more pronounced at the reinsurance corporations. The insurance corporations' total assets were up 6.3% in year-on-year terms at EUR 8.4 billion at the end of the June, while the reinsurance corporations' total assets were up 16.3% in year-on-year terms at EUR 1.7 billion. The median SCR coverage ratio stood at 264.5%, while the median MCR coverage ratio stood at 676.9% (see Figure 8.28 in the appendix). The two indicators are above their regulatory requirements, and are further evidence of the insurance sector's high resilience to potential shocks.

5.3 Mutual funds

The financial markets have been hit by uncertainty caused by the US tariff measures, which gave rise to huge volatility. Strong selling pressure followed in April, but stock markets recovered quickly and by the end of August had again hit record highs. The SBITOP has continued to make large gains this year, which is having a favourable impact on the liquidity of the domestic stock exchange. The domestic mutual funds have their largest holdings in equities, which was reflected in high withdrawals in March and April, but the rise in the stock markets saw inflows strengthen again.

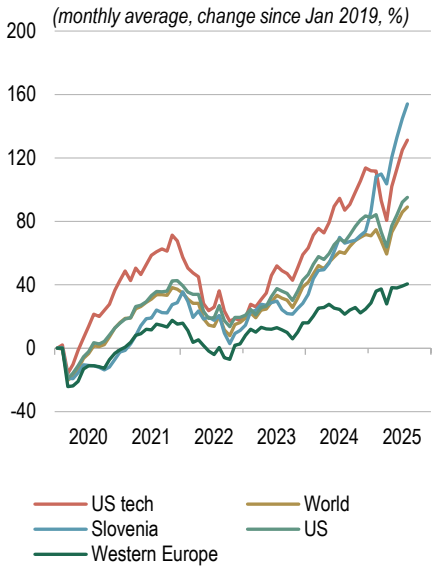
Share markets have seen extreme volatility this year. The imposition of high tariffs on imports from multiple countries announced by the US in April caused significant falls on global exchanges. The subsequent calmer rhetoric and negotiations on tariffs restored confidence to investors, which was reflected in high growth in the main stock

market indices. The highest growth was recorded by tech firms. By the end of August the S&P 500, the leading US index, had gained 6% since the beginning of the year, while the STOXX Europe 600 was up 13%. Slovenia's SBITOP was up fully 46% by the end of August, driven primarily by improved performance by the firms included in the index (see Figure 5.6, left).

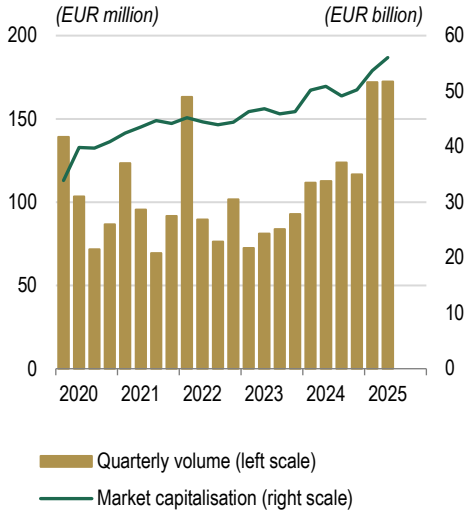
The high growth in the SBITOP seen last year has continued this year, which has had a positive impact in raising volume on the Ljubljana Stock Exchange. Aggregate volume excluding block trades reached EUR 344 million over the first half of the year, up 34.8% on the same period last year. The majority of trading on the Ljubljana Stock Exchange consists of shares, which accounted for 93.5% of total volume in the first half of the year. The market capitalisation of the domestic stock market amounted to EUR 56.0 billion, up 11.6% in year-on-year terms (see Figure 5.6, right).

Figure 5.6: **Changes in share indices and market capitalisation of Ljubljana Stock Exchange**

Changes in selected share indices



Volume and market capitalisation of Ljubljana Stock Exchange



Note: The indices featured in the left chart are the NASDAQ New York for US tech, the S&P for the US, the STOXX Europe 600 for western Europe, and the SBITOP for Slovenia. The left chart includes data up to August. Volume in the right chart excludes block trades.
Sources: LJSE, Banka Slovenije calculations.

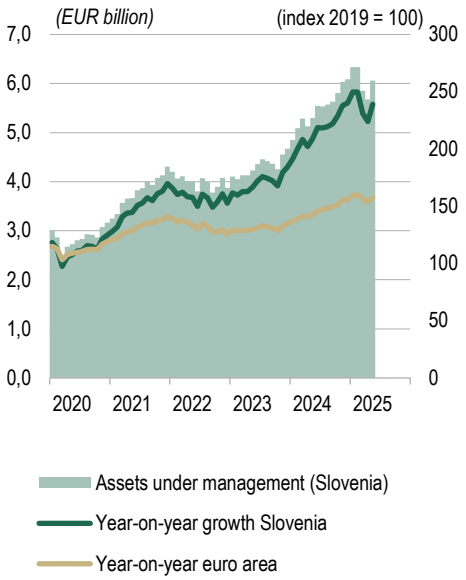
The mutual funds' assets under management at the end of June 2025 were up significantly in year-on-year terms. The domestic mutual funds' assets under management stood at EUR 6.4 billion at the end of June, up 12.9% in year-on-year terms. Compared with mutual funds in the euro area overall, which hold a significantly larger share of their assets in debt securities, the domestic mutual funds are more exposed to market risk. The domestic mutual funds' high exposure to equities, together with the revaluations this year, resulted in increased volatility in their assets compared with in the euro area overall. Consequently year-on-year growth in assets under management at the domestic mutual funds in June 2025 exceeded the rate at mutual funds in the euro area overall (see Figure 5.7, left).

Net inflows into mutual funds remained stable in the first half of the year. Despite the major net withdrawals seen in March and April as a result of the turmoil on the stock markets, net inflows amounted to EUR 260 million, up 3.1% in year-on-year terms (see Figure 5.7, right). Households remain the largest holders of units in the domestic mutual

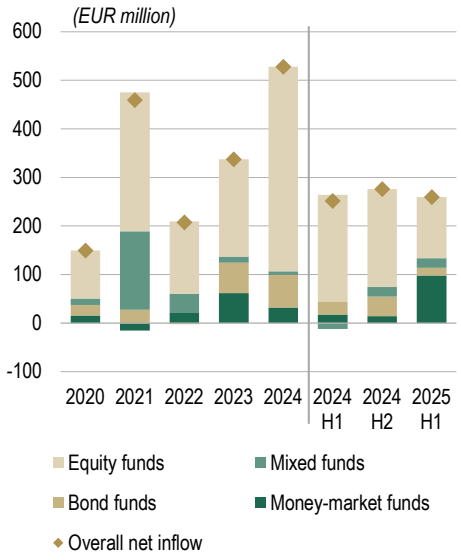
funds, and recorded net inflows of EUR 161.1 million, followed by other financial intermediaries with net inflows of EUR 78.0 million (see Figure 8.29 in the appendix). NFCs recorded inflows of EUR 72.5 million, mostly into money-market funds. The largest decline was in net inflow into equity funds, which are most exposed to market risk. Equity funds nevertheless remain the most popular type of mutual fund: they attracted almost half of the net inflows, with money-market funds next in line. The domestic mutual funds' equity holdings have most exposure to public limited companies in the US, while their holdings of debt securities mostly focus on euro area countries.

Figure 5.7: **Domestic mutual funds' assets under management and net inflows**

Stock of and growth in mutual funds' assets under management



Net inflows into domestic mutual funds



Note: The left chart does not include money-market funds.
Sources: Banka Slovenije, ECB SDW.

6 Macroprudential Policy for the Banking System and Leasing Companies

Banka Slovenije is maintaining a preventive and balanced stance in macroprudential policy in 2025, with a focus on maintaining the resilience of the banking system and preventing the build-up of risks. Since 1 January 2025 the banks have been meeting a positive neutral countercyclical capital buffer rate of 1.0% and a sectoral buffer of 0.5% of total risk-weighted exposure amounts for all household loans. Other systemically important institutions (O-SIIs) are required to meet additional capital buffers, the purpose of which is to limit the systemic consequences of their potential failure. The combination of these measures is strengthening the banking system's resilience, and reducing the likelihood of risks being transmitted to the wider economy. In the area of restrictions on household lending we are still using measures to encourage more sustainable borrowing by households and to reduce credit risk at banks. The entry into force of the new CRR3 brought an end to the stricter criterion for the favourable weighting of exposures secured by residential real estate, the new European arrangements introducing stricter conditions for treatment of this kind.

Purpose of macroprudential policy

Macroprudential policy is an economic policy used to identify, monitor, assess and reduce or prevent systemic risks to financial stability. Under the Macroprudential Supervision of the Financial System Act, the ultimate objective of macroprudential policy is to contribute to safeguarding the stability of the financial system as a whole, including strengthening the resilience of the financial system, and preventing and mitigating the build-up of systemic risks, thereby ensuring a sustainable contribution to economic growth from the financial sector. EU Member States have a number of macroprudential instruments at their disposal that can be used and tailored with regard to the systemic risks identified and the level of resilience of the financial system. Macroprudential instruments can be broadly divided into three main groups: 1) liquidity-based measures, 2) capital-based measures and 3) borrower-based measures. The capital-based measures are designed to build the banking system's resilience, while the borrower-based measures put minimum credit standards in place and can limit excessive credit growth, thereby reducing risks in the banking system. The currently less frequently used liquidity-based measures either reduce funding risk or increase the liquidity resilience of the banking system. Certain macroprudential instruments are used in the same form across EU Member States, while other instruments are formulated with regard to the specifics of the individual banking system or with regard to systemic risks (see Table 6.1).

Capital buffers are key to strengthening the resilience of the banking system, as they allow for release during systemically important shocks, thereby expanding macroprudential space.[82] Releasing the buffers during major adverse systemic shocks helps in addressing the vulnerabilities of the banking system, and in preventing an excessive contraction in credit activity. To this end the macroprudential authorities are introducing new measures and/or adjusting the existing measures, where the higher requirements regarding capital buffers (e.g. the CCyB and the SyRB) on the supply side complement the borrower-based measures that contribute to greater resilience at households and firms.[83] The comprehensive approach reduces the risk of a deterioration in credit quality, and further strengthens bank resilience. At the euro area level timely activation and the right buffer levels are not only reducing tensions between financial stability and price stability, but are also increasing the effectiveness of macroprudential policy in a sub-optimal currency zone.[84]

The positive neutral countercyclical capital buffer rate approach is becoming increasingly well-established in Europe, and allows for an earlier and more flexible response to systemic risks. No European country has opted for a change in its countercyclical capital buffer rate since April 2025.[85] Similarly to Slovenia, the majority of countries argue for the introduction of a positive neutral rate in the form of a target rate in a neutral (standardised) risk environment.[86] The positive neutral rate gives precedence to expert judgment over mechanical setting of the buffer rate, and allows for a build-up of capital reserves even when cyclical risks are not yet particularly elevated. The buffer can thus be released effectively during shocks that are not necessarily related to domestic financial imbalances. This approach is already in use by 17 European countries, including Slovenia, while approximately half of the other 13 countries are planning its introduction.

Of the macroprudential measures restricting borrowing by households, the most common are the caps on LTV and DSTI. The two criteria are also being used in Slovenia.[87] The cap on DSTI (19) sets the maximum amount of the borrower's income that can be earmarked for debt repayment,[88] while the cap on LTV (25) applies to all loans secured by residential real estate (consumer loans and housing loans). Certain other countries use additional instruments such as the cap on maturity (15), the cap on DTI (5), which limits total indebtedness relative to income, the cap on LSTI (1), which takes account solely of loan repayments and not the individual's total debt, and the cap on LTI (3), which limits the size of the loan relative to the individual's income.

Countries are using various types of systemic risk buffer: general, sectoral and targeted.[89] General buffers, which are neither sectoral nor targeted, are in use in Austria, Bulgaria, Croatia, Finland, Romania and Sweden. Sectoral buffers are most commonly used in connection with real estate. A buffer used to strengthen bank resilience

[82] Macroprudential space is broadly defined as the volume of releasable capital buffers. For more, see: Annex 2: Enhancing macroprudential space in the banking union. The ESRB more precisely defines macroprudential space as the sum of releasable and non-releasable capital buffers in the banking sector. This definition of the term encompasses all buffer requirements aimed at strengthening the resilience of financial institutions and supporting lending in periods of financial stress. For more, see: Review of the EU Macroprudential Framework for the Banking Sector - Concept Note.

[83] Financial Stability Review, November 2024

[84] See: Macroprudential and monetary policy interaction: the role of early activation of the countercyclical capital buffer.

[85] Details of the countercyclical capital buffer rates in EEA countries can be found on the ESRB website: Countercyclical capital buffer (europa.eu)

[86] Alongside Slovenia, a positive neutral rate has now been implemented by Cyprus, Czechia, Denmark, Estonia, Greece, Hungary, Iceland, Ireland, Latvia, Lithuania, Netherlands, Norway, Poland, Portugal, Spain and the UK. See: Using the countercyclical capital buffer to build up resilience early in the cycle.

[87] The figure in parentheses after each of these instruments denotes the number of countries that are already using the instrument in question (see Table 6.3).

[88] Defined as the ratio of the debt servicing amount to the borrower's income.

[89] See: Review of the EU Macroprudential Framework for the Banking Sector - Concept Note

to the risks inherent in the real estate market has also been introduced in Slovenia. A similar buffer has also been implemented in Belgium, Germany, Lithuania, Malta and Portugal. Some countries are using more targeted buffers. They are in use in Slovenia for household loans not secured by real estate, and in Denmark for exposures to real estate firms. Since the previous Financial Stability Review in April 2025, certain larger euro area countries have modified one of their systemic risk buffer rates: Germany cut its systemic risk buffer rate for exposures to residential real estate from 2% to 1%, Austria introduced a 1% systemic risk buffer rate for exposures to commercial real estate, France discontinued the buffer for loans to heavily indebted non-financial corporations, and Finland extended the validity of its general systemic risk buffer to 2028.

In addition to the aforementioned buffers, macroprudential authorities impose further capital requirements on other systemically important institutions (O-SIIs), as their potential failure poses a major risk to financial stability. Each EU Member State identifies these banks once a year, and imposes additional buffers on them with the aim of absorbing losses and strengthening the resilience of the system. According to the EBA's latest list (May 2025, based on data from the end of 2024), there were a total of 175 O-SIIs in the EU, an average of 6.5 per Member State. Finland and Iceland have the fewest (three each), while Germany has the most (12). The new year saw the introduction of a new methodology, which alongside national importance also takes into account the role of banks in the banking union as a whole.[90] The aim of the change is to reduce the differences between countries, and within the banking union to ensure greater unity in capital requirements and to strengthen the financial stability and competitiveness of the banking sector.[91]

Banka Slovenije macroprudential policy

To manage key risks in the Slovenian banking system we use a toolkit of macroprudential instruments: some are designed to limit their occurrence and build-up, while others are to strengthen the banking system's resilience to existing risks. There are four sets of macroprudential instruments that currently apply to the Slovenian banking system. The buffer for other systemically important institutions (O-SII buffer), the countercyclical capital buffer (CCyB) and the two sectoral systemic risk buffers (SyRB) require a higher level of capital at banks, and thus strengthen the (capital) resilience of the banking system. The macroprudential restrictions on consumer lending put minimum credit standards in place, and at the same time are pitched at mitigating and preventing excessive credit growth and excessive leverage, thereby reducing credit risk.

[90] The banking union (BU) encompasses all euro area countries, and countries outside the euro area that have entered into close cooperation within the framework of the Single Supervisory Mechanism (SSM). Under the new methodology for O-SIIs, the systemic importance of a bank is also assessed from the perspective of the BU as a whole, where cross-border exposures inside the BU are partly treated as domestic. The new methodology has been applied to new notifications as of 1 January 2025, and is being gradually implemented by 1 January 2028 (*Governing Council statement on macroprudential policies – the ECB's framework for assessing capital buffers of other systemically important institutions*, 12 December 2024).

[91] It was adopted by the Governing Council of the ECB in November 2024. See: Governing Council statement on macroprudential policies.

Table 6.1: **Banka Slovenije macroprudential measures**

Macroprudential measure	Year of introduction/change	instrument	Intermediate objective	of objective
Macroprudential restrictions on household lending (LTV, DSTI, cap on maturity, LTC)	2016[1]/2018[2]/2019[3]/2020[4]/2022[5]/2023[6]	BINDING	To mitigate and prevent excessive credit growth and excessive leverage	Improved credit standards in approval of consumer loans and housing loans
O-SII buffer	2015[7]/2017[8]/2023[9]	BINDING	To limit the systemic impact of misaligned incentives with a view to reducing moral hazard	Higher resilience as a result of higher requirements for common equity Tier 1 capital,
Countercyclical capital buffer (CCyB)	2016/2022/2023[10]	BINDING	To mitigate and prevent excessive credit growth and excessive leverage	The CCyB helps to increase the resilience of the banking system
Sectoral systemic risk buffers	2022/2023[11]	BINDING	(a) To mitigate and prevent excessive credit growth and excessive leverage	Increased resilience of the banking system to systemic risks inherent in the residential real estate market

1 A recommendation with regard to LTV and DSTI was introduced in 2016 for housing loans.
2 In 2018 the macroprudential recommendation was extended to consumer loans, to which a cap on maturity also applied alongside the cap on DSTI.
3 The caps on DSTI and maturity became a binding macroprudential instrument in 2019.
4 In response to the Covid-19 pandemic, adjustments were made to the cap on DSTI in 2020, allowing the banks under certain conditions to exclude the temporary loss of income during the pandemic when calculating DSTI.
5 Additional changes to the restrictions on consumer lending entered into force on 1 July 2022.
6 The latest changes to the restrictions on consumer lending entered into force on 1 July 2023.
7 The methodology for reviewing the criteria for identifying banks as O-SIIs was adopted in 2015.
8 The methodology for determining the O-SII buffer rate was adopted in 2017.
9 The methodology for determining the O-SII buffer rate was modified in 2023.
10 Banks are required to meet a (positive neutral) countercyclical capital buffer rate of 1.0% as of 1 January 2025.
11 The two sectoral systemic risk buffers were introduced in 2022, and entered into force on 1 January 2023. The systemic risk buffer requirement for all retail exposures to natural persons secured by residential real estate was reduced from 1.0% to 0.5% of the total risk exposure amount in November 2023. The new buffer rate may be applied by banks as of 1 January 2025.
Source: Banka Slovenije.

Countercyclical capital buffer

The countercyclical capital buffer serves as protection for the banking system against potential losses during the materialisation of credit risk. Its role is to strengthen the resilience of the banking system at a time of rising cyclical systemic risks. In the event of the materialisation of credit risk, the buffer allows the banking system to cover losses with the capital buffers built up by the active macroprudential policy. This reduces the likelihood of an excessive contraction in lending to the real sector in the event of the materialisation of risks.

Banka Slovenije introduced the concept of a positive neutral countercyclical capital buffer rate in 2023. Banks are obliged to meet this requirement as of 1 January 2025. Its main purpose is ensuring that the banking system has sufficient capital available that can be released upon the occurrence of risks that are not necessarily related to excessive credit growth and the build-up of domestic imbalances, but are a consequence of the materialisation of risks outside the financial and banking system.[92] Other reasons for introducing this approach include the volatility of data series, the uncertainty in the measurement of cyclical risks, and the time lag in the assessment of cyclical risks and the build-up of the countercyclical capital buffer. To assess the phase of the financial cycle and a standardised or neutral risk environment, we use the existing set of individual risk indicators, a composite indicator and the indicator of a neutral environment.

The countercyclical capital buffer for exposures in Slovenia is being held at 1.0% of the total risk exposure amount in 2025. The financial cycle is holding in a neutral risk environment.

[92] For more information about the positive neutral countercyclical capital buffer rate and the neutral risk environment, see the Banka Slovenije website.

Macroprudential restrictions on consumer lending

The macroprudential restrictions on consumer lending aim to mitigate and prevent excessive credit growth and excessive leverage at households. They set out minimum credit standards for housing loans and consumer loans, and serve as structural safety valves for sustainable household borrowing in all phases of the financial cycle. In this way they reduce credit risk.

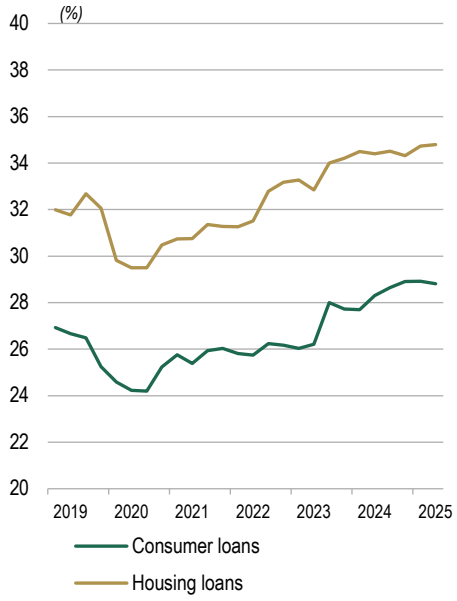
Four macroprudential instruments in the form of borrower-related measures are in use in Slovenia. These are: 1) a cap on DSTI, 2) a cap on LTV, 3) a cap on the maturity of consumer loans, and 4) a cap on the ratio of the bridging loan amount secured by financial instruments to the value of financial instruments used as collateral for the loan (LTC).[93] This section examines the main attributes of consumer loans and housing loans in recent years, and on this basis makes an assessment of the suitability of the current calibration of the macroprudential instruments.

The average DSTI increased in 2024, particularly for consumer loans, but its growth slowed in the first half of 2025. The DSTI has been increasing for a long time now in the housing loans portfolio, but remained stable in 2024, before increasing again in the first half of this year. Despite the increase the average DSTI remains at sustainable levels, with consumers spending an average of 28.4% of their income on consumer loan repayments over the last two years, while consumers spend an average of 34.4% of their income on housing loan repayments. The average DTI remains stable for consumer loans, while for housing loans it fell in 2020, but has been rising again over the last two years. The distribution of DTI shows a slight increase in the first half of 2025 in the share of consumers with a DTI of between 2 and 3 in the consumer loans portfolio, and in the share of consumers with a DTI of 6 or more in the housing loans portfolio (see Figure 7.27).

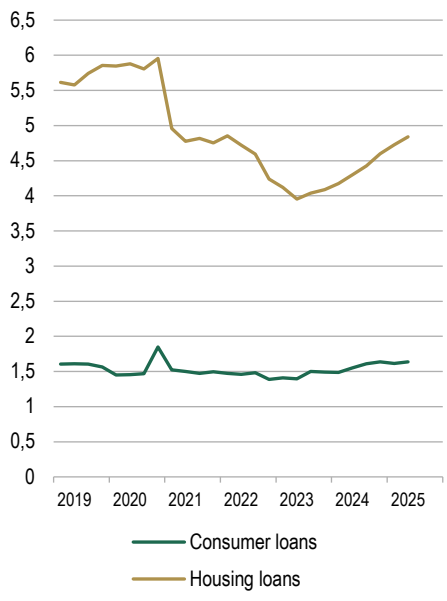
[93] For more on the details of and latest adjustments to the macroprudential restrictions on household lending, see Macroprudential restrictions on consumer lending, the November 2024 issue of the Financial Stability Review and the April 2025 issue of the Financial Stability Review.

Figure 6.1: **Weighted average DSTI and DTI according to loan type**

Weighted average DSTI according to loan type



Weighted average DTI according to loan type

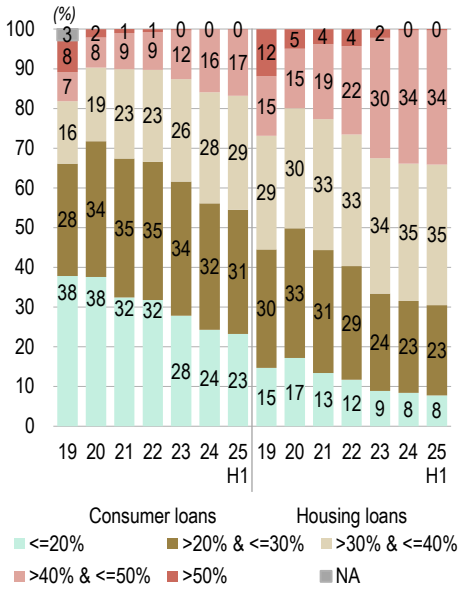


Source: Banka Slovenije.

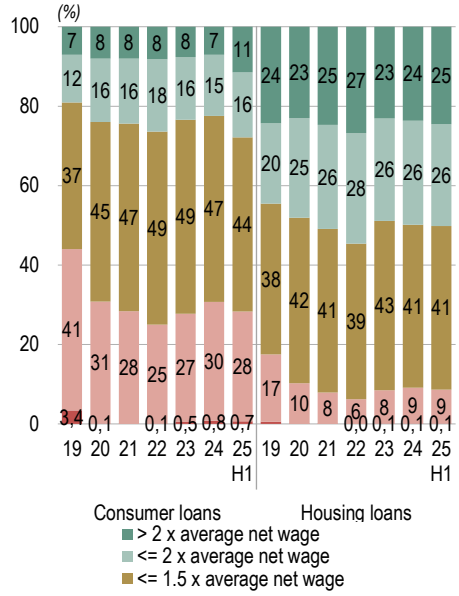
There were no major changes in the distribution of DSTI in the first half of 2025. The share of new loans with a DSTI of between 30% and 50% has otherwise been rising in recent years, in the consumer loans and housing loans portfolios alike. Loans with a DSTI of between 40% and 50% account for around 17% of new consumer loans and a third of new housing loans. Loans with a DSTI of between 20% and 30% make up the largest share of consumer loans, although this share is falling slightly, while loans with a DSTI of between 30% and 40% make up the largest share of housing loans. It can be observed that following the adjustment to the macroprudential measure in 2023, the share of loans of both types that was approved for consumers whose income is no more than 76% of the gross minimum wage increased, but nevertheless remains very low. The majority of loans continue to be approved for consumers whose reported income is above the average net wage, but is no more than 1.5 times the average net wage. The share of loans approved for consumers with lower incomes declined slightly in the first half of 2025, while the share of loans approved for consumers whose income is more than 1.5 times the average net wage increased, particularly in the consumer loans portfolio.

Figure 6.2: **Distribution of DSTI according to loan type, and distribution of new loans according to consumer's income**

Distribution of DSTI according to loan type



Distribution of new loans according to consumer's income

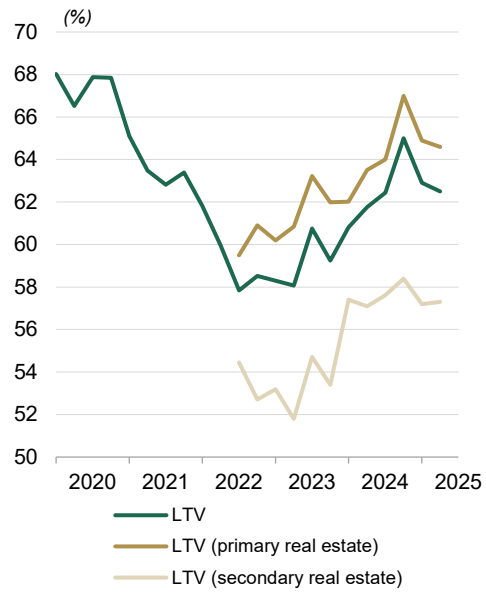


Note: The distribution is illustrated on the basis of the sum of loan amount.
Source: Banka Slovenije.

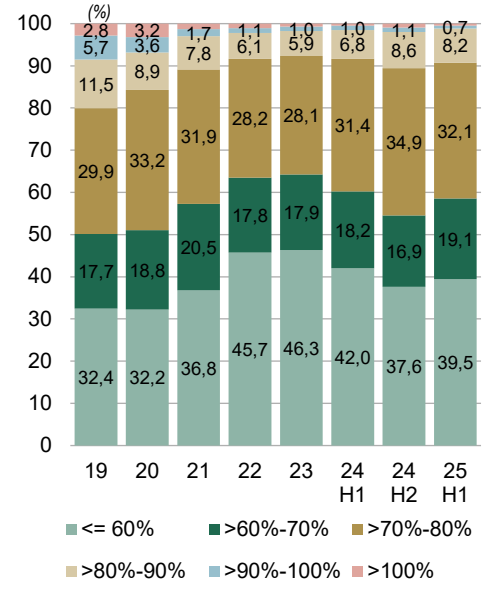
LTV declined moderately in the first half of this year. The average LTV on loans for primary residences stood at approximately 65% in the second quarter of 2025, while the average LTV on loans for secondary properties stood at 57%. The share of deviations from the recommended LTV declined in the first quarter of 2025, then rose again in the following quarter. Deviations from the recommended LTV are still more common in loans for secondary properties. An average of 11% of all loans secured by residential real estate deviated from the recommended LTV in the first half of 2025 in the case of primary residences, compared with an average of 23% for secondary properties. The stock of loans with an LTV of 70% or less increased in the first half of the year. Approximately 60% of loans for real estate were approved with an LTV of 70% or less, while more than 90% of loans have an LTV of 80% or less. The share of loans for real estate approved with an LTV of more than 80% declined by 1 percentage point in the first half of 2025 to 9%.

Figure 6.3: **Average LTV for primary residence and secondary property, and distribution of LTV**

Average LTV for primary residence and secondary property



Distribution of LTV



Note: The distribution is illustrated on the basis of the sum of loan amount.
Source: Banka Slovenije.

The share of deviations from the cap on DSTI does not exceed the allowed level. The share of deviations in consumer loans reached the maximum allowed level in the final quarter of 2024, since when it has declined, and stood at 2.9% in the second quarter of 2025. The average maturity of consumer loans has increased slightly in recent years, but remains at sustainable levels. The share of deviations from the cap on maturity also increased slightly to average 12% over the first half of 2025, but remains within the allowed quota. The average maturity on housing loans has also lengthened slightly over the last year.

Based on the attributes of household loans highlighted here, our assessment is that the calibration of the macroprudential instruments remains appropriate. Consumers are spending a growing share of income on debt repayment. The average DSTI nevertheless remains at sustainable levels, while another factor in the decline in risk is that since 2022 fully 95% of consumer loans and housing loans have been approved with a fixed interest rate.

Table 6.2: **Average values of selected parameters for housing loans and consumer loans, and share of deviations from macroprudential instruments**

Macroprudential measure	Year of introduction/change	Type of instrument	Intermediate objective	Assessment of achievement of objective
Macroprudential restrictions on household lending (LTV, DSTI, cap on maturity, LTC)	2016[1]/2018[2]/2019[3]/2020[4]/2022[5]/2023[6]	BINDING	To mitigate and prevent excessive credit growth and excessive leverage	Improved credit standards in approval of consumer loans and housing loans
O-SII buffer	2015[7]/2017[8]/2023[9]	BINDING	To limit the systemic impact of misaligned incentives with a view to reducing moral hazard	Higher resilience as a result of higher requirements for common equity Tier 1 capital, which was not binding on the banks
Countercyclical capital buffer (CCyB)	2016/2022/2023[10]	BINDING	To mitigate and prevent excessive credit growth and excessive leverage	The CCyB helps to increase the resilience of the banking system
Sectoral systemic risk buffers	2022/2023[11]	BINDING	(a) To mitigate and prevent excessive credit growth and excessive leverage	Increased resilience of the banking system to systemic risks inherent in the residential real estate market

[1] The instruments capping DSTI and maturity (for consumer loans) only became binding on 1 November 2019. The maximum maturity for consumer loans was reduced at that time from ten years to seven years.
[2] The share of deviations in LTV is calculated as the ratio of the sum of all housing loans secured by residential real estate where the recommended LTV is exceeded to the sum of all housing loans secured by residential real estate approved in the same quarter.
[3] Until Q3 2022 the share of deviations in DSTI was calculated as the ratio of the sum of all loans where the cap on DSTI was exceeded to the sum of all loans that comply with the macroprudential measures approved in the same quarter. Since Q2 2022 the share of deviations has been calculated with regard to the sum of all loans that comply with the macroprudential measures approved in the previous quarter. The allowed share of deviations in DSTI stood at 10% until Q3 2023, and stands at 3% as of Q3 2023.
[4] Until Q3 2022 the share of deviations in maturity was calculated as the ratio of the sum of all loans where the cap on maturity was exceeded to the sum of all loans that comply with the macroprudential measures approved in the same quarter. Since Q2 2022 the share of deviations has been calculated with regard to the sum of all loans that comply with the macroprudential measures approved in the previous quarter.
[5] Over the first three quarters of 2019, before the introduction of the macroprudential restrictions on consumer lending, fully 41% of all new consumer loans carried a maturity of more than seven years.
Source: Banka Slovenije.

Systemic risk buffer

Two sectoral systemic risk buffers (SyRBs) have been in force since 2023. The current sectoral systemic risk buffer requirements in Slovenia, which the banks are meeting, are as follows: (i) 0.5% for all retail exposures to natural persons secured by residential real estate, and (ii) 0.5% for all exposures to natural persons other than those cited under point (i). The measure was introduced primarily with the aim of strengthening bank resilience during the relaxation of the restrictions on consumer lending at the same time in July 2022, which might have increased credit risk in this lending segment, and also because of the increased risks inherent in the real estate market. Based on regular risk assessments, the buffer rate for exposures secured by residential real estate was reduced from 1.0% to 0.5% in January 2025 as the real estate market calmed.

Other systemically important institutions

Banka Slovenije verifies the fulfilment of O-SII criteria and the appropriateness of O-SII buffer rates at least once a year.[94] Banka Slovenije follows the EBA methodology in its identification of O-SIIs, and its primary criterion in determining the O-SII buffer rate and in classifying banks to categories assigned the same buffer rate is the score achieved in the assessment of systemic importance. The merger of SKB and NKBM meant that five banks were identified as O-SIIs in 2024, one fewer than in the

[94] For more on O-SII buffers, see: O-SII buffer on the Banka Slovenije website.

previous year. The details of the annual review of the O-SII criteria will be presented in the next issue of the Financial Stability Review. The new assessments will be published on the Banka Slovenije website in early December.

Table 6.3: **Countercyclical capital buffer rates, systemic risk buffer rates and other macroprudential instruments by country**

	Countercyclical capital buffer		Sectoral systemic risk buffer associated with real estate risk		Other capital-based measures		Restrictions on lending
Country	Rate	Date of introduction	Rate	Date of introduction	Application of Article 124/164 of CRR to exposures secured by residential real	Application of Article 458 of CRR for risks inherent in real estate	Type of measure***
Austria	0%	01.01.2016					Cap on maturity, DSTI, LTV
Belgium	0%	01.04.2020	9.0% *	01.05.2022			DSTI/LSTI, DTI/LTI, LTV
	0.5%	01.04.2024	6.0% *	01.04.2024			
	1.0%	01.10.2024					
Bulgaria	0.5%	01.04.2020					Cap on maturity, DSTI, LTV
	1.0%	01.10.2022					
	1.5%	01.01.2023					
	2.0%	01.10.2023					
Cyprus	0%	01.01.2016					DSTI, LTV
	0.5%	30.11.2023					
	1.0%	02.06.2024					
	1.5%	14.01.2026					
Czech Republic	0.5%	01.07.2020					Cap on maturity, DTI, DSTI, LTV, loan amortisation
	1.0%	01.07.2022					
	1.5%	01.10.2022					
	2.0%	01.01.2023					
	2.5%	01.04.2023					
	2.25%	01.07.2023					
	2.0%	01.10.2023					
	1.75%	01.04.2024					
	1.25%	01.07.2024					
Denmark	1.0%	30.09.2022					LTV, LTI
	2.0%	31.12.2022					
	2.5%	31.03.2023					
Estonia	1.0%	07.12.2022				X	Cap on maturity, DSTI, LTV
	1.5%	01.12.2023					
Finland	0%	16.03.2015					Cap on maturity, DSTI, LTV
France	0.5%	07.04.2023					Cap on maturity, DSTI
	1%	02.01.2024					
Greece	0%	01.01.2016					DSTI, LTV
	0.25%	01.10.2025					
Croatia	0.5%	31.03.2022					
	1.0%	31.12.2023			X		
	1.5%	30.06.2024					
Ireland	0.5%	15.06.2023					LTV, LTI
	1.0%	24.11.2023					
	1.5%	07.06.2024					
Iceland	2.0%	29.09.2022					DSTI, LTV
	2.5%	15.03.2024					
Italy	0%	01.01.2016					
Latvia	0%	01.02.2016					Cap on maturity, DTI, DSTI, LTV
	0.5%	18.12.2024					
	1.0%	18.06.2025					
Lichtenstein	0%	01.07.2019	1.0%	25.09.2023	X		LTV, loan amortisation
Lithuania	0%	01.04.2020	2.0%	01.07.2022			Cap on maturity, DSTI, LTV
	1.0%	01.10.2023					
Luxembourg	0.5%	01.01.2021					LTV
Hungary	0%	01.01.2016					DSTI, LTV
	0.5%	01.07.2024					
	1.0%	01.07.2025					
Malta	0%	01.01.2016	1.50%	31.03.2024	X		Cap on maturity, DSTI, LTV
Germany	0.75%	01.02.2023	2.0%	01.02.2023			
Netherlands	1.0%	25.05.2023				X	Cap on maturity, LTV
	2.0%	31.05.2024					
Norway	1.0%	13.05.2020					LTV, DTI, loan amortisation, exemptions from caps
	1.5%	30.06.2022			X	X**	
	2.0%	31.12.2022					
	2.5%	31.03.2023					
Poland	0%	01.01.2016					Cap on maturity, DSTI, LTV
	1.0%	25.09.2025					
Portugal	0%	01.01.2016	4.0%	01.10.2024			Cap on maturity, DSTI, LTV
	0.75%	01.01.2026					
Romania	0.5%	17.10.2022					Cap on maturity, DSTI, LTV
	1.0%	23.10.2023					
Slovakia	1.0%	01.08.2020					DSTI, cap on maturity, DTI, loan amortisation, LTV
	1.5%	01.08.2023					
Slovenia	0.0%	01.01.2016	0.5% (consumer loans)	01.01.2023			Cap on maturity, DSTI, LTV
	0.5%	31.12.2023	1.0% (all other loans)	01.01.2023			
	1.0%	01.01.2025	0.5% (all other loans)	01.01.2025			
Spain	0%	01.01.2016					
	0.5%	01.10.2025					
Sweden	1.0%	29.09.2022				X**	LTV, loan amortisation
	2.0%	22.06.2023					

* The buffer replaces the measure under Article 458 of the CRR that allows a rise in risk weight in the event of a real estate bubble.
** Higher risk weights are also applied to exposures to commercial real estate.
*** Includes binding measures and recommendations. The measures cited apply to consumer loans and to housing loans.
Source: ESRB.

7 Appendix

Table 7.1: **Risk and resilience dashboard (description of risks, resilience and factors)**

Risk and resilience dashboard	Description	Indicators
Risk inherent in the real estate market	The risk inherent in the real estate market primarily relates to high rates of growth in real estate prices, which increase the banking sector's exposure, and also the possibility of a large negative revaluation of real estate collateral during a crisis.	Growth in prices, sales and loans for residential and commercial real estate, indicators of real estate overvaluation, construction sector indicators, LTV, LTC and DSTI.
Funding risk	Funding risk is the risk of the potential instability of funding or the sudden outflow of individual classes of funding from the banking system, and depends on the maturity of the funding.	Funding structure, developments in deposits by the non-banking sector, particularly household deposits and deposits by non-financial corporations, LTD, changes in the maturity breakdown of deposits by the non-banking sector, residual maturity gap between assets and liabilities.
Interest rate risk	Interest rate risk is the risk of investment losses as a result of changes in interest rates, and comes from the maturity mismatch between assets and liabilities that have a fixed interest rate, and from the repricing gap between assets and liabilities.	The main indicator for monitoring interest rate risk is the repricing gap between asset and liability interest rates, where the most important factor for liability interest rates is the assumption about the stable component of sight deposits. Other indicators are: the average repricing period for asset interest rates, the average repricing period for liability interest rates, the share of new loans and existing loans accounted for by fixed-rate loans, and the average maturity of new loans and existing loans.
Credit risk	Credit risk is the risk of loss resulting from the failure of a debtor to settle their liabilities to the creditor, and comes from the debtor's inability to meet their financial liabilities by the agreed deadline, which may be temporary (illiquidity) or permanent (insolvency).	The main indicators are NPE ratios, the breakdown of exposures into credit risk stages, credit parameters (default rates, probabilities of default, transition rates), and coverage of NPEs and performing exposures by impairments, provisions and collateral.
Income risk	Income risk is the risk to the generation of adequate income by banks, and is based on developments in components of income generation and cost control.	The main indicators follow the generation and disposal of income, to the point of net income: net interest margin, net non-interest margin, net commission margin, gross income, developments in operating costs, CIR, developments in net income.
Risk inherent in leasing companies	The risk inherent in leasing companies is the risk of the generation of operating losses caused by a decline in turnover, the build-up of arrears of more than 90 days, and the potential spillover of adverse consequences into other sectors.	New business, stock of business, arrears of more than 90 days, other performance indicators of leasing companies (ROE, ROA, debt-to-equity ratio).
Solvency and profitability of the banking system	Resilience from the perspective of the capital position is the ability to absorb adverse effects or losses that would occur during a stress event, while from the perspective of profitability it is a sustainable source of capital adequacy.	Total capital ratio and CET1 ratio (both ratios on an individual and a consolidated basis), leverage ratio, capital surplus over the overall capital requirement (as a percentage of RWA), contribution of individual components to the change in the total capital ratio and CET1 ratio, ROE, ROA, ratio of net impairments and provisions to gross income and ratio of net impairments and provisions to net income.
Liquidity of the banking system	Resilience from the perspective of liquidity is the ability to repay all due liabilities, and the ability to absorb the adverse effects that would follow in the event of the realisation of funding risk.	LCR, developments in the ratio of primary and secondary liquidity to the balance sheet total, proportion of the pool of eligible collateral at the Eurosystem that is free.
Cyber risk	Cyber risk can be defined as a combination of the probability of cyber incidents and their potential impact on banking (which might be realised in the form of interruptions to business, financial losses, or the transmission of risk to other sectors). Cyber resilience is the capacity of a bank or any other financial institution to realise its mission statement through the anticipation and management of cyber risks, and fast recovery from cyber incidents.	Number of cyber incidents, direct and indirect financial losses, mean time to contain (minutes), market concentration of outsourced IT services (%), number of phishing and DDoS attacks, share of budget for IT security (bank self-assessment), number of devices with obsolete software, and number of outsourced IT service providers.

Climate risks	Climate risks can be defined as the physical risks inherent in the direct and indirect costs of loss events related to weather, and the transition risks inherent in the structural changes in the shift to sustainable economies, as a result of changes in consumer preferences, environmental policy or technology.	Weighted emissions intensity, loan carbon intensity, portfolio tilt to polluting sectors, share of portfolio exposure to climate-sensitive sectors, NPE ratio in climate-sensitive sectors, NPE concentration in climate-sensitive sectors, share of exposure to municipalities with high or elevated physical risk, share of exposure to municipalities with high acute physical risk, share of NPEs accounted for by municipalities with high or elevated physical risk, share of NPEs accounted for by municipalities with high acute physical risk, annual growth in exposure to municipalities with high acute physical risk.

Source: Banka Slovenije.

Table 7.2: **Selected indicators for climate risks**

Risk type	Indicator	Definition of indicator
Transition risks	Weighted carbon intensity of banking system	The weighted sum of the carbon intensity of individual sectors, where the weight is the share of total exposure to non-financial corporations accounted for by the individual sector (NACE 2 level). Sectoral or granular emissions are used in the calculation.
	Carbon credit intensity	Total emissions financed by the banking system relative to exposure to non-financial corporations. Sectoral or granular emissions can be used in the calculation.
	Portfolio tilt to polluting sectors	The relative gap between the weighted carbon intensity and the carbon intensity of the economy. Sectoral or granular emissions can be used in the calculation.
	Share of exposures to climate-sensitive sectors in the NFCs portfolio	The share of exposures to climate-sensitive sectors (according to two definitions, taking account of emissions at EU level or in Slovenia) in the non-financial corporations portfolio.
	Growth in exposure to climate-sensitive sectors in the NFCs portfolio	Annual growth in the exposures to climate-sensitive sectors (according to two definitions, taking account of emissions at EU level or in Slovenia) in the non-financial corporations portfolio.
	NPE ratio for climate-sensitive sectors in the NFCs portfolio	The share of non-performing exposures to climate-sensitive sectors (taking account of emissions in Slovenia) in the non-financial corporations portfolio.
	Share of NPEs to climate-sensitive sectors in the NPE NFCs	The indicator is computed as the share of climate-sensitive sectors (taking account of emissions in Slovenia) in total non-performing exposures in the non-financial corporations exposures.
Physical risks	Share of exposures to municipalities with high and elevated physical risk in the portfolio	Share of portfolio (NFCs plus households) accounted for by municipalities exposed to high and elevated physical risks; includes chronic and acute physical risks.
	Share of NPEs to municipalities with high and elevated physical risk in the portfolio	Share of NPEs to municipalities exposed to high and elevated physical risks in portfolio (NFCs plus households); includes chronic and acute physical risks.
	Share of NPEs in portfolio accounted for by NPEs to municipalities with high and elevated physical risk	Share of NPEs to municipalities exposed to high and elevated physical risks in portfolio (NFCs plus households) NPEs; includes chronic and acute physical risks.
	Share of exposures to municipalities exposed to high acute physical risks (drought, wind, extreme heat, floods) in the portfolio	Share of portfolio (NFCs plus households) accounted for by municipalities exposed to high acute physical risks; includes acute physical risks only.
	Share of NPEs to municipalities exposed to high acute physical risks (drought, wind, extreme heat, floods) in the portfolio	Share of NPEs to municipalities exposed to high acute physical risks in portfolio (NFCs plus households); includes acute physical risks only.
	Share of NPEs in portfolio accounted for by NPEs to municipalities exposed to high acute physical risks (drought, wind, extreme heat, floods)	Share of NPEs to municipalities exposed to high acute physical risks in portfolio (NFCs plus households) NPEs; includes acute physical risks only.
	Growth in exposure to municipalities exposed to high acute physical risks	Annual growth in exposure (NFCs plus households) to municipalities exposed to high acute physical risks; includes acute physical risks only.

Source: Banka Slovenije.

Table 7.3: **Slovenian banking system balance sheet for selected time snapshots, 2004 to H1 2025**

	Stock, EUR million unless stated								Increase, EUR million					Year-on-year change, %				
	2020	2021	2022	2023	2024	Breakdown	H1 2025	Breakdown	2021	2022	2023	2024	H1 2025	2021	2022	2023	2024	H1 2025
						(%)		(%)										
Assets																		
Cash on hand, balance at central bank	8,825	11,495	10,445	12,763	8,854	16.3	8,204	14.6	2,671	-1,051	2,318	-3,909	-650	30.3	-9.1	22.2	-30.6	-20.6
Loans to banks	1,492	1,544	1,665	1,444	1,450	2.7	1,597	2.8	52	121	-221	6	147	3.5	7.8	-13.3	0.4	-11.6
Loans to non-banking sector	23,561	25,045	27,538	26,934	28,405	52.4	29,481	52.5	1,484	2,493	-604	1,471	1,075	6.3	10.0	-2.2	5.5	7.8
of which to non-financial corporations	8,750	9,300	10,487	9,968	9,762	18.0	10,060	17.9	550	1,187	-519	-206	298	6.3	12.8	-4.9	-2.1	-0.1
of which to households	10,712	11,263	12,138	12,556	13,311	24.5	13,774	24.5	551	875	418	755	463	5.1	7.8	3.4	6.0	7.0
Financial assets / securities	8,958	8,355	8,759	9,816	13,112	24.2	14,377	25.6	-603	404	1,056	3,296	1,265	-6.7	4.8	12.1	33.6	19.9
Other	1,815	1,811	2,168	2,125	2,414	4.5	2,514	4.5	-4	357	-43	289	99	-0.2	19.7	-2.0	13.6	18.8
Equity and liabilities																		
Financial liabilities to Eurosystem	1,380	2,344	758	75	0	0.0	0	0.0	964	-1,586	-683	-75	0	69.9	-67.6	-90.1	-100.0	-100.0
Liabilities to banks	2,378	1,716	2,034	1,746	1,484	2.7	1,642	2.9	-663	318	-288	-262	158	-27.9	18.6	-14.2	-15.0	-5.9
of which to domestic banks	799	649	600	413	286	0.5	236	0.4	-150	-49	-187	-128	-49	-18.8	-7.6	-31.1	-30.9	-42.8
of which to foreign banks	1,579	1,066	1,434	1,333	1,199	2.2	1,406	2.5	-513	368	-101	-134	207	-32.5	34.5	-7.1	-10.1	5.5
Liabilities to non-banking sector (deposits)	34,281	37,185	39,756	41,062	41,625	76.7	42,817	76.2	2,904	2,571	1,306	563	1,192	8.5	6.9	3.3	1.4	4.3
of which to non-financial corporations	8,031	8,998	9,710	10,947	10,910	20.1	10,865	19.3	967	712	1,238	-37	-45	12.0	7.9	12.7	-0.3	-0.8
of which to households	22,437	23,953	25,784	26,514	27,309	50.4	28,371	50.5	1,516	1,832	730	795	1,062	6.8	7.6	2.8	3.0	7.0
Debt securities	1,058	1,250	2,066	3,164	3,504	6.5	3,949	7.0	191	817	1,097	341	445	18.1	65.4	53.1	10.8	24.8
Provisions	186	151	142	187	204	0.4	198	0.4	-34	-10	46	16	-6	-18.4	-6.5	32.3	8.7	5.5
Shareholder equity	4,805	5,061	5,153	6,081	6,681	12.3	6,722	12.0	256	93	928	600	41	5.3	1.8	18.0	9.9	10.5
Other	564	545	665	767	738	1.4	844	1.5	-19	120	102	-29	107	-3.3	22.1	15.3	-3.8	10.1
Balance sheet total	**44,651**	**48,252**	**50,575**	**53,082**	**54,236**	**100.0**	**56,173**	**100.0**	**3,600**	**2,323**	**2,507**	**1,154**	**1,937**	**8.1**	**4.8**	**5.0**	**2.2**	**5.8**

Source: Banka Slovenije.

Table 7.4: **Slovenian banking system income statement, 2020 to H1 2025**

	Amount, EUR million						Year-on-year growth, %						Ratio to gross income, %					
	2020	2021	2022	2023	2024	H1 2025	2020	2021	2022	2023	2024	H1 2025	2020	2021	2022	2023	2024	H1 2025
Net interest	639	625	748	1442	1566	701	-6.4	-2.2	19.6	92.8	8.6	-11.9	47.0	51.9	56.9	72.9	68.5	59.8
Non-interest income	721	580	567	535	720	472	25.7	-19.5	-2.3	-5.6	34.5	50.5	53.0	48.1	43.1	27.1	31.5	40.2
of which net fees and commission	330	377	398	387	419	217	-1.2	14.4	5.5	-2.8	8.4	4.7	24.2	31.3	30.3	19.6	18.3	18.5
of which net trading gains/losses on financial assets and bonds	16	18	31	10	24	5	31.8	10.8	76.4	-69.6	153.8	-60.1	1.2	1.5	2.4	0.5	1.1	0.4
Gross income	1360	1206	1315	1978	2286	1173	8.3	-11.4	9.1	50.4	15.6	5.7	100.0	100.0	100.0	100.0	100.0	100.0
Operating costs	-718	-717	-758	-830	-1016	-526	1.3	-0.2	5.6	9.6	22.3	4.0	-52.8	-59.5	-57.6	-42.0	-44.4	-44.9
labour costs	-386	-398	-413	-447	-501	-252	-3.6	3.0	3.7	8.4	12.1	5.1	-28.4	-33.0	-31.4	-22.6	-21.9	-21.5
Net income	642	489	558	1147	1270	647	17.3	-23.9	14.1	105.8	10.7	7.1	47.2	40.5	42.4	58.0	55.6	55.1
Net impairments and provisions	-170	74	-14	-10	-71	-30	-470.8	-143.4	-119.2	-27.7	590.0	-14.4	-12.5	6.1	-1.1	-0.5	-3.1	-2.5
	-133	72	-23	-33	-83	-19	-323.8	-153.8	-131.8	44.7	150.9	-17.4	-9.8	6.0	-1.7	-1.7	-3.6	-1.7
of which at amortised cost																		
Pre-tax profit	**472**	**562**	**543**	**1137**	**1200**	**617**	**-20.3**	**19.1**	**-3.3**	**109.3**	**5.5**	**8.4**	**34.7**	**46.6**	**41.3**	**57.5**	**52.5**	**52.6**
Corporate income tax	-22	-37	-42	-39	-125	-66.0	-65.0	70.1	13.1	-6.8	221.1	-9.8	-1.6	-3.1	-3.2	-2.0	-5.5	-5.6
Net profit	450	525	502	1098	1075	551.2	-15.1	16.6	-4.5	118.9	-2.1	11.1	33.1	43.6	38.1	55.5	47.0	47.0

Source: Banka Slovenije.

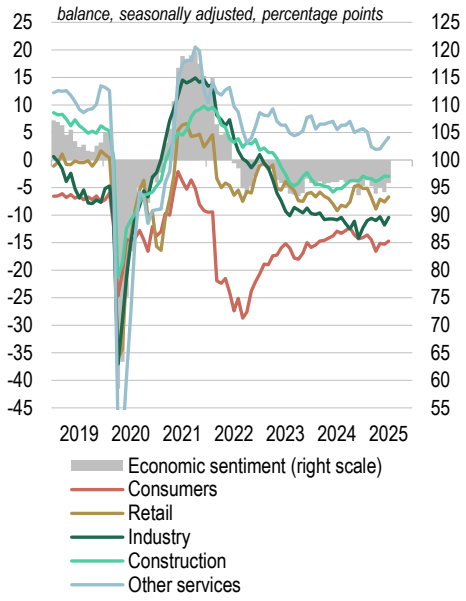
Table 7.5: **Selected bank performance indicators for the Slovenian banking system, 2011 to H1 2025**

(%)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	H1 2024	H1 2025
ROA	-1.06	-1.60	-7.70	-0.27	0.42	0.99	1.19	1.38	1.48	1.10	1.20	1.11	2.22	2.25	2.18	2.26
ROE	-12.54	-19.04	-100.00	-2.69	3.63	7.96	9.58	11.07	12.16	9.57	11.33	10.82	20.64	18.92	19.49	19.37
CIR	53.68	47.43	66.08	55.80	59.26	59.19	62.72	58.05	56.47	52.82	59.48	57.60	41.98	44.43	45.57	44.86
Net interest margin on interest-bearing assets	2.13	1.93	1.67	2.18	2.06	1.91	1.83	1.84	1.79	1.57	1.41	1.61	2.95	3.09	3.20	2.72
Net interest margin on total assets	2.02	1.83	1.59	2.09	1.96	1.82	1.75	1.75	1.70	1.49	1.34	1.53	2.81	2.93	3.05	2.57
Non-interest margin	0.85	1.40	0.85	1.01	1.09	1.23	1.13	1.26	1.43	1.67	1.24	1.15	1.05	1.35	1.21	1.75
Gross income / average assets (FIM)	2.87	3.23	2.44	3.10	3.05	3.05	2.88	3.01	3.13	3.16	2.58	2.68	3.86	4.28	4.26	4.32

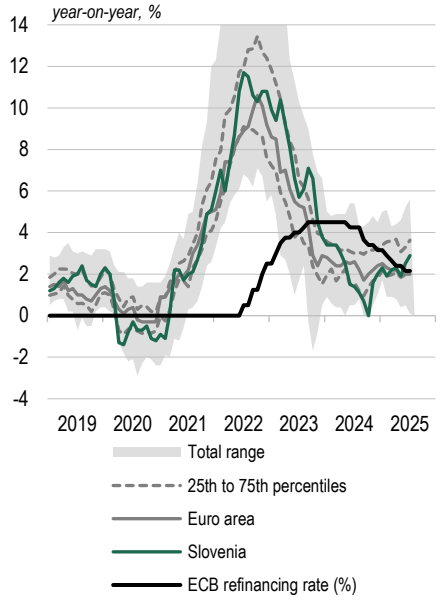
Note: FIM: financial intermediation margin.
Source: Banka Slovenije.

Figure 7.1: **Economic sentiment and inflation**

Confidence indicators and economic sentiment in the euro area



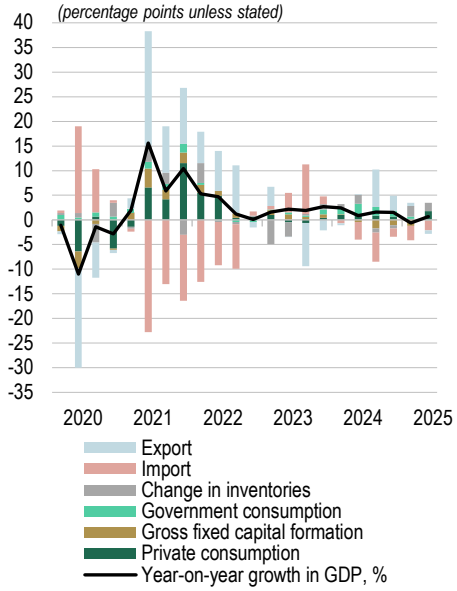
Inflation (HICP), comparison with the euro area



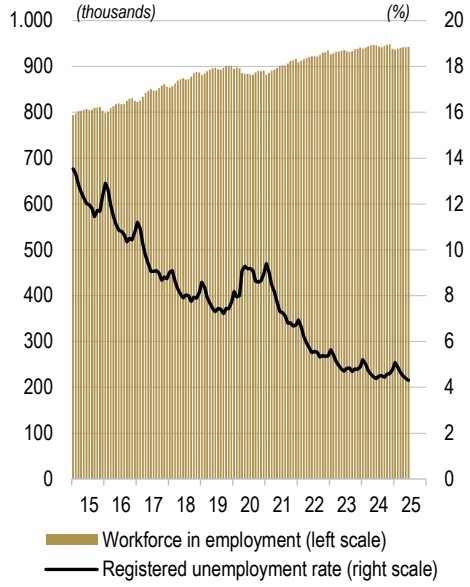
Note: Confidence indicators in the left chart are expressed in the form of an average balance, where the balance is the difference between the proportions of positive answers and negative answers.
Sources: Eurostat, Banka Slovenije calculations.

Figure 7.2: **GDP and labour market in Slovenia**

Components of GDP growth



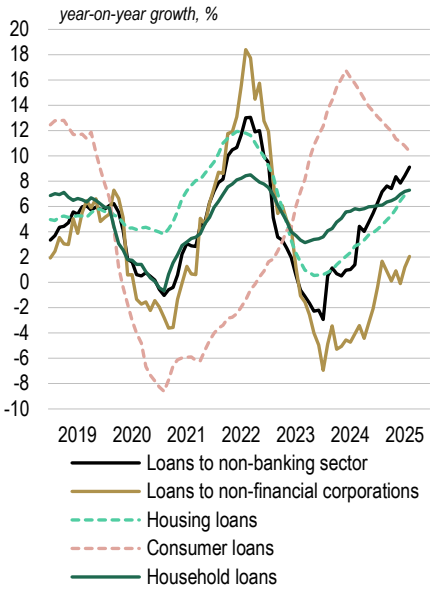
Workforce in employment and registered unemployment rate



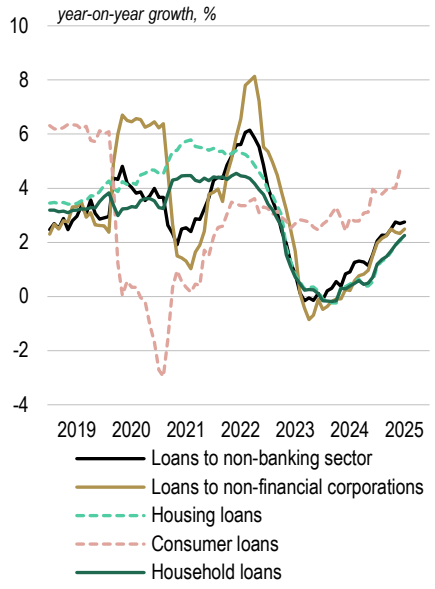
Sources: left chart: SORS; right chart: SORS and Employment Service.

Figure 7.3: **Credit activity**

Lending to non-banking sector in Slovenia



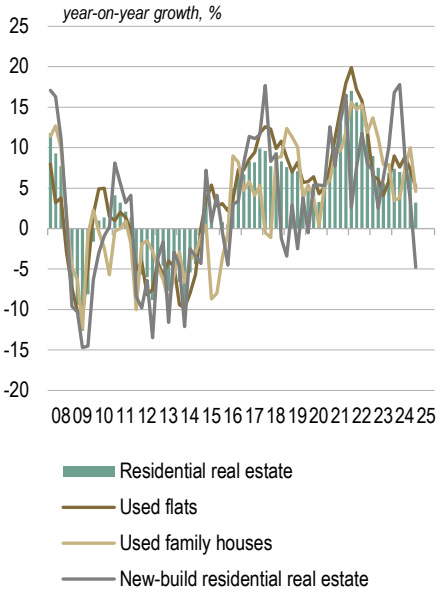
Lending to non-banking sector in the euro area



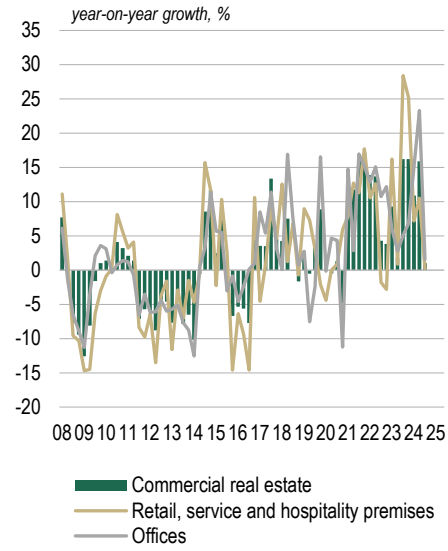
Sources: Banka Slovenije, ECB.

Figure 7.4: **Growth in residential and commercial real estate prices**

Growth in residential real estate prices



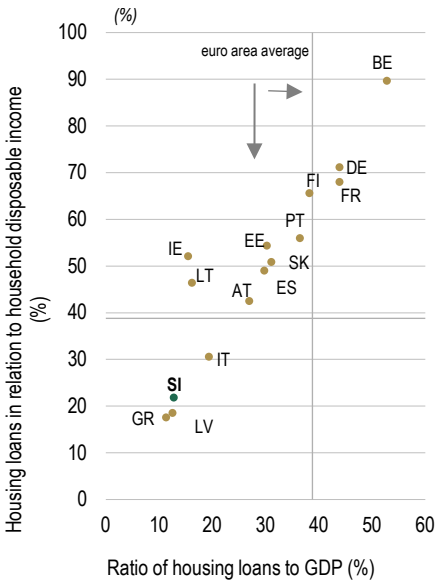
Growth in commercial real estate prices



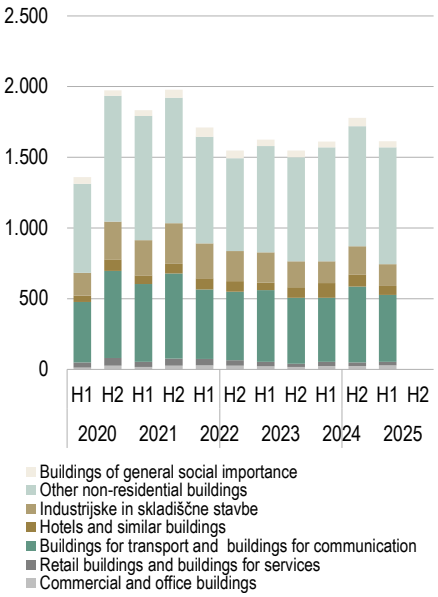
Source: SORS.

Figure 7.5: **Ratio of housing loans to household disposable income and to GDP, and building permits for commercial real estate**

Ratio of housing loans to household disposable income versus ratio of housing loans to GDP in selected EU Member States



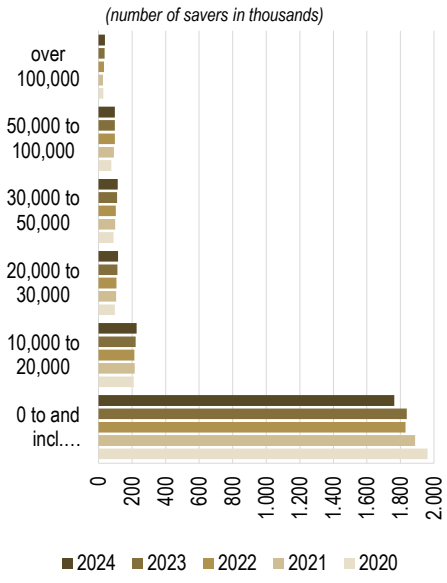
Half-yearly breakdown of building permits issued for commercial real estate



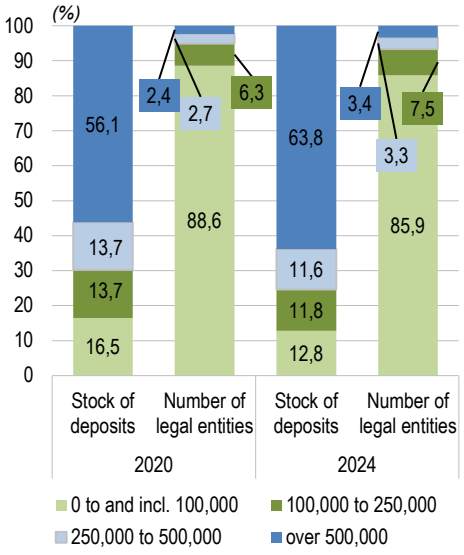
Sources: left chart: EMF; right chart: ECB Data Portal, Banka Slovenije.

Figure 7.6: **Number of savers, and breakdown of deposit stock and number of legal entities by size of holding**

Number of savers by size of holding



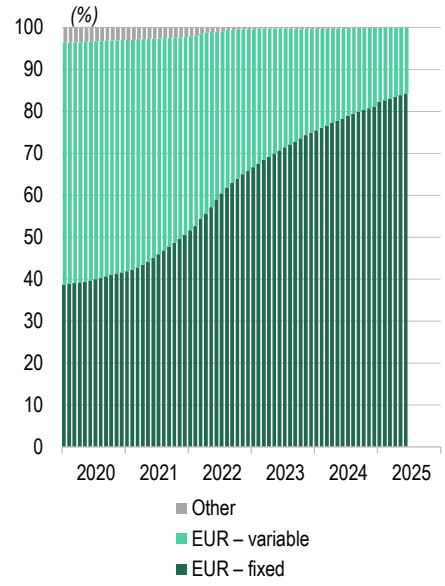
Breakdown of deposit stock and number of legal entities by size of holding



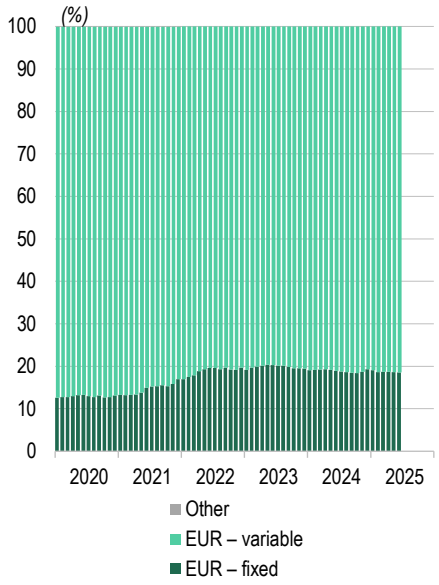
Note: The data in the left chart captures individuals and sole traders, while the right chart captures legal entities who hold an account at a bank. If a person or legal entity holds an account at multiple banks, they are included in the data multiple times.
Source: Banka Slovenije.

Figure 7.7: **Breakdown of loan stock by remuneration type**

Breakdown of household loans by remuneration type



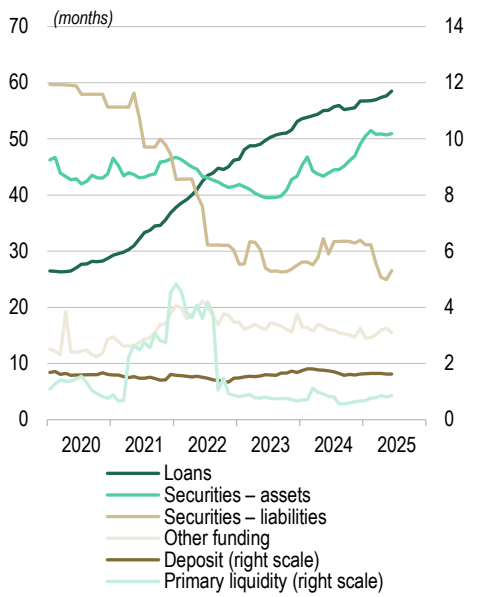
Breakdown of loans to non-financial corporations by remuneration type



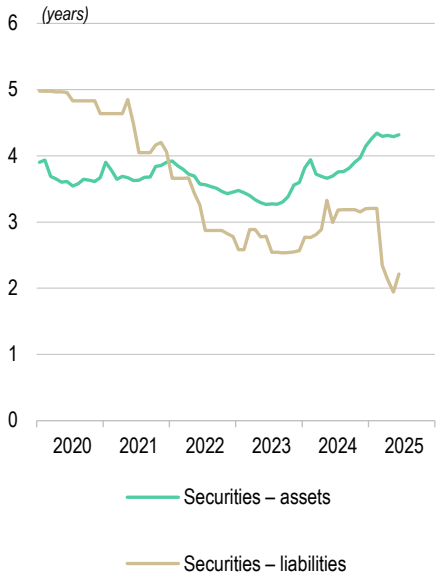
Note: Household loans include housing loans and consumer loans, but not other loans to households. The category of "other" includes all loans in Swiss francs, which constitute the majority of other loans.
Source: Banka Slovenije.

Figure 7.8: **Repricing periods and residual maturity of securities**

Repricing periods for individual balance sheet items



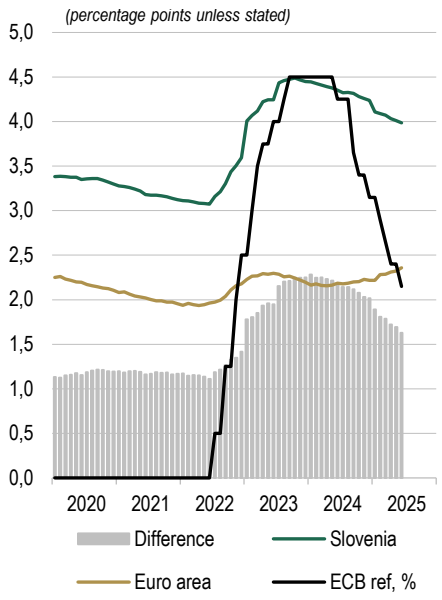
Residual maturity of debt securities



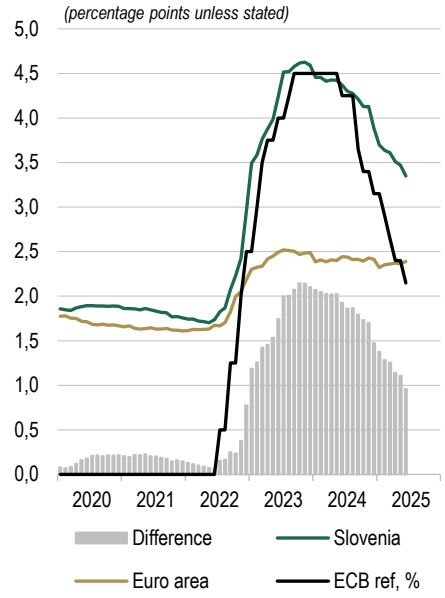
Source: Banka Slovenije.

Figure 7.9: **Interest spread**

Interest spread in household portfolio



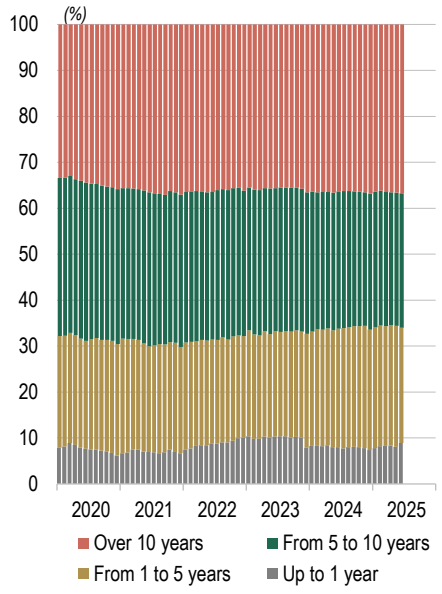
Interest spread in non-financial corporations portfolio



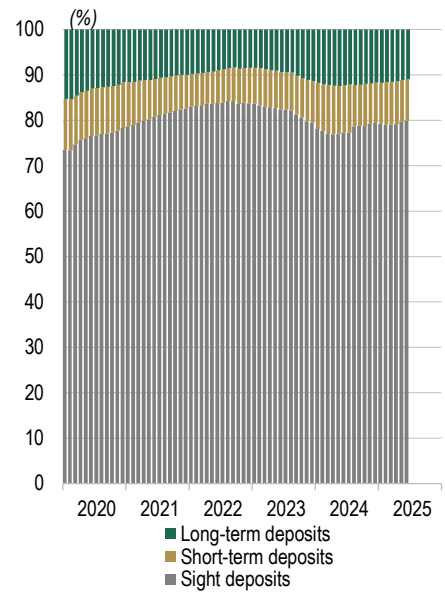
Note: ECB ref is the interest rate on main refinancing operations.
Source: ECB SDW, Banke Slovenije calculations.

Figure 7.10: **Breakdown of loans and deposits by residual maturity**

Breakdown of loans to non-financial corporations and households by residual maturity



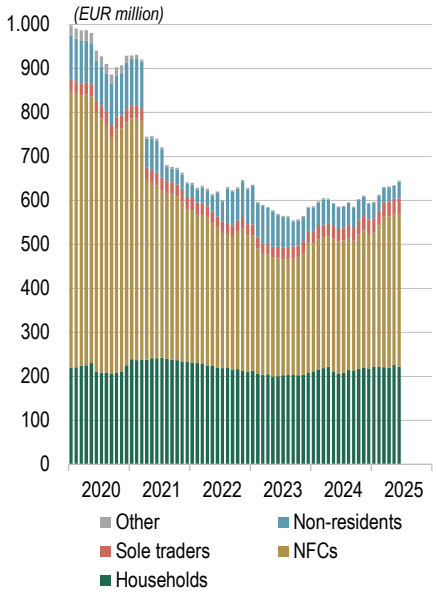
Breakdown of deposits by the non-banking sector by residual maturity



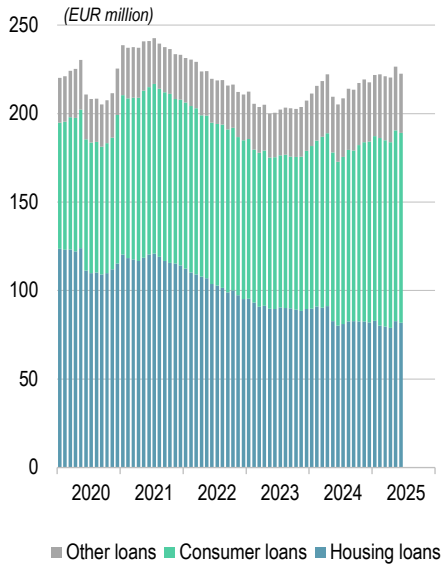
Note: Household loans in the left chart include housing loans and consumer loans, but not other loans to households.
Source: Banka Slovenije.

Figure 7.11: **NPEs**

NPEs by client segment



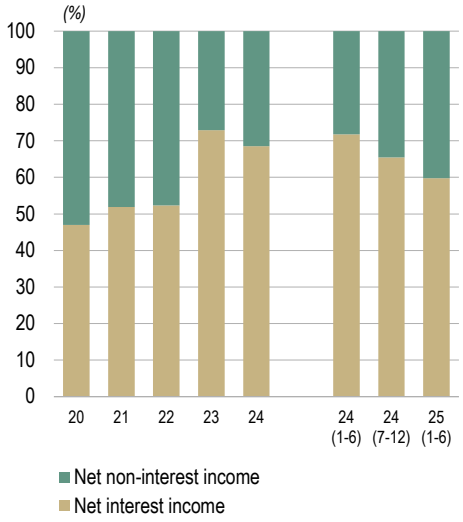
NPEs in the household portfolio



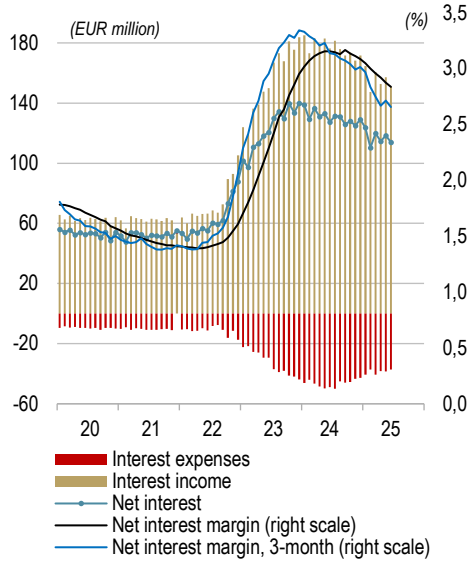
Source: Banka Slovenije.

Figure 7.12: **Breakdown of gross income, and interest income, interest expenses and net interest margin**

Breakdown of gross income



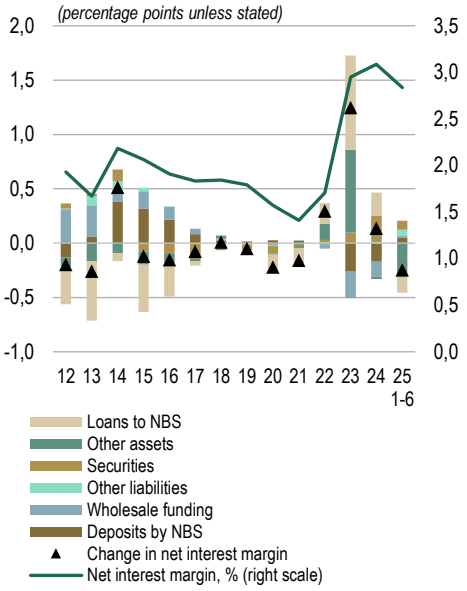
Interest income, interest expenses, net interest, and net interest margin



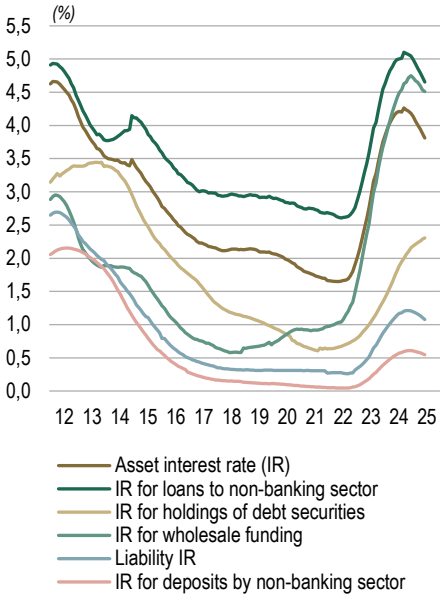
Source: Banka Slovenije.

Figure 7.13: **Contributions of changes in net interest margin and effective interest rates**

Contributions of interest-bearing asset and liability instruments to change in net interest margin



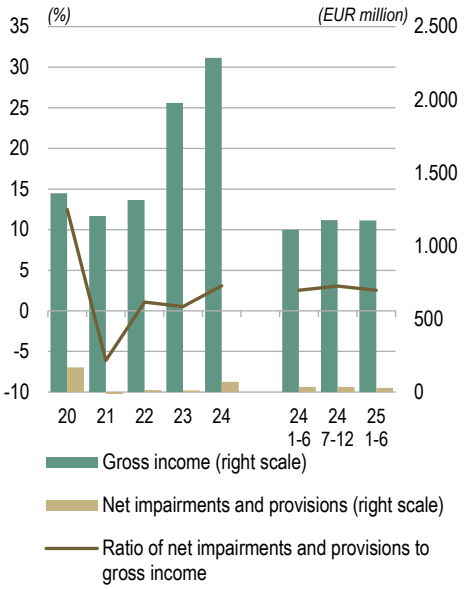
Effective interest rates by main instruments of interest-bearing assets and liabilities



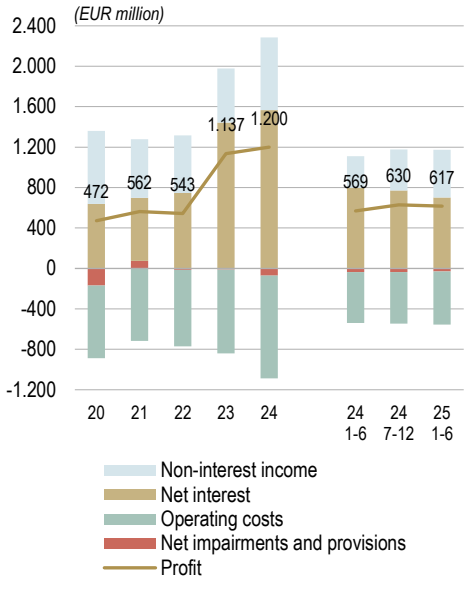
Note: In the left chart the change in asset items is the sum of the contributions made by loans, securities and other interest-bearing assets, while the change in liability items is the sum of the contributions made by deposits by the non-banking sector, wholesale funding and other interest-bearing liabilities. The change in the effect of liability items is multiplied by -1, as for example a rise in liability interest rates acts to reduce the net interest margin, while a fall acts to raise the net interest margin.
Source: Banka Slovenije.

Figure 7.14: **Net impairments and provisions, bank income, and other income statement categories**

Net impairments and provisions, gross income, and ratio of net impairments to gross income



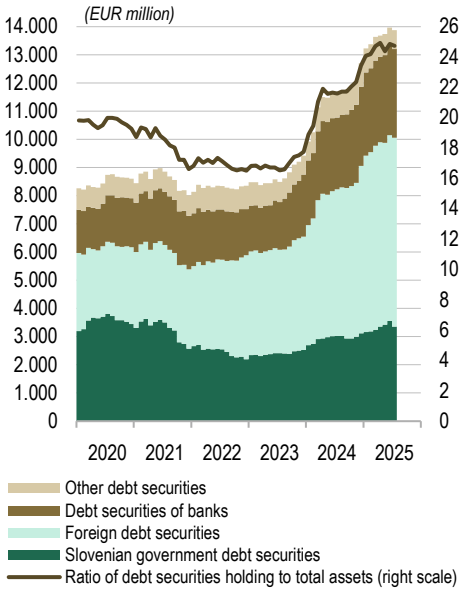
Generation and disposal of bank income, and pre-tax profit



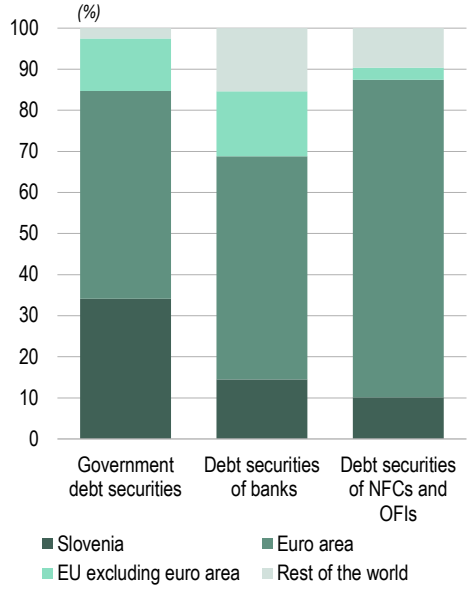
Note: Negative values for net impairments and provisions represent the net release of impairments and provisions in the left chart, and net creation in the right chart. The data for the Slovenian banking system comes from balance sheet figures on an individual basis.
Source: Banka Slovenije.

Figure 7.15: **Changes in and breakdown of debt securities holdings**

Changes in debt securities by counterparty



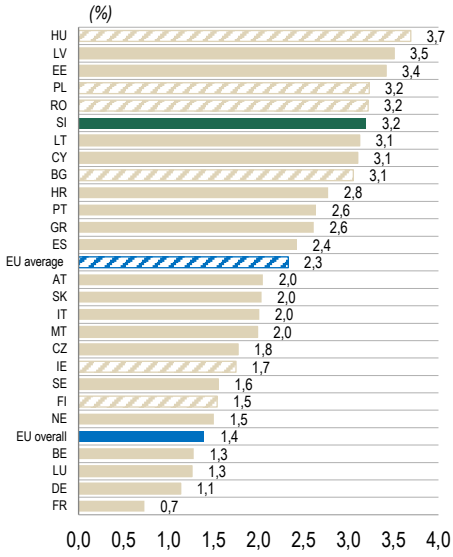
Breakdown of debt securities by counterparty and geographical region



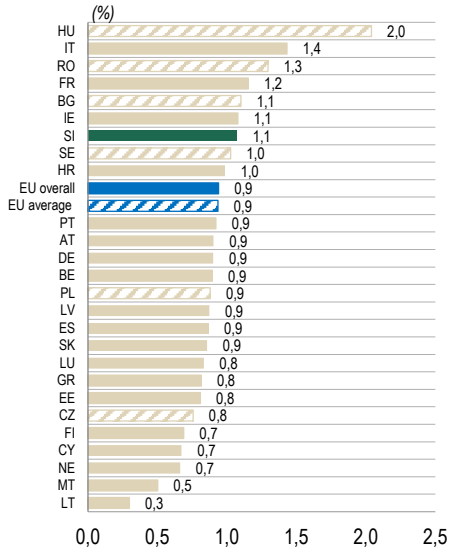
Source: Banka Slovenije.

Figure 7.16: **Net interest margin and net non-interest margin**

Net interest margin in Slovenia and other EU Member States, 2024



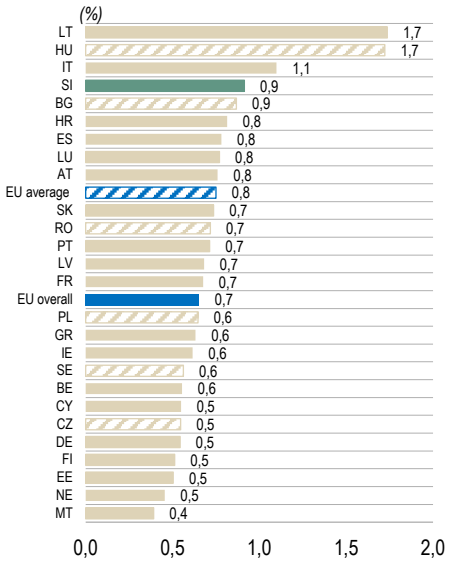
Net non-interest margin in Slovenia and other EU Member States, 2024



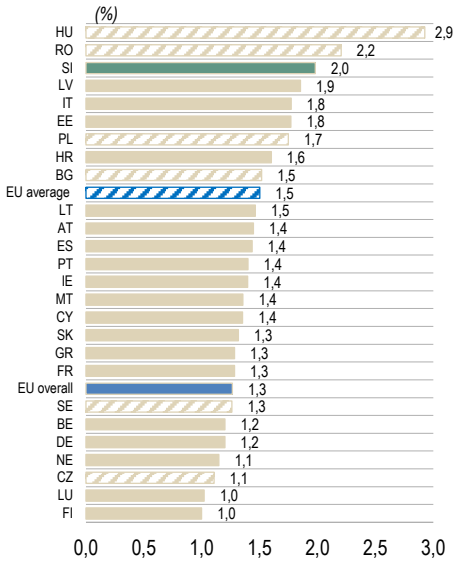
Note 1: The indicators are calculated on the basis of the ECB Data Portal's consolidated banking data. This data differs slightly from the figures based on balance sheets on an individual basis.
Note 2: Of the EU Member States for the first five figures in this comparison, the CIR is not available for Denmark. In Figures 7.16 to 7.19, the figures for "EU overall" reflect the EU as a whole, while "EU average" is the ordinary mean of all EU Member States.
Sources: Banka Slovenije, ECB Data Portal.

Figure 7.17: **Net commission margin and ratio of operating costs to total assets**

Net commission margin in Slovenia and other EU Member States, 2024



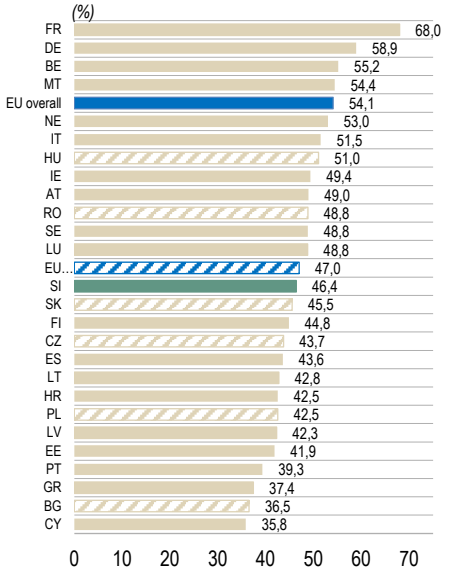
Ratio of operating costs to total assets in Slovenia and other EU Member States, 2024



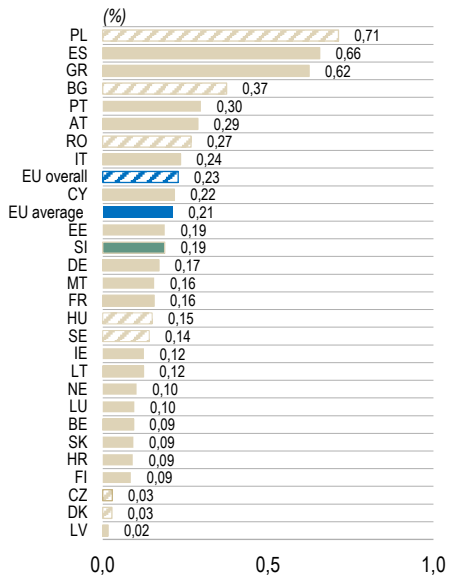
Note: The indicators are calculated on the basis of the ECB Data Portal's consolidated banking data. This data differs slightly from the figures based on balance sheets on an individual basis.
Sources: Banka Slovenije, ECB Data Portal.

Figure 7.18: **Cost-to-income ratio (CIR) of net impairments and provisions to total assets**

CIR in Slovenia and other EU Member States, 2024



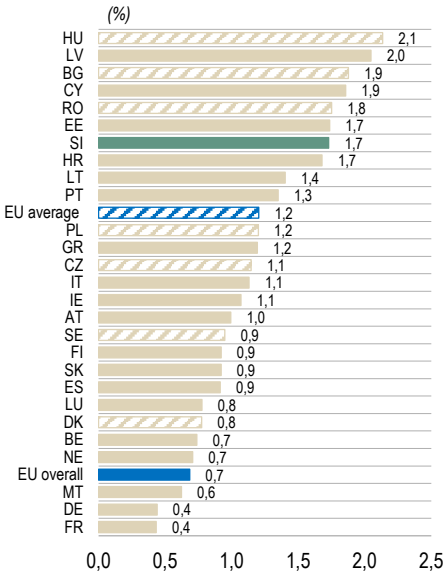
Ratio of net impairments and provisions to total assets in Slovenia and other EU Member States, 2024



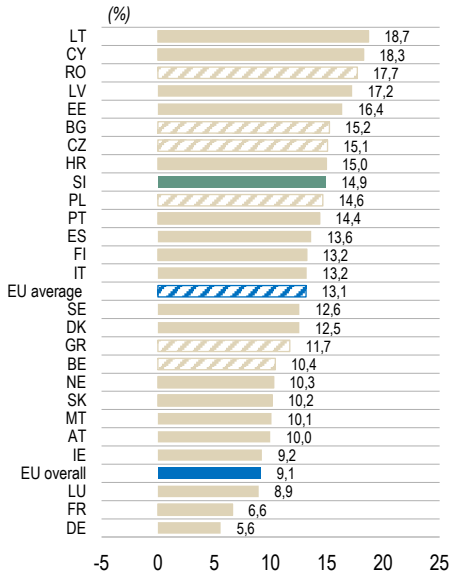
Note: The indicators are calculated on the basis of the ECB Data Portal's consolidated banking data. This data differs slightly from the figures based on balance sheets on an individual basis.
Sources: Banka Slovenije, ECB Data Portal.

Figure 7.19: **ROA and ROE**

ROA in EU Member States, 2024



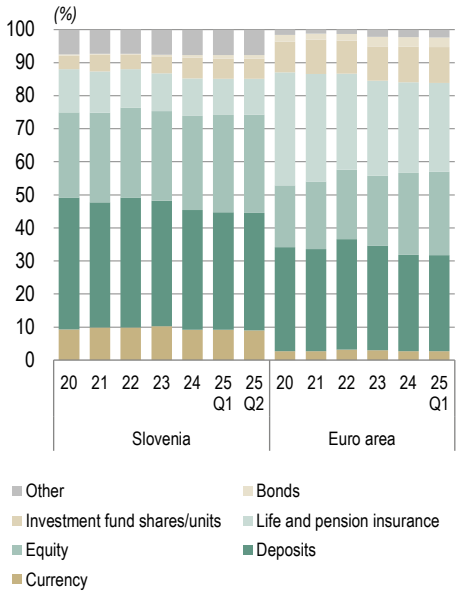
ROE in EU Member States, 2024



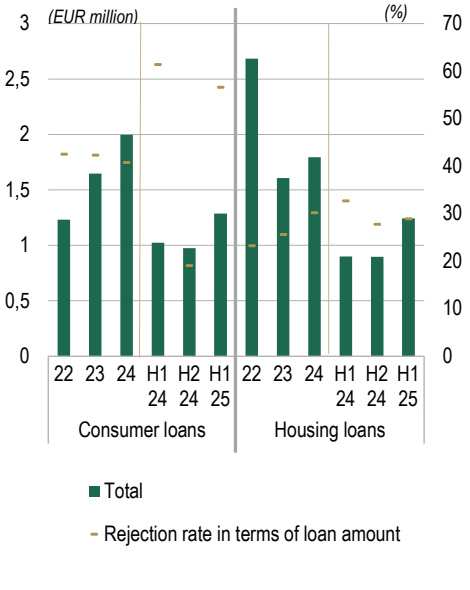
Note: The indicators are calculated on the basis of the ECB Data Portal's consolidated banking data. This data differs slightly from the figures based on balance sheets on an individual basis.
Sources: Banka Slovenije, ECB Data Portal.

Figure 7.20: **Household financial assets and household demand for loans**

Breakdown of household financial assets in Slovenia and the euro area



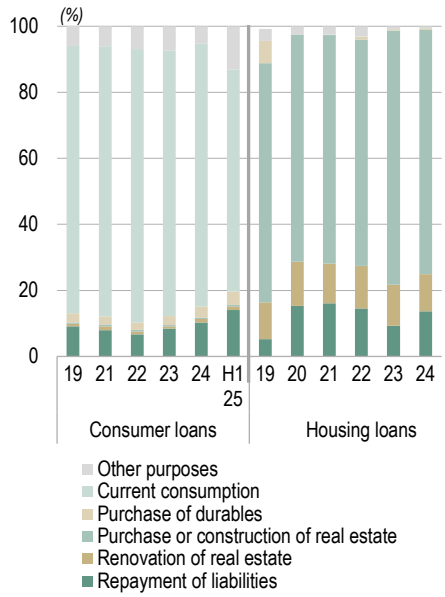
Volume of consumer loans and housing loans, and rejection rate



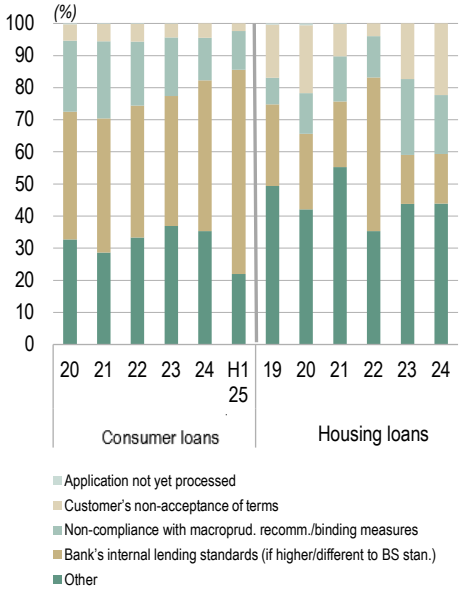
Note: Equity in the left chart consists of listed shares, unlisted shares and other equity. Investment fund shares relate to funds with a corporate structure. Units relate to mutual funds.
Sources: ECB Data Portal, Banka Slovenije.

Figure 7.21: **Household demand for loans**

Breakdown of demand for consumer loans and housing loans by purpose



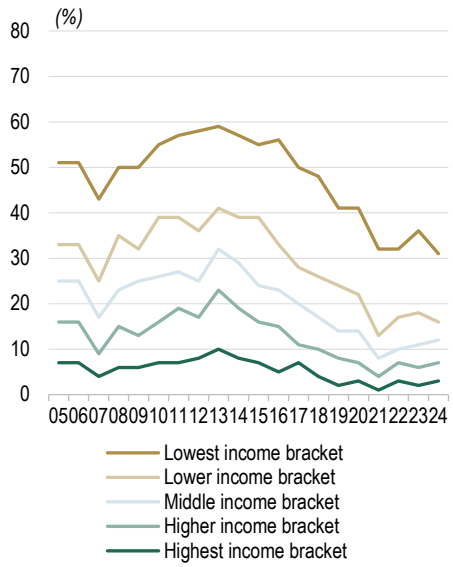
Breakdown of rejected loan demand by grounds for rejection



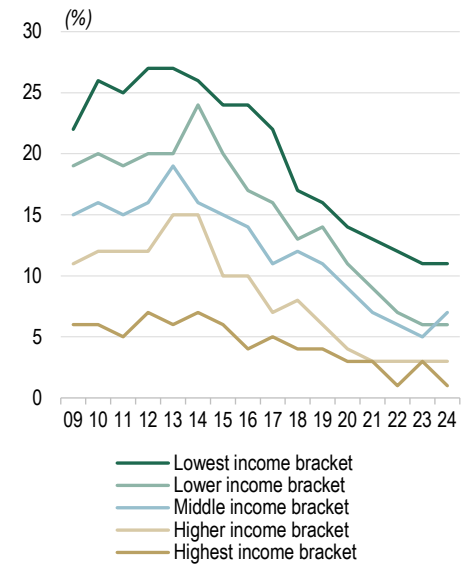
Note: In the right chart, among the grounds cited by the banks as "other" grounds for rejection for 2024 and the first half of 2025 were that there was a failure to keep records of rejections, that the customer documentation was incomplete, that the land register was in disorder, or other grounds were not cited.
Source: Banka Slovenije.

Figure 7.22: **Households finding it difficult or very difficult to manage on their income and arrears in housing costs**

Households finding it difficult or very difficult to manage on their income by income bracket



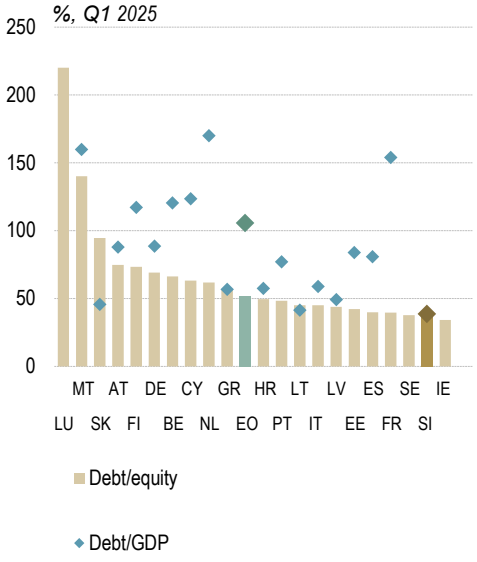
Arrears in repayment of housing costs in last 12 months on financial grounds by income bracket



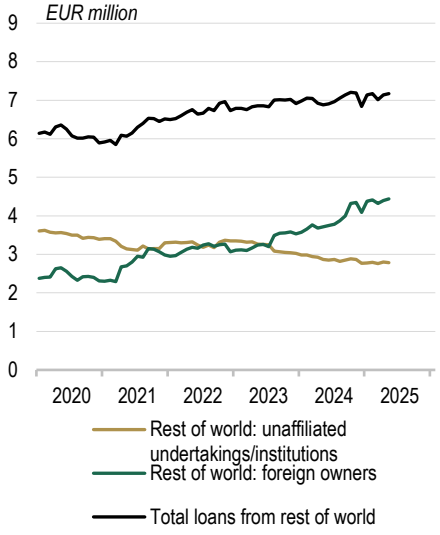
Note: Households are classified into five quintiles with regard to net disposable income per equivalent person living in the household. The first quintile consists of persons living in households with the lowest equivalent income, while the fifth quintile contains persons living in households with the highest equivalent income. The left chart illustrates the lowest, middle and highest quintiles. The analysis is conducted on the basis of SORS data from the survey of living conditions.
Sources: Banka Slovenije, SORS.

Figure 7.23: **Indebtedness in euro area countries and loans from the rest of the world by ownership link**

Indebtedness indicators for non-financial corporations in euro area countries



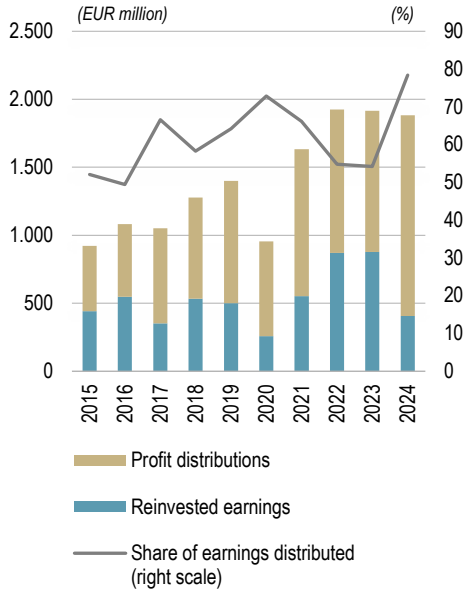
Stock of loans to non-financial corporations from the rest of the world by ownership link



Note: In the left chart debt in the numerator of the indicators covers loans and debt securities only.
Sources: left chart: ECB Data Portal; right chart: Banka Slovenije

Figure 7.24: **Earnings from inward FDI**

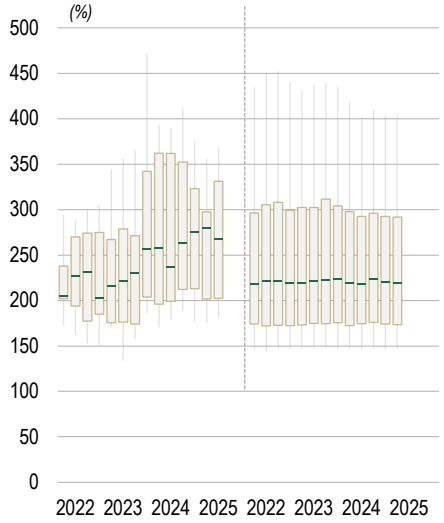
Earnings from inward FDI



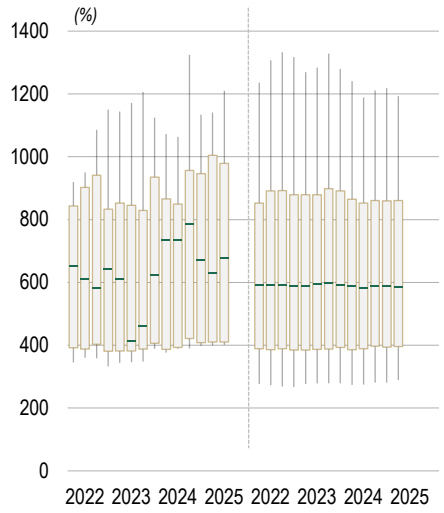
Source: Banka Slovenije.

Figure 7.25: **Capital adequacy of insurance corporations**

Capital adequacy of insurance corporations in terms of SCR coverage ratio



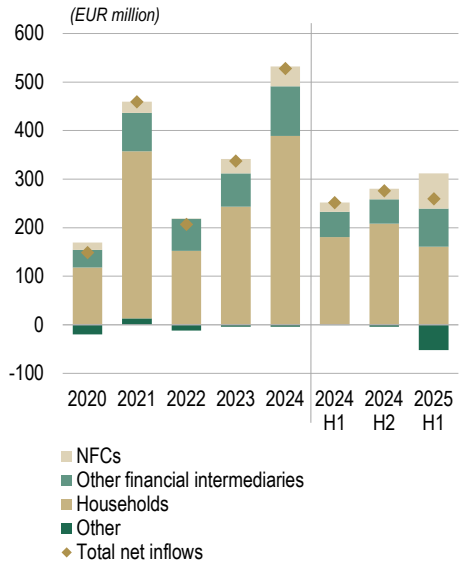
Capital adequacy of insurance corporations in terms of MCR coverage ratio



Note: The 10th and 90th percentiles are taken as the upper and lower limits. The green line illustrates the median ratio. The data for the EEA is available up to the first quarter of 2025.
Sources: EIOPA, Insurance Supervision Agency, Banka Slovenije calculations

Figure 7.26: **Net inflows into domestic mutual funds by institutional sector**

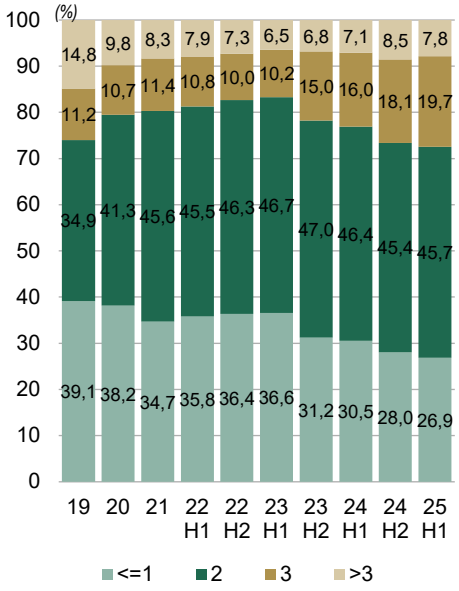
Net inflows into domestic mutual funds by institutional sector



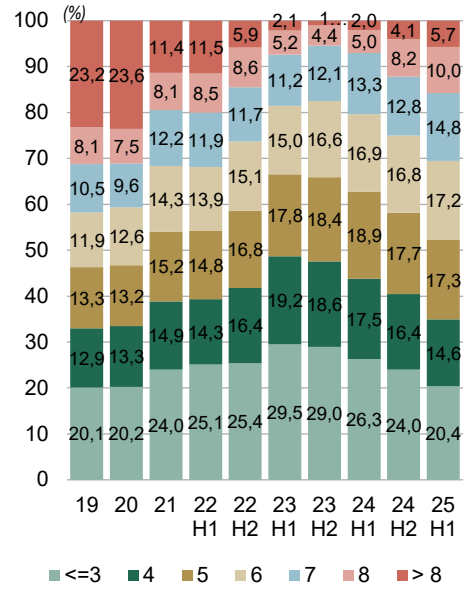
Source: Banka Slovenije calculations

Figure 7.27: **Distribution of DTI**

Distribution of DTI for consumer loans



Distribution of DTI for housing loans



Note: The distribution is illustrated on the basis of the sum of loan amount.
Source: Banka Slovenije.

Table 7.6: **Default rate for micro, small and medium-size enterprises, and large enterprises**

Year	MSMEs (%)	Large enterprises (%)
2017	4.1	1.9
2018	6.2	3.1
2019	5.1	2.2
2020	5.1	4.5
2021	4.1	3.3
2022	3.4	1.1
2023	3.6	1.3
2024	3.5	0.9

Note: The calculation of one-year default rates is based on the following assumptions:
1. Unit of observation: in the calculation of default rates the unit of observation is customer-date. Only one piece of data is taken into account for each customer, even if the customer has exposures at various banks. Banks and savings banks are included in the calculation. All customers whose classified claims measured at amortised cost are positive on the initial date are included in the calculation.
2. Defaulter is defined according to the EBA definition of non-performing exposure at the customer level.
3. Calculation of default rate:
The numerator of the default rate is defined as the number of customers who were non-defaulters on the initial date (end of year T) and have become defaulters at any time in the following year (T+1), where it is not necessary that they remain defaulters at the end of year T+1.
The denominator of the default rate is defined as the number of customers who were non-defaulters on the initial date (end of year T).
Each customer is taken into account in the calculation only once, even if the customer has exposures at various banks. A conservative approach has been used, where a customer who has been a defaulter at any bank at least once during the observation period is classed as a defaulter.
Source: Banka Slovenije.

Table 7.7: **Transition rates between ratings of micro, small and medium-size enterprises, and large enterprises (transition matrices)**[95]

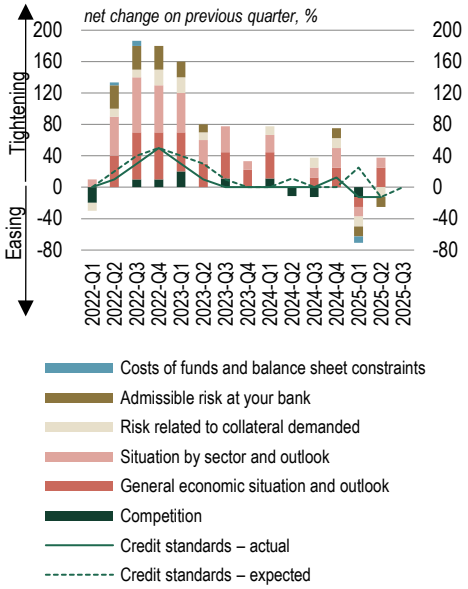
		MSMEs (in %)					Large enterprises (in %)					
		Dec 2024						Dec 2024				
		A	B	C	D	E		A	B	C	D	E
Dec 2023	A	86.9	10.4	2.1	0.5	0.2	A	95.6	4.2	0.3	0.0	0.0
	B	11.2	79.5	8.1	0.6	0.6	B	9.5	85.6	3.5	1.4	0.0
	C	1.8	12.5	81.1	3.3	1.4	C	0.0	7.7	92.3	0.0	0.0
	D	0.5	0.8	6.0	79.3	13.5	D	0.0	0.0	0.0	94.7	5.3
	E	0.0	0.1	0.7	2.5	96.8	E	0.0	0.0	0.0	3.6	96.4

Note: The calculation of one-year transition rates is based on the following assumptions:
1. Unit of observation: in the calculation of transition rates the unit of observation is bank-customer-date. Each customer is taken into account in the calculation with regard to the number of exposures at various banks in the banking system. Banks and savings banks are included in the calculation. Customers whose data was in the credit register at the beginning of the year in question are taken into account. The figure for the end of the period takes account of the final data available for the customer during the year. All customers whose classified claims have a positive amortised cost and who have a particular rating at the beginning of the observation period, and who were included in Sector S.11 in the business register on the date in question, are included in the analysis.
2. Calculation:
The numerator of the transition rate from ratings i to j is defined as the number of customers who had rating i on the initial date (end of year T), and whose latest available rating in year T+1 was j, where it is not necessary that they still held that status at the end of year T+1.
The denominator of the transition rate from ratings i to j is defined as the number of customers who had rating i on the initial date (end of year T).
Source: Banka Slovenije.

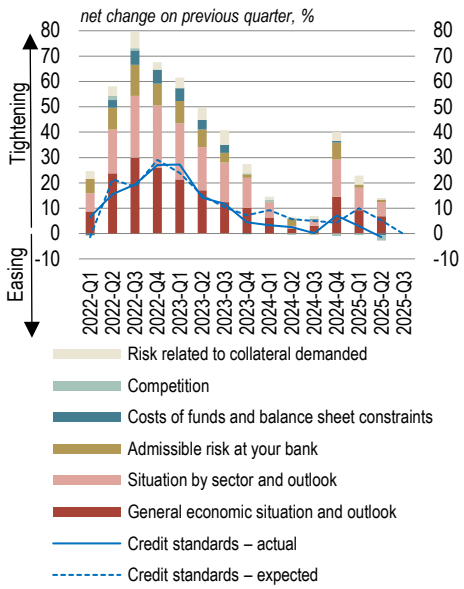
[95] The transition matrices for past periods are published in the appendix to the October 2020 issue of the Financial Stability Review (Table 6.2 on page 86), in the appendix to the October 2021 issue of the Financial Stability Review (Table 7.3 on page 100), in the appendix to the October 2022 issue of the Financial Stability Review (Table 6.6 on page 61), in the appendix to the October 2023 issue of the Financial Stability Review (Table 8.6 on page 99), and in the appendix to the October 2024 issue of the Financial Stability Review (Table 8.7 on page 106).

Figure 7.28: **Changes in credit standards applied to loans or credit lines to non-financial corporations, and factors therein**

Changes in credit standards for loans to non-financial corporations in Slovenia and factors therein



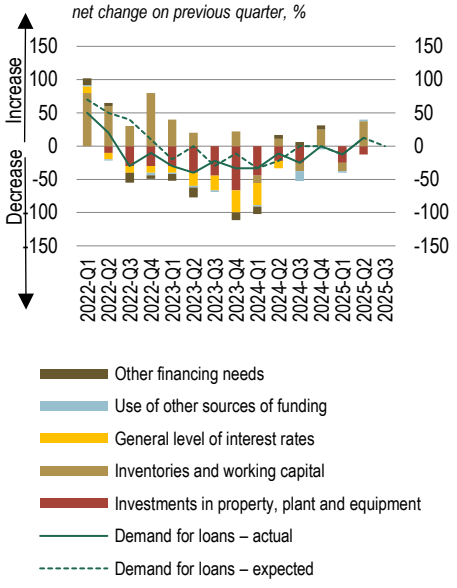
Changes in credit standards for loans to non-financial corporations in the euro area and factors therein



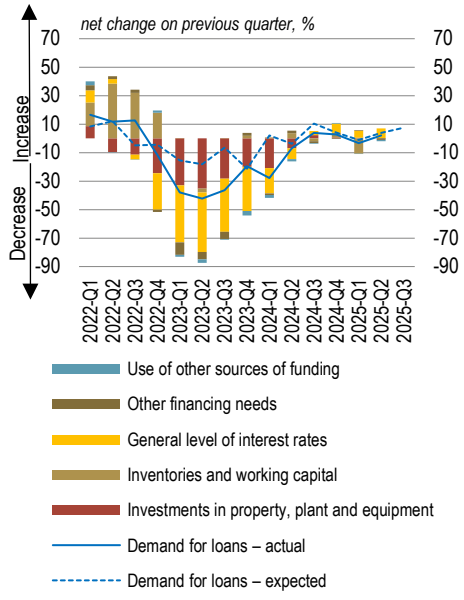
Note: "Actual" values are changes that have occurred, while "expected" values are changes anticipated by banks. The same applies in the remainder of this comparison. Net percentages are defined as the difference between the total percentage of banks answering "tightened considerably" and "tightened somewhat", and the total percentage of banks answering "eased considerably" and "eased somewhat". The same applies below, wherever standards are illustrated. In charts illustrating the euro area (right charts, the same applies everywhere below), the net percentage changes are weighted. The averages of categories are calculated as simple averages for Slovenia and the euro area: "Cost of funds and balance sheet constraints" is the simple average of "banks' capital and the costs related to banks' capital position", "access to market financing" and "liquidity position"; "Competition" is the simple average of "competition from other banks", "competition from non-banks" and "competition from market financing".
Source: Banka Slovenije.

Figure 7.29: **Changes in demand for loans to non-financial corporations and factors therein**

Changes in demand for loans to non-financial corporations in Slovenia and factors therein



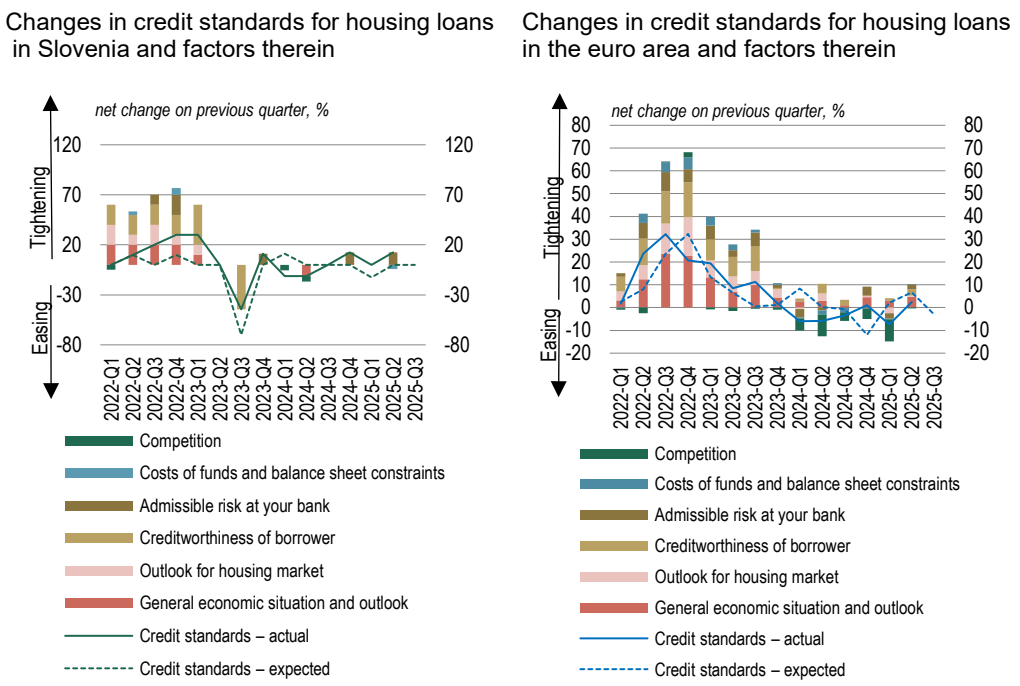
Changes in demand for loans to non-financial corporations in the euro area and factors therein



Note: Net percentages in questions about demand for loans are defined as the difference between the total percentage of banks answering "increased considerably" and "increased somewhat", and the total percentage of banks answering "decreased considerably" and "decreased somewhat". The same applies below. "Other financing needs" is the simple average of "mergers/acquisitions

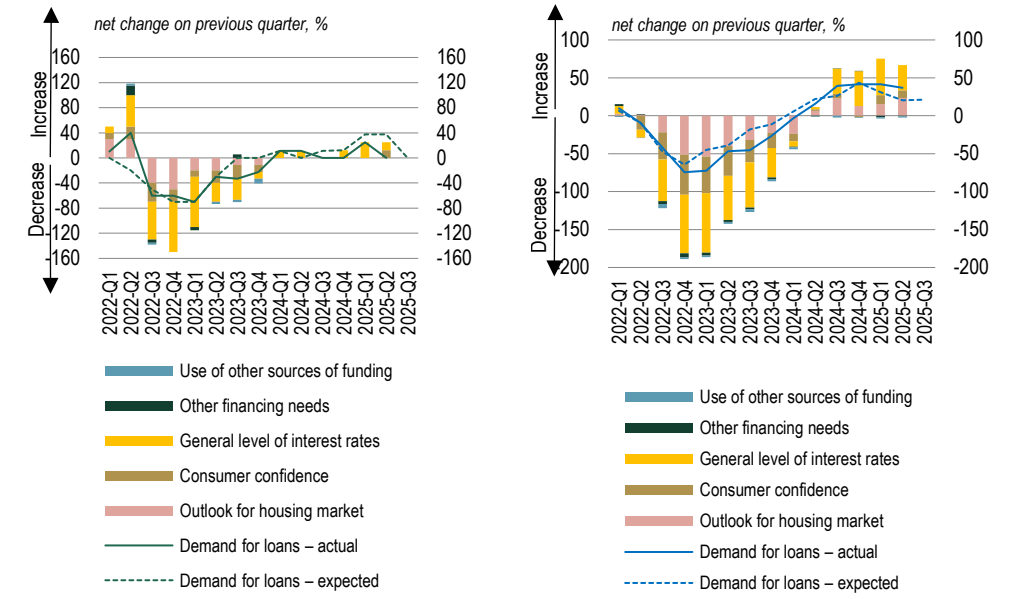
and corporate restructuring" and "debt refinancing/restructuring and renegotiation"; "Use of alternative finance" is the simple average of "internal financing", "loans from other banks", "loans from non-banks", "issuance/redemption of debt securities" and "issuance/redemption of equity".
Source: Banka Slovenije.

Figure 7.30: **Changes in credit standards for housing loans and factors therein**



Note: "Cost of funds and balance sheet constraints" is the simple average of "banks' capital and the costs related to banks' capital position", "access to market financing" and "liquidity position"; "Competition" is the simple average of "competition from other banks" and "competition from non-banks". The net percentages for "Other factors" refer to an average of the further factors that were cited by banks as having contributed to changes in credit standards.
Source: Banka Slovenije.

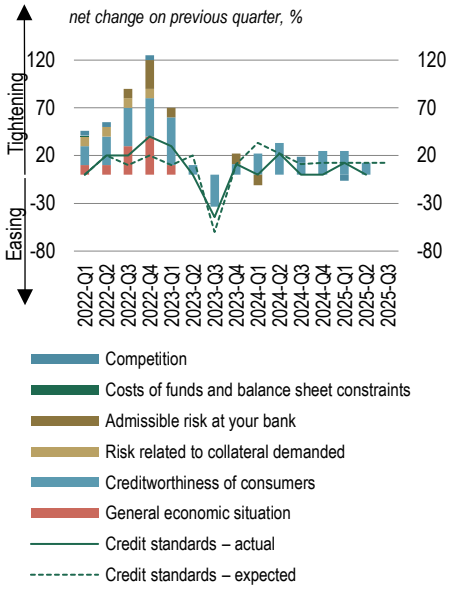
Figure 7.31: **Changes in demand for housing loans and factors therein**



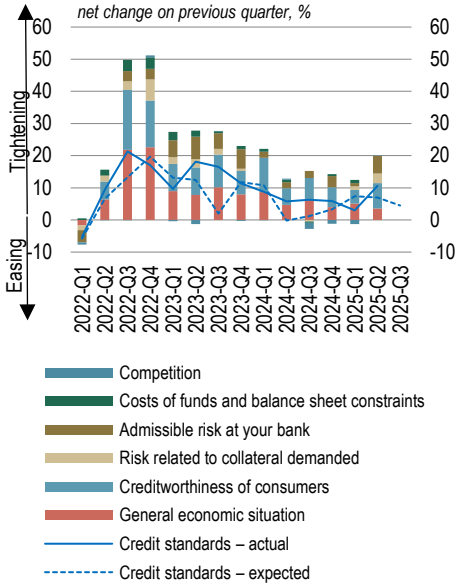
Note: "Other financing needs" is the simple average of "debt refinancing/restructuring and renegotiation" and "regulatory and fiscal regime of housing markets". "Use of alternative finance" is the simple average of "internal finance of house purchase out of savings/down payment", "loans from other banks" and "other sources of external finance".
Source: Banka Slovenije

Figure 7.32:**Changes in credit standards for consumer loans and factors therein**

Changes in credit standards for consumer loans in Slovenia and factors therein



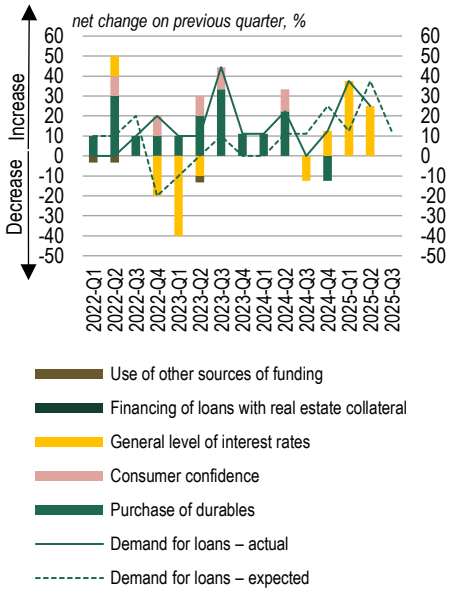
Changes in credit standards for consumer loans in the euro area and factors therein



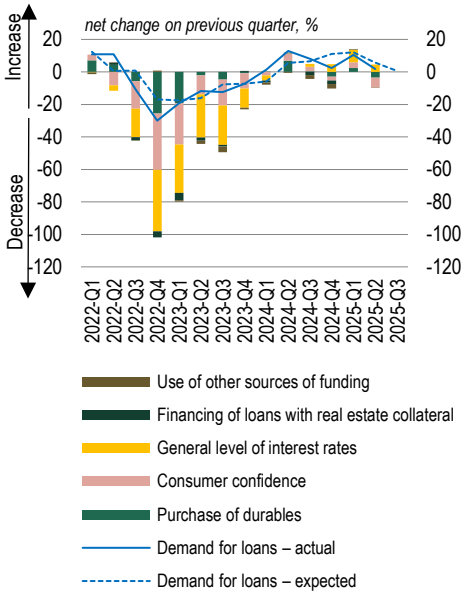
Note: "Cost of funds and balance sheet constraints" is the simple average of "banks' capital and the costs related to banks' capital position", "access to market financing" and "liquidity position"; "Competition" is the simple average of "competition from other banks" and "competition from non-banks". The detailed sub-factors under "Costs of funds and balance sheet constraints" were introduced in April 2024.
Source: Banka Slovenije.

Figure 7.33: **Changes in demand for consumer loans and factors therein**

Changes in demand for consumer loans in Slovenia and factors therein



Changes in demand for consumer loans in the euro area and factors therein



Note: "Use of alternative finance" is the simple average of "internal financing out of savings", "loans from other banks" and "other sources of external finance". "Consumption expenditure (real estate)" denotes "consumption expenditure financed through real estate-guaranteed loans".
Source: Banka Slovenije.

7.1 Description of abbreviations

Abbreviations

AJPES	Agency of the Republic of Slovenia for Public Legal Records and Related Services
GDP	Gross domestic product
BLS	Bank Lending Survey
CCyB	Countercyclical capital buffer
CET1	Common equity Tier 1 capital
COREP	Common Reporting (standardised supervisory reports on capital adequacy, risks, and large exposures, which are submitted to the supervisor by banks in accordance with European capital requirements)
CRR	Capital Requirements Regulation
DORA	Digital Operational Resilience Act
DSTI	Debt-service-to-income ratio
EBA	European Banking Authority
ECB	European Central Bank
EEA	European Economic AreaEMF European Mortgage Federation
EA	Euro area (European Monetary Union)
ESRB	European Systemic Risk Board
EU	European Union
Euribor	Interbank interest rate at which representative banks in the euro area offer deposits to one another
FINREP	Financial Reporting (standardised financial reports of banks in the European scheme, which contain detailed accounting and supervisory data on the balance sheet and the income statement)
SMARS	Surveying and Mapping Authority of the Republic of Slovenia
HICP	Harmonised Index of Consumer Prices
LCR	Liquidity coverage ratio
LTROs	Longer-term refinancing operations
LTV	Loan-to-value ratio
MCR	Minimum capital requirement
NFCs	Non-financial corporations
NPEs	Non-performing exposures
NSFR	Net stable funding ratio
PMI	Purchasing Managers' Index
P2G	Pillar 2 guidance
ROE	Return on equity
RWAs	Risk-weighted assets
S&P	Standard and Poor's
SCR	Solvency capital requirement
SyRB	Systemic risk buffer
SORS	Statistical Office of the Republic of Slovenia
Tier 1	Tier 1 capital
RWAs	Risk-weighted assets
UOC	Unobserved components methodology
ESS	Employment Service of Slovenia