BANKA SLOVENIJE

EVROSISTEM

Report on bank performance with commentary, January to October 2023

Title: Report on bank performance with commentary, January to October 2023

Issue: December 2023

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

Includes data available by 31 October 2023, unless stated otherwise.

The material was discussed at the meeting of the Governing Board of Banka Slovenije of 19 December 2023.

ISSN 2820-6312

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Methodological notes:

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

1 Summary

The moderate growth in economic activity and the high level of interest rates brought an additional improvement in the performance of Slovenian banks over the first ten months of this year. The rises in the ECB's key interest rates have driven a rise in bank interest rates on loans to the non-banking sector, with the stock of loans falling in the first quarter before remaining broadly unchanged over the remainder of the year so far. Growth in deposits by the non-banking sector slowed. In the wake of the rise in interest rates on deposits, which remain more modest than in the euro area overall, there has been an increase in fixed-term deposits, but the share of total deposits that they account for remains small. Net interest income has increased markedly this year, which has been reflected in a sharp increase in gross income. Amid low net impairments and provisions, pre-tax profit over the first ten months of the year was well up on the figure from the whole of 2022, while ROE has exceeded 20% this year. Credit portfolio quality remains good, with record low NPE ratios in the most important segments of the portfolio. The capital ratios have increased in 2023, as a result of a decline in credit exposure and an increase in regulatory capital. The latter was driven up by increases in retained earnings and other reserves, lower revaluation losses on debt securities and, to a lesser extent, issuance of Tier 2 capital instruments. The banking system's high liquidity improved further.

Despite a smaller inflow this year, deposits by the non-banking sector remain a stable source of funding, and their maturity breakdown is slowly shifting in the direction of an increase in fixed-term deposits. The increase in household deposits over the first ten months of the year was smaller than in the same period last year, with persistently high inflation and the cost of living reducing the ability to save, while the severe weather events had an additional impact on the savings of the affected households. After strengthening last year, year-on-year growth in household deposits had slowed to 4.7% by October of this year, while year-on-year growth in deposits by non-financial corporations (NFCs) remained volatile, and stood at 8.8% in October, equal to its average over the last five years. The majority of Slovenian banks raised their interest rates on fixed-term deposits, mainly over the spring and summer, which encouraged savers to fix deposits for longer periods. The differences in interest rates did not lead to major switching of deposits between banks. Despite increasing, the share of fixed-term deposits by households and NFCs remains low, but it could further increase in the future.

On the asset side of the balance sheet, the stock of loans to the non-banking sector declined over the first ten months of this year amid rising interest rates. The year-on-year decline stood at 1.6% in October, the largest year-on-year contraction of the last seven years, compared with a decline of 0.1% in the stock of loans to the non-banking sector in the euro area overall. The largest factor in this year's decline in the stock of loans to the non-banking sector was a decline in the stock of loans to other financial institutions (OFIs) in the wake of a one-off effect in February of this year. Loans to the government sector and to non-residents also declined over the first ten months of this year. Meanwhile the stock of loans to NFCs was broadly unchanged, and the stock of household loans increased.

Year-on-year growth in loans to NFCs turned negative in the majority of economic sectors and in the majority of corporate size categories. Growth in loans for working capital also declined sharply. The year-on-year decline of 2.5% outpaced the euro area average decline of 0.9%. Average interest rates on new loans to NFCs exceeded the average interest rates in the euro area in October.

The majority of this year's moderate increase in current lending to households was driven by consumer loans and other loans, while year-on-year growth in the stock of household loans declined in October. At 3.3% it remained higher than in the euro area overall, where the stock of household loans stagnated in year-on-year terms, with growth of 0.2%. New housing loans remained stable over the first ten months of the year, but down significantly on the two preceding years, while the stock of housing loans stagnated. Year-on-year growth in housing loans declined sharply over the first ten months of the year to 0.8%, approaching the euro area average, which had declined to 0.3% by October. The majority of new housing loans during the first ten months of the year were fixed-rate loans. Current household lending via consumer loans continued to strengthen, the stock of consumer loans having increased most notably from early July, when the amended macroprudential restrictions on consumer lending entered into force. Year-on-year growth in consumer loans strengthened sharply over the first ten months of the year to hit 9.7% in October, well above the euro area average of 2.9%. Fixed-rate loans accounted for almost all new consumer loans.

Bank asset quality indicators have remained at favourable levels in recent months. The increased debt servicing burden, particularly in the NFCs segment, and the damage caused by August's floods have not been reflected to date in any deterioration in the asset quality. The NPE ratios are holding at record lows, while performing exposures continue to be reclassified from the stage with increased credit risk to the stage with lowest credit risk. Individual portfolio segments have seen an increase in the share of Stage 2 exposures, but without any impact on the overall portfolio, which thus remains in the lowest quartile of EU Member States. The decline in the share of Stage 2 exposures is continuing to see a decline in the coverage of performing exposures by impairments and provisions. Overall coverage of the credit portfolio by impairments and collateral remains at a high level, with no major changes over the last four years.

Banks have seen their gross income increase by a half this year, while net income has more than doubled, driven by high growth in net interest income. This was up over 100% on the same period last year. The increase in net interest income was driven by the large rise in interest rates, i.e. price effects on the asset side. Conversely, the adjustment in interest rates on deposits has been small and slow. The net interest margin is increasing as a consequence. Net non-interest income is down on last year, as are net fees and commission, although the decline was much smaller than the increase in net interest income, and currently of little significance to income generation. Growth in operating costs remained moderate.

The banking system's pre-tax profit over the first ten months of the year was up fully 115% on the same period last year. The increase in profit was driven by income, namely net interest. Net impairments and provisions were up slightly on last year, particularly in October, but were still very low relative to the income generated. Bank profitability is well in excess of its average over the preceding years.

The Slovenian banking system's capital position remains solid. The capital ratios in the third quarter were up on the end of 2022. The total capital ratio on a consolidated basis had risen to 19.3% and the common equity Tier 1 capital ratio to 16.6%. The rise in the capital ratios was attributable to a decline in risk-weighted assets, and an increase in regulatory capital driven by retained earnings and smaller revaluation losses on debt securities. The capital adequacy indicators increased at the majority of the banks, which also increased their surpluses over their allocated capital requirements.

The banking system's liquidity improved over the first ten months of the year. The liquidity coverage ratio (LCR) rose to 344%, an indication of good capacity to cover net liquidity outflows during a short-term stress period. The banking system also saw an improvement in its capacity to fund liabilities over a one-year period: the net stable funding ratio (NSFR) rose to 173%. After declining last year, the stock of primary liquidity increased to a high 22.3% of the balance sheet total, as the funding obtained by banks via deposits and issued debt securities was not fully directed into lending, but instead remained in accounts at the central bank.

2 Macroeconomic Environment

The global economy has shown great robustness in the face of the major challenges of recent times, but growth is slowing. Despite numerous negative factors during a relatively short period, such as the pandemic, the wars in Ukraine and in the Middle East, and high inflation with a rapid deterioration in financing conditions, global economic activity has continued to increase, albeit more slowly and less evenly. According to the ECB's latest projections,[1] global economic growth (excluding the euro area) will stand at 3.3% this year, before slowing to 3.1% next year and strengthening to 3.2% in 2025 and 2026, significantly slower than its historical average. The monetary policy tightening reduced inflation from its peak in over a decade, and it is continuing to slow, while the labour market remains tight. Interest rate levels are continuing to have a favourable impact on bank performance via increased net interest income, but tighter monetary policy is being reflected notably in reduced access to lending and an increasing impact on activity in the real sector. Advanced economies have seen contractions in supply of and demand for loans alike, with firms beginning to deleverage amid rising interest rates and surplus production capacity. Higher interest rates could in the future lead to increased risks in the banking system, with banks subject to growing pressures on the funding side, which might bring a significant rise in their funding costs, while an economic slowdown could also lead to significant deteriorations in portfolio quality.

Economic activity has stagnated in the euro area overall this year, but is growing moderately in Slovenia. GDP in the euro area was broadly unchanged over the first three quarters of the year, while in Slovenia it increased moderately, particularly in the second quarter.[2] Survey indicators (manufacturing and services PMIs) suggest that the economy will cool further in the final quarter. The nowcasts for the domestic economy point to growth in the final quarter, but the situation remains difficult, particularly in manufacturing. While the situation in construction is relatively favourable, driven largely by government investment, and activity in services other than retail is holding up, retail confidence declined in November. Export activity has been weak so far this year, but the current account surplus widened as a result of a sharper decline in imports of goods and services. Consumer confidence remains low, even though the labour market remains buoyant. Headline inflation declined notably in November, but at 4.5% it was still well above the euro area average of 2.4%. The slower reduction in inflation compared with the euro area overall was attributable in part to the level of prices in November of last year, which was lower in Slovenia on account of measures in connection with the energy crisis. Meanwhile core inflation has slowed notably in recent months,[3] but at 5.1% in November it was still above the euro area average of 3.6%. Similarly to the euro area overall, the rise in interest rates at Slovenian banks had a favourable impact on gross income in the banking system, but certain risks remain present.

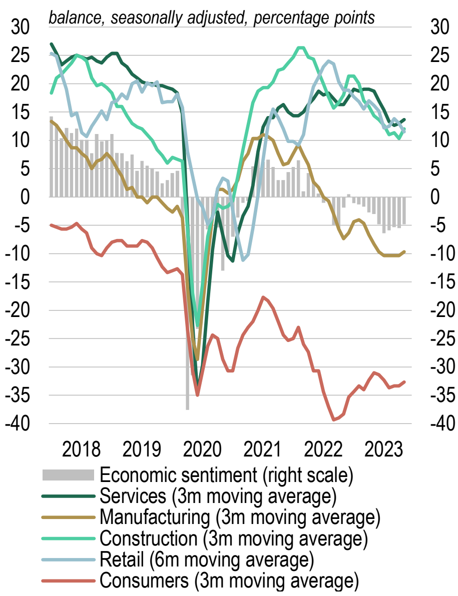
[1] ECB, December 2023.

[2] Eurostat, quarterly growth during first three quarters (euro area: 0.0%, 0.2%, -0.1%; Slovenia: 0.2%, 1.0%, -0.2%). The figures are seasonally adjusted and calendar-adjusted.

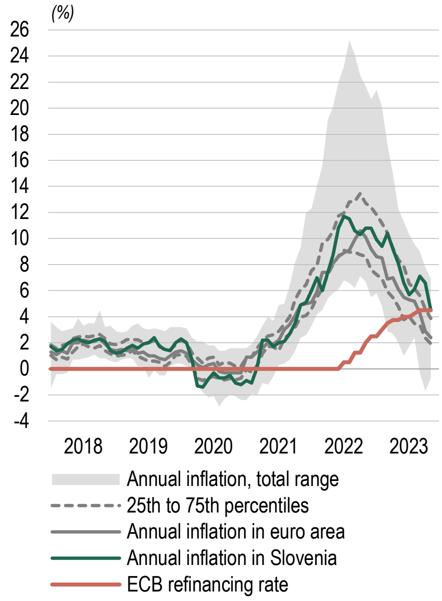
[3] HICP excluding energy, food, alcohol and tobacco.

Figure 1: **Confidence indicators and inflation**

Confidence indicators and economic sentiment indicator for Slovenia



Comparison of inflation (HICP) across the euro area, and ECB's refinancing rate



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, Eurostat, ECB, Banka Slovenije calculations

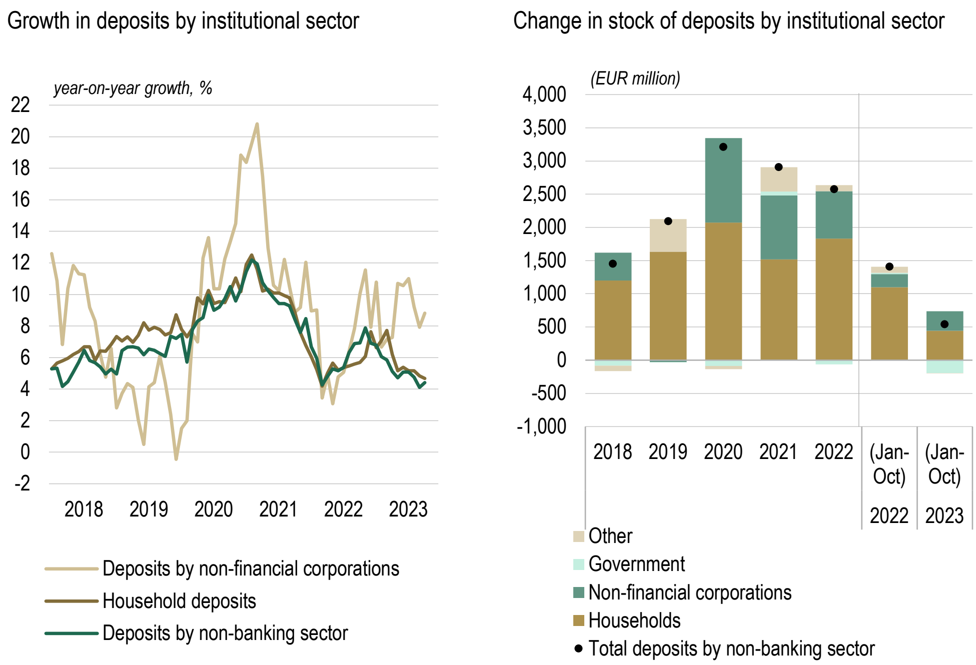
The economy is facing major challenges (weak foreign demand, uncertainty, wage growth and rising interest rates) amid this year's moderate growth. Economic activity was supported in particular by high employment, with relatively robust private consumption, and by the solid financial position of households and businesses. There remains a risk of high inflation in the future, as real wage growth that strongly outpaces productivity growth and higher energy prices could strengthen inflationary pressures. Conversely, the faster resolution of the disruption to supply chains might drive a recovery in exports, and reduced uncertainty might raise domestic demand. According to our latest forecasts,[4] economic growth in Slovenia will slow from 2.5% last year to 1.3% this year, before strengthening to 2.2% in 2024, 2.3% in 2025 and 2.5% in 2026. Economic growth in the euro area[5] slowed from 3.4% last year to 0.6% this year, but will strengthen to 0.8% in 2024, and 1.5% in 2025 and 2026.

[4] Banka Slovenije, December 2023.
[5] ECB, December 2023.

3 Bank Funding

Although the inflow of deposits by the non-banking sector over the first ten months of this year was smaller than in previous years, they remain the most important source of funding for the banking system. After gradually slowing for one year, year-on-year growth in deposits by the non-banking sector stood at 4.4% in October, similar to March of last year, the lowest rate of the last five years. In the wake of a modest inflow of household deposits in particular, the total stock of deposits by the non-banking sector increased by EUR 541 million over the first ten months of the year, merely just over a third of the increase in the same period last year. Deposits by the non-banking sector nevertheless remain the main source of funding for Slovenian banks, accounting for 77% of the total, with reliance on other sources remaining low. After an increase in the stock of issued debt securities in the first half of the year to meet the MREL requirements, by October there had been no further issuances of this kind. Wholesale funding remains relatively low, equivalent to 9% of the balance sheet total on the liability side, with banks having no need for additional borrowing in the rest of the world given their large holdings in accounts at the central bank and their reduced credit activity.

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



Source: Banka Slovenije

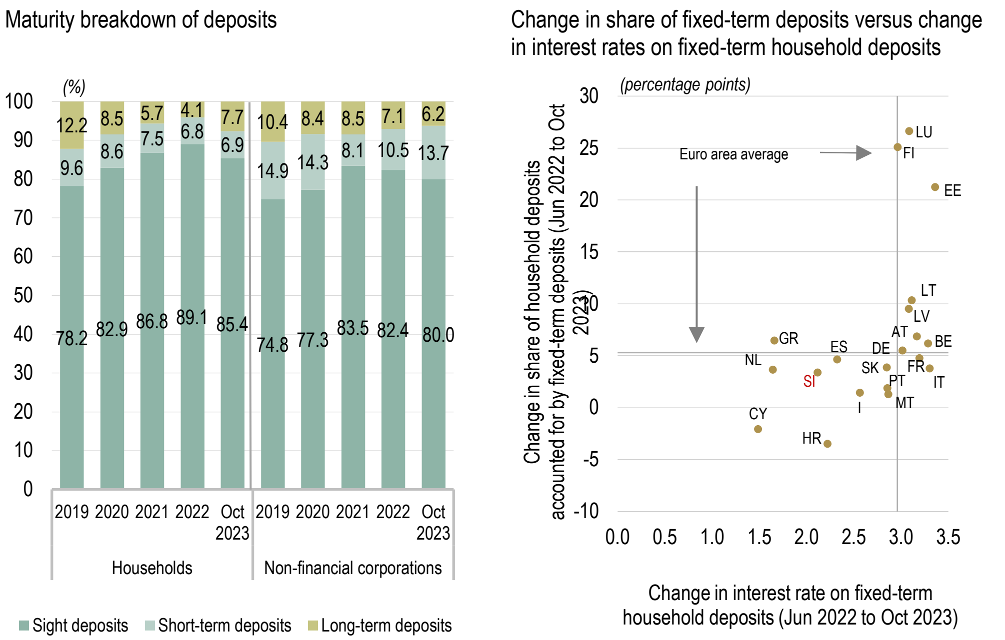
Household deposits remained a stable source of funding for Slovenian banks over the first ten months of the year, despite an inflow that was down a half on the same period last year. The stock increased by EUR 441 million to EUR 26.2 billion, half of the balance sheet total on the liability side, which continues to rank Slovenia in first place among euro area countries in terms of the importance of this source of funding. The monthly changes in household deposits were relatively volatile over the first seven months of the year, before the stock underwent a sustained decline between August and October. In addition to a seasonal effect, this is attributable to the spending of savings by households that were hit by the August floods. After increasing last year,

year-on-year growth in household deposits had slowed to 4.7% by October, but remains well above the euro area average rate (0.2%), which has been gradually declining since February 2021. With persistently high inflation and the rising cost of living reducing the ability of households to save, growth in household deposits can be expected to remain subdued in the future.

In contrast to households, the inflow of deposits by NFCs over the first ten months of the year was larger than in the same period last year. The stock increased by EUR 297 million to EUR 10.0 billion, almost a fifth of the balance sheet total on the liability side. The monthly changes remain relatively volatile, and depend on current performance and investment by NFCs. Consequently there is also fluctuation in year-on-year growth in deposits by NFCs, which stood at 8.8% in October, the same as its average over the last five years. While Slovenia is seeing relatively high year-on-year growth in deposits by NFCs, the euro area overall has seen a year-on-year decline in these deposits since the beginning of the second half of the year (now at 1.8%).

Amid a gradual rise in interest rates on deposits, fixed-term deposits are increasing after several years of decline, although the share of total deposits that they account for remains small. Despite a slight decline, sight deposits continue to account for the majority of all household deposits (85.4%) and deposits by NFCs (80.0%). The pace of the rise in interest rates on deposits and the corresponding shift in the maturity breakdown of deposits varied from bank to bank. As expected, the share of fixed-term deposits increased most at the small number of Slovenian banks that began raising their rates shortly after the onset of the ECB's interest rate hikes. The majority of Slovenian banks did not adjust their pricing policy to take account of competition in the sector until the spring and summer of this year, but there was no major switching of deposits between banks encouraged by differences in interest rates. Although interest rates on fixed-term household deposits in the Slovenian banking system have risen, they remain lower than in the majority of euro area countries.

Figure 3: **Changes in deposit maturity breakdown and interest rates**

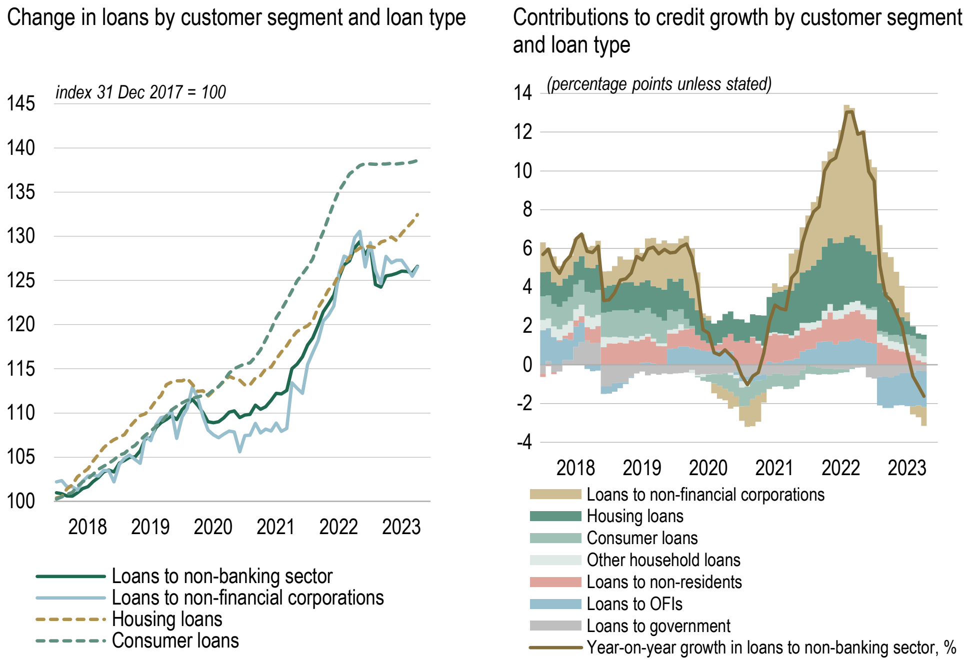


Sources: Banka Slovenije, ECB SDW

4 Bank Assets

Banks reduced their stock of loans to the non-banking sector in the early months of the year with the stock remaining unchanged more recently. It was down EUR 287 million on the end of last year, although the sale of one of the leasing companies was a significant factor in this reduction. The stock of loans to the non-banking sector had increased by EUR 2.7 billion over the first ten months of last year, when year-on-year credit growth was peaking, just before interest rates on loans began rising rapidly. The share of total assets that they account for has declined this year, reaching 52.1% in October (from 54.4% in December 2022). Year-on-year growth in loans to the non-banking sector has slowed sharply this year, and turned negative in August. October's rate of -1.6% was the lowest of the last seven years. The rate fell below the euro area average in July, which had shown a slower trend of decline: the year-on-year decline stood at 0.1% in October. Following the large decline in the stock of loans to other financial institutions in February of this year in the wake of the sale of one of the leasing companies and the repayment of its loans at banks, this remains the largest factor in this year's decline in the stock of loans to the non-banking sector. Lending to other financial institutions declined by EUR 535 million in total over the first ten months of the year. Loans to the government sector and to non-residents also declined. Meanwhile the stock of household loans increased, and the stock of loans to NFCs was broadly unchanged, having increased by EUR 1.5 billion in the same period last year. Alongside the general increase in lending to NFCs, the energy crisis was also a significant factor in last year's increase. The stock of household loans was up EUR 339 million, significantly less than in the same period last year (EUR 819 million), of which consumer loans accounted for the majority. Among other assets there were declines in holdings of equity in subsidiaries, joint ventures and associates, and assets classed as loans and receivables. Meanwhile holdings of the most liquid assets[6] increased sharply (EUR 1.2 billion), driven largely by securities holdings (EUR 747 million). Loans to banks and the central bank increased by EUR 262 million.

Figure 4: **Lending to the non-banking sector**

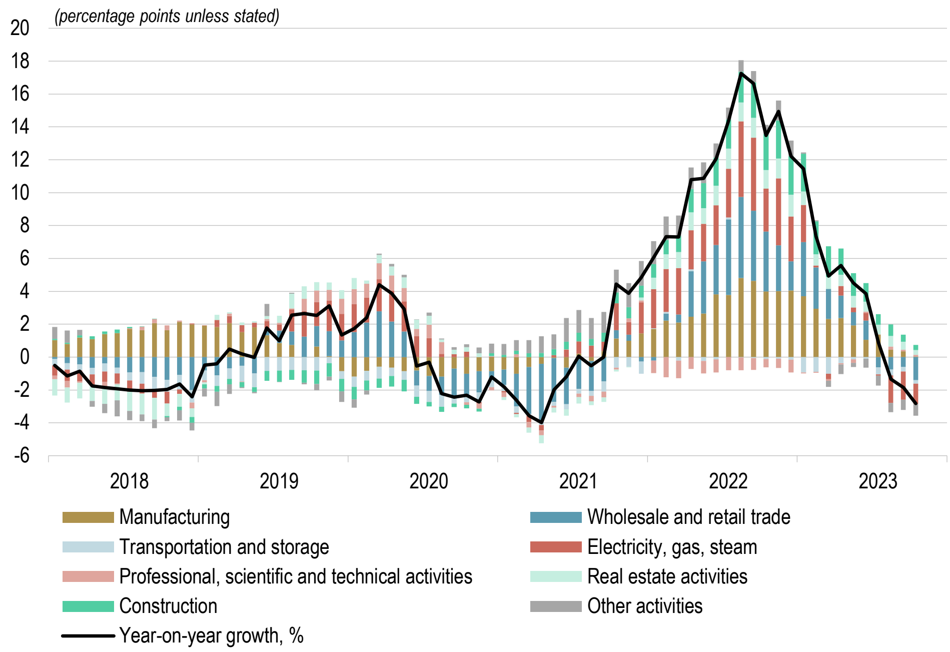


Source: Banka Slovenije
Note: OFIs: other financial institutions. The sharply negative contribution by loans to OFIs as of February 2023 is related to the sale of a leasing company.

[6] Comprises cash on hand, balances at the central bank and sight deposits at banks.

The stock of loans to NFCs was broadly unchanged over the first ten months of this year, while year-on-year growth turned negative in the majority of sectors. Aggregate growth slowed sharply, entering negative territory in August. By October the stock of loans was down 2.8% in year-on-year terms.[7] The stock of loans to manufacturing firms, which is the largest segment in the banking system's NFCs portfolio, was unchanged in year-on-year terms, and their contribution to aggregate growth in loans to NFCs was neutral. Of the other major sectors, there were sharp year-on-year declines in the stock of loans to firms in electricity, gas, steam and air conditioning supply activities and in wholesale and retail trade. The growth dynamics in the former were still being profoundly influenced by the base effect in the wake of last year's large increase in lending, which was related to the above-average energy price inflation. These two sectors together were the largest contributors to the aggregate year-on-year decline in the stock of loans to NFCs. The transportation and storage sector also saw a year-on-year decline in the stock of loans. While growth slowed discernibly in the construction and real estate activities sectors, it remained positive in October. It is declining from a high level in construction, where last December saw the highest rate in recent years. Both construction and real estate activities made positive contributions to aggregate growth in loans to NFCs.

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



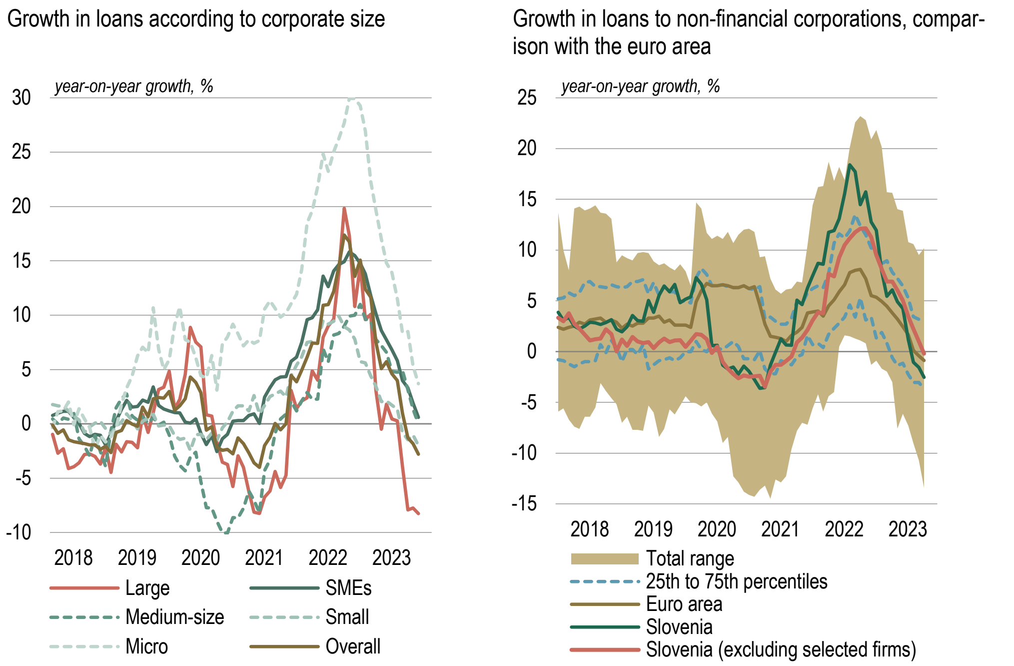
Note: Gross figures.
Source: Banka Slovenije

The pace of the slowdown in lending to NFCs was more pronounced than in the euro area overall, with growth in loans for working capital declining in particular, while the rise in interest rates slowed. The slowdown in lending to NFCs over the first ten months of the year was broadly based across corporate size categories. The largest year-on-year declines in loans to NFCs over the first ten months of the year were recorded by large enterprises and micro enterprises. Growth in loans to the former has been sharply negative for the last few months, having reached its highest rates in several years in the same period last year, amid intensive lending to firms in electricity, gas, steam and air conditioning supply activities. Growth in loans to micro enterprises has fallen from its exceptionally high levels over the last year, but remained positive in October. Meanwhile the aggregate stock of loans to SMEs was unchanged in year-on-

[7] These are statistical figures. The stock declined by 2.5% based on balance sheet figures.

year terms. Year-on-year growth in loans for working capital slowed sharply from its previous high levels, and the stock of such loans was down in year-on-year terms in October. Their contribution to aggregate growth in loans to NFCs was also negative. Growth in loans for debt refinancing also slowed sharply from its previous high levels, while the stock of such loans in October was similar to that a year earlier. The year-on-year contraction of 2.5% in loans to NFCs ranks Slovenia in the bottom half of euro area countries, and is below the euro area average (-0.9%). The rise in interest rates on new fixed-rate loans to NFCs slowed, while those on variable-rate loans continued to rise, having started their rise several months later than fixed rates last year. Both rates were higher than the euro area average rates in October.[8]

Figure 6: **Lending to non-financial corporations**



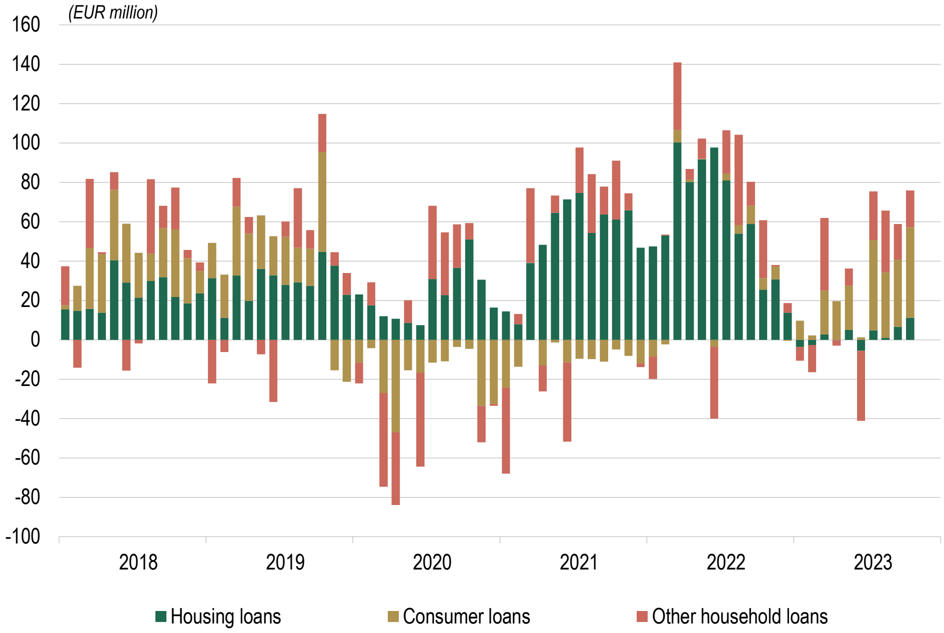
Note: The left chart illustrates gross figures. SMEs includes micro, small and medium-size enterprises. The selected firms in the right chart are the five firms that borrowed most heavily during the energy crisis, and had repaid the most debt by April of this year. The faster year-on-year growth in 2022 meant that this year saw a sharper slowdown in year-on-year growth rates.
Sources: Banka Slovenije, ECB SDW, Banka Slovenije calculations

Current household lending strengthened moderately over the first ten months of this year, with consumer loans and other loans accounting for the majority of the increase in loan stock. Meanwhile the stock of housing loans increased only slightly. Year-on-year growth in household loans slowed from 8.5% in September of last year, its highest rate of the last few years, to 3.3% in October of this year. It remained higher than in the euro area overall, where the stock of household loans stagnated in year-on-year terms, with growth of 0.2%. The pace of the slowdown matched countries in the 75th percentile of year-on-year growth. Current lending via housing loans was stable over the first ten months of the year, with the level of new loans similar to that before March 2021, when the monthly figures for new loans began to rise significantly. The stock of housing loans thus stagnated, and in October was up only EUR 20 million on the end of last year (having increased by EUR 689 million over the same period last year). Since hitting its peak of several years of 11.9% in June of last year, the year-on-year rate of growth has slowed sharply, reaching 0.8% in October. It also approached the euro area average, which had slowed to 0.3%. The majority of

[8] The average fixed interest rate on new loans to NFCs in the Slovenian banking system stood at 5.6% in October (up from 4.2% in December of last year), while the average variable rate was 5.7% (up from 3.8% in December). The average fixed rate in the euro area stood at 4.8% (up from 3.4% in December), and the average variable rate at 5.3% (up from 3.4% in December).

new housing loans during the first ten months of the year were fixed-rate loans, whose rates were stable at an average of 4.0%. Meanwhile variable rates were higher and have continued to rise, albeit more slowly than in the second half of last year. Interest rates under both types of remuneration were above the euro area averages in October.[9] Current household lending via consumer loans continued to strengthen, the stock increasing by EUR 237 million over the first ten months of the year (compared with an increase of EUR 17 million over the same period last year). The majority of the increase over the first ten months of this year (EUR 159 million) has come since the beginning of July, when the amended macroprudential restrictions on consumer lending entered into force.[10] The year-on-year rate of growth had strengthened sharply to 9.7% by October, well ahead of the euro area average of 2.9%, which has stagnated this year. Almost all new consumer loans during the first ten months of the year were fixed-rate loans, whose rates were stable at an average of 6.7%. The rates in October were significantly lower than the euro area average.[11] Alongside consumer loans, the increase in the stock of household loans was also driven significantly by other household loans.

Figure 7: **Household lending: change in stocks**



Source: Banka Slovenije
Note: Other household loans comprise overdrafts and credit limits, payment and credit cards, other business loans, and other loans.

[9] The average fixed interest rate on new housing loans in the Slovenian banking system stood at 3.9% in October (up from 3.7% in December of last year), while the average variable rate was 5.5% (up from 3.8% in December). The average fixed rate in the euro area stood at 3.8% (up from 2.8% in December), and the average variable rate at 4.8% (up from 3.1% in December).

[10] Banks also highlighted the impact of the changes to the macroprudential restrictions on consumer lending in the quarterly Bank Lending Survey (BLS). For more on this, see Section 10.

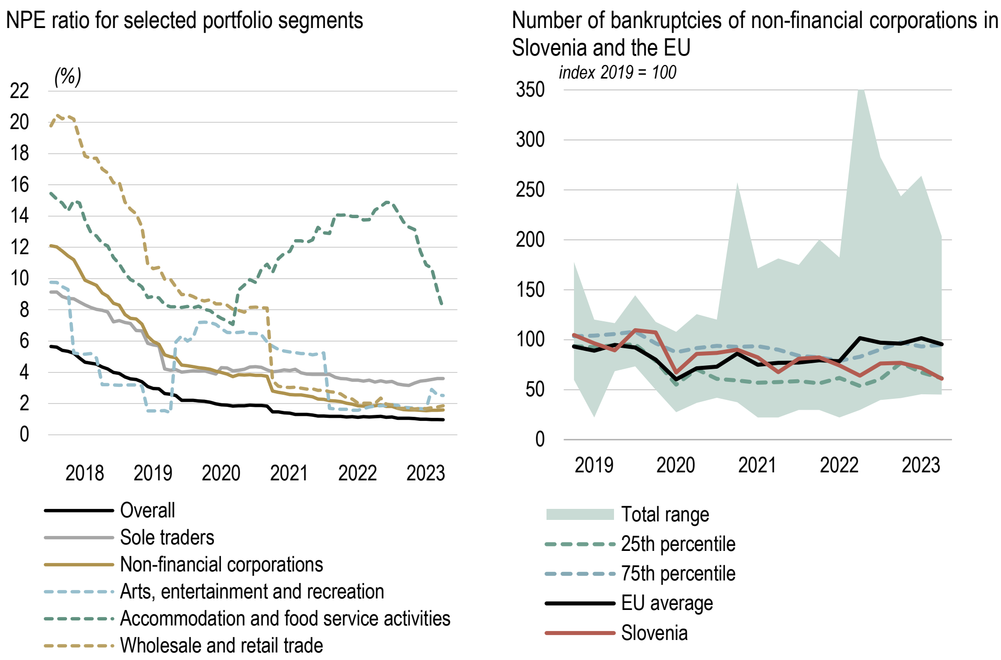
[11] The average fixed interest rate on new consumer loans in the Slovenian banking system stood at 6.7% in October (unchanged from 6.7% in December of last year), while the average variable rate stood at 7.6% (up from 6.8% in December). The average fixed rate in the euro area stood at 7.9% (up from 6.4% in December), and the average variable rate at 8.2% (up from 6.5% in December).

5 Bank Asset Quality

The NPE ratio has held at 1.0% since April of this year. During this period banks increased their exposures by EUR 1.9 billion, while NPEs were further reduced by EUR 29 million. The NPE ratios stabilised at 1.6% in the NFCs portfolio and at 1.5% in the household portfolio. The NPE ratio in the sole traders portfolio stood at 3.6% in October, the highest figure in any segment, having increased by 0.4 percentage points since May. The NPE ratio in the SMEs portfolio had declined to 2.6% by October, while the NPE ratio in the large enterprises portfolio stood at 0.7%, having increased by 0.2 percentage points over the two preceding months. The NPE ratios in manufacturing and in wholesale and retail trade increased over the last two months, while the NPE ratio in accommodation and food service activities declined sharply to its pre-pandemic level of 8.0%, from where it began a rise that peaked at 14.9% at the end of 2022.

The NPE ratios and stocks of NPEs remain at their lowest levels to date, despite the risks to asset quality posed by inflation, rising interest rates and the aftermath of the August floods. The NFCs portfolio in particular faces an increased debt servicing burden as a result of the rise in interest rates, with the remaining debt mostly remunerated at variable interest rates. Despite the prevalence of fixed-rate remuneration in new housing loans, just over 30% of the loan stock still carries a variable interest rate, which is also increasing the debt servicing burden in this portfolio segment. The asset quality indicators in the NFCs and household segments continued to improve over this period, and there is also no sign of any increase in the number of new bankruptcy proceedings in the NFCs portfolio. While the number has been rising over the last year in EU Member States, it is continuing to fall in Slovenia, and remains below the pre-pandemic level of 2019.

Figure 8: **NPE ratios and bankruptcies of non-financial corporations**



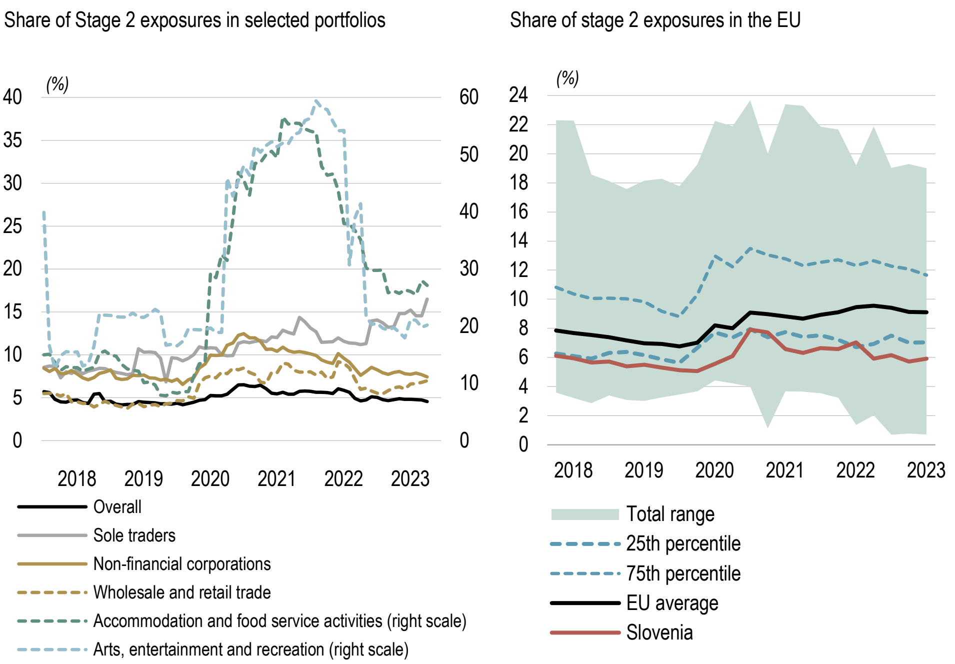
Sources: Banka Slovenije, Eurostat

The available data shows that the August floods did not have a major impact on bank customers, who only took advantage to a limited extent of the possibility of a loan moratorium and new borrowing to address the consequences. By the end of November banks had approved loan moratoria in the total amount of EUR 8.2 million for NFCs and EUR 4.0 million for households. New corporate loans for repairing damage were slightly higher, in the total amount of EUR 13 million, while just EUR 1.1 million of new loans were approved for households. Consequently this portfolio segment does not pose any additional risk of a deterioration in quality indicators at system level.

The portfolio breakdown in terms of credit risk stages is continuing to improve. While banks saw a slight increase in the share of Stage 2 exposures in the final months of last year, they have seen the figure decline again this year. The share of Stage 2 exposures in the total portfolio stood at 4.5% in October, compared with 5.1% in December 2022. The decline in the NFCs portfolio was even larger, the figure falling from 9.5% to 7.4%. Despite last year's sharp decline in Stage 2 exposures in the sectors of accommodation and food service activities and arts, entertainment and recreation, their shares of Stage 2 exposures remain above average at 27% and 20% respectively. By contrast, reclassifications to Stage 2 have been increasing in recent months in wholesale and retail trade and in professional, scientific and technical activities, although the figures remain below 10%. Similarly to the NPE ratios, the sole traders portfolio is notable for its deterioration in the share of Stage 2 exposures: the figure of 16.5% was up 2.6 percentage points on the end of 2022.

A decline in the share of Stage 2 exposures was also evident across EU Member States. At its level of 9.1% in the loan portfolio[12] in June, the figure in the EU overall is still equal to its previous peak recorded at the end of 2020, the first year of the pandemic. The figure of 5.9% in the loan portfolio at Slovenian banks was down 2 percentage points on its previous peak in 2020, and by October had further declined to 5.6%.

Figure 9: **Share of Stage 2 exposures**



Sources: Banka Slovenije, EBA

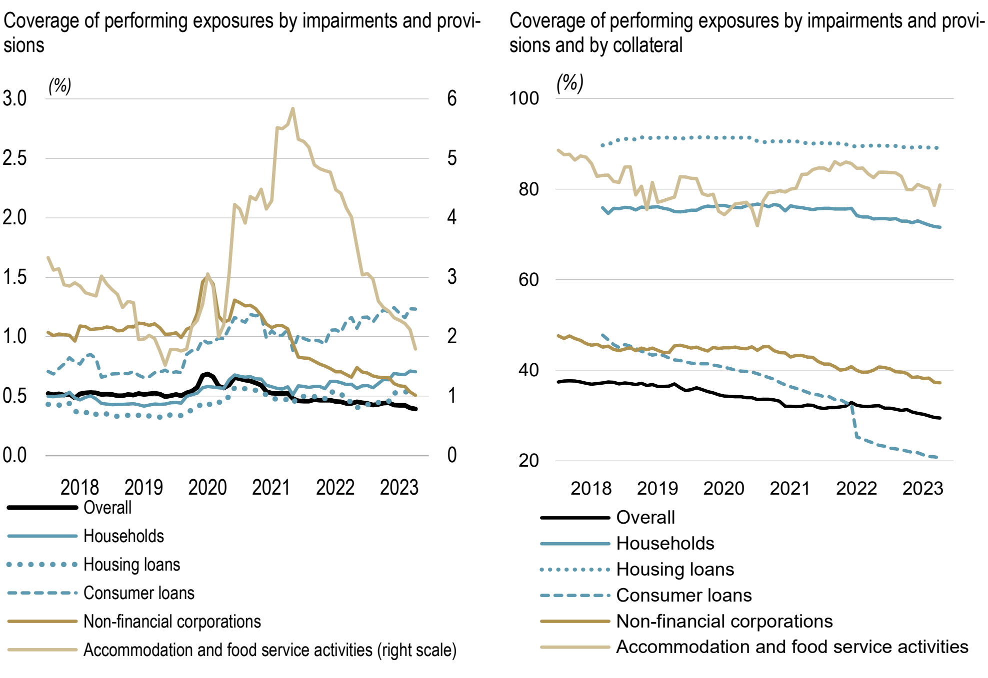
Coverage of NPEs by impairments and provisions increased in 2023, while coverage of performing exposures declined further. After increasing to 58.9% by August, coverage of NPEs declined slightly over the next two months to 58.6%, still up

[12] Only the share of Stage 2 exposures for the loan portfolio is available for the EU comparisons.

2.6 percentage points on the end of 2022. Coverage of performing exposures by impairments has declined consistently, from 0.45% at the end of last year to 0.39% in October. There has been a notable decline in coverage in the NFCs portfolio since mid-2020. The sectors hit hardest during the pandemic have begun to reduce coverage of performing exposures over the last two years, in parallel with the reclassification of the portfolio to Stage 1. Consumer loans are notable for their increase in coverage by impairments since the second half of 2022, the rate reaching 1.23% by October of this year. Coverage of performing exposures in the aggregate household portfolio also increased in consequence. Coverage of performing exposures in the housing loans portfolio began increasing several months later. There has not been any sign of an increase in the share of Stage 2 exposures in either the consumer loans or the housing loans portfolios.

Total coverage by impairments and provisions and by collateral is also displaying a trend of decline. Coverage of performing exposures stood at 29.5% in October, with major differences between individual portfolio segments. The rate was highest and stable in the housing loans portfolio at just under 90%, largely on account of the high collateral in this portfolio. It was lowest and displaying a trend of decline in the consumer loans portfolio, at 20.7% in October. By contrast, overall coverage of NPEs has been maintained close to a high 90% since 2020.

Figure 10: **Coverage by impairments and provisions and by collateral**



Source: Banka Slovenije

6 Bank Income Generation

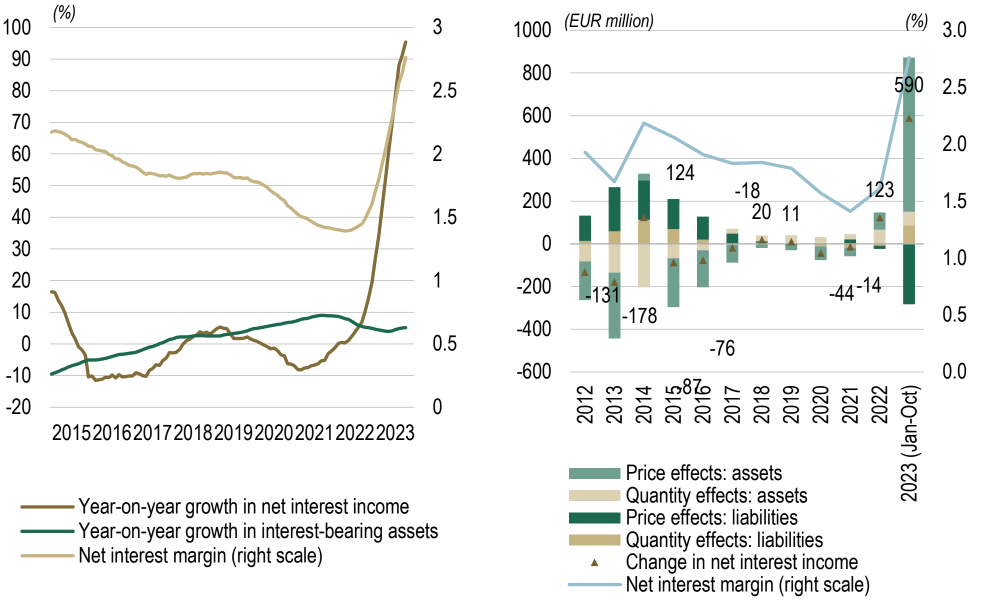
The banking system's net income over the first ten months of this year more than doubled in year-on-year terms. The high growth in net interest rates, which over the first ten months of the year doubled in year-on-year terms, was the sole driver of the increase in gross income. The increase in net interest income was attributable to the remarkably high level of interest rates on the asset side of the balance sheet compared with the same period last year, and also the relatively slow adjustment in interest rates on deposits by the non-banking sector, which account for the majority of the banks' total liabilities. Net non-interest income is down slightly on last year's figure. Gross income is up more than a half (53%) on last year, while net income is up 115%.

Net interest income is up 102% in year-on-year terms this year. This was attributable to a profound strengthening in price effects, which are coming from the asset side of the balance sheet. One major factor was claims in the form of the deposit facility at the ECB. The quantity effects were very minor, particularly quantity effects from loans, year-on-year growth having slowed before turning negative in August. The net interest margin is also displaying a trend of increase over the autumn, and had risen to 2.76% by October. The year-on-year increase in interest income is still strongly outpacing the increase in interest expenses, although the difference has narrowed slightly over recent months. The large share of minimally remunerated sight deposits, which are the prevailing form of funding, and the relatively small rise in interest rates at longer maturities are only slightly curtailing the high growth in net interest income. This year's high interest rates will continue driving an increase in net interest income over coming months, thereby raising the net interest margin. The difference between interest rates on bank assets and bank funding has widened markedly over the last year.[13]

Figure 11: **Net interest margin and contributions to change in net interest by price effects and quantity effects**

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

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



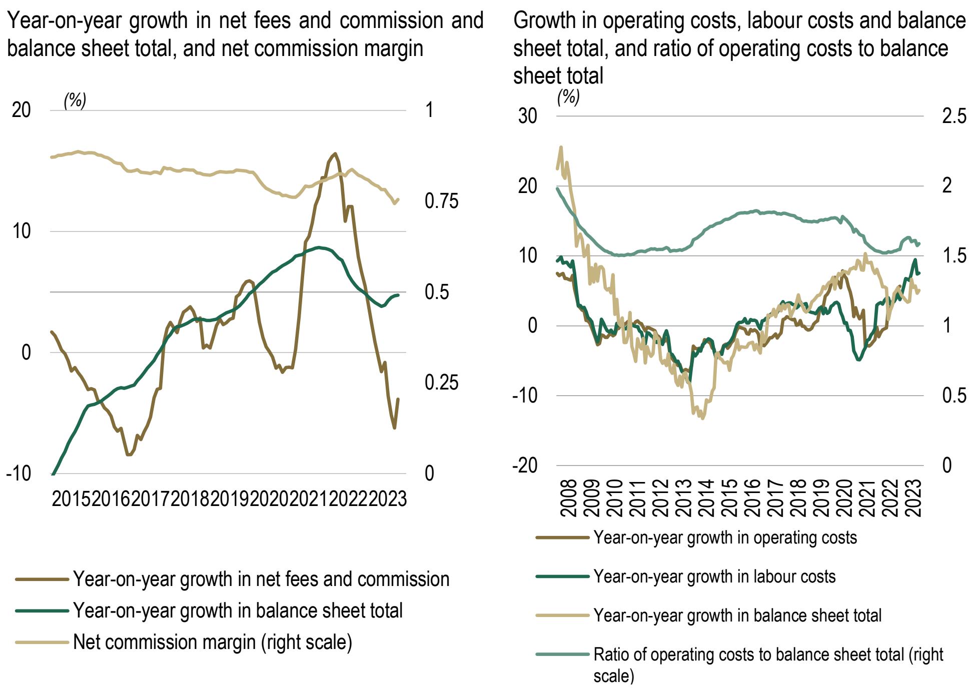
Note: The net interest margin at any point is calculated over the preceding 12 months.
Source: Banka Slovenije

[13] For example, the 3-month Euribor averaged 1.8% over the final quarter of 2022, but 4% in October and November of this year, while the interest rate on the ECB's deposit facility was raised from 0.75% to 1.5% in November of last year, and then to 2% in December, and now stands at 4%. The effective interest rate on loans to the total non-banking sector had risen to 5.3% by October (up from 3.1% in October of last year), while the effective interest rate on total interest-bearing assets had risen to 4.5% (from 2.3%). Conversely, the rise in interest rates on bank liabilities was small: the effective interest rate on total deposits by the non-banking sector stood at 0.5% in October (up from 0.09%), while the rate on total liabilities stood at 1.1% (up from 0.4%). Alongside the net interest margin, this also resulted in sharp rises in the aggregate interest rate spread, to 3.4 percentage points in October (up from 1.9 percentage points), and in the lending-deposit spread, to 4.8 percentage points (up from 3.4 percentage points).

Net non-interest income is down 4.8% in year-on-year terms this year. The decline is much smaller than the increase in net interest. The decline is still largely attributable to the effect of the sale of a leasing company at one of the large banks in the first quarter of the year; otherwise growth would be positive.

Net fees and commission has also declined in year-on-year terms this year, by 4.3%, while the net commission margin stood at 0.75%, compared with 0.81% in October of last year. One factor in the decline in net fees and commission was the abolition of custody fees, while bank lending activity has also declined consistently this year. The declines in total net non-interest income (EUR 23.4 million) and net fees and commission (EUR 14.3 million) were minimal compared with the increase in net interest income (EUR 590 million).

Figure 12: **Net commission margin and operating costs**



Note: The net commission margin and the ratio of operating costs to the balance sheet total at any point are calculated in both charts over the preceding 12 months.
Source: Banka Slovenije

Growth in operating costs remains moderate, and is being outpaced by growth in gross income. Operating costs over the first ten months of the year were up 8% in year-on-year terms, while labour costs were up 7.3%. The ratio of operating costs to the balance sheet total calculated over the preceding 12 months increased slightly to 1.59%, as a result of slower growth in the balance sheet total. The high growth in bank income drove the CIR down sharply: it stood at 40.8%, compared with 57.6% in the same period last year.

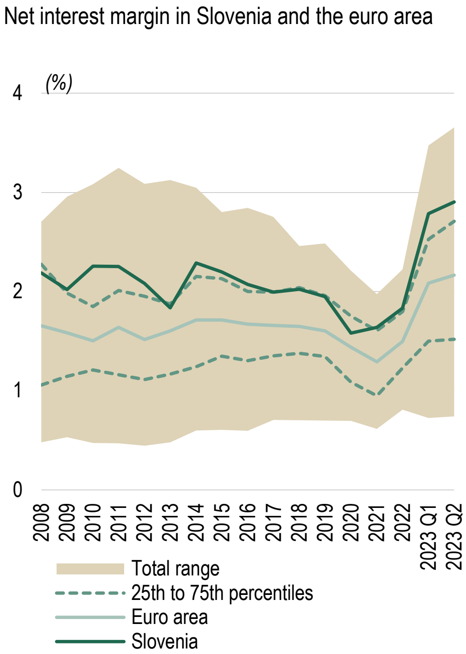
Net interest margin in Slovenia compared with EU Member States and euro area countries

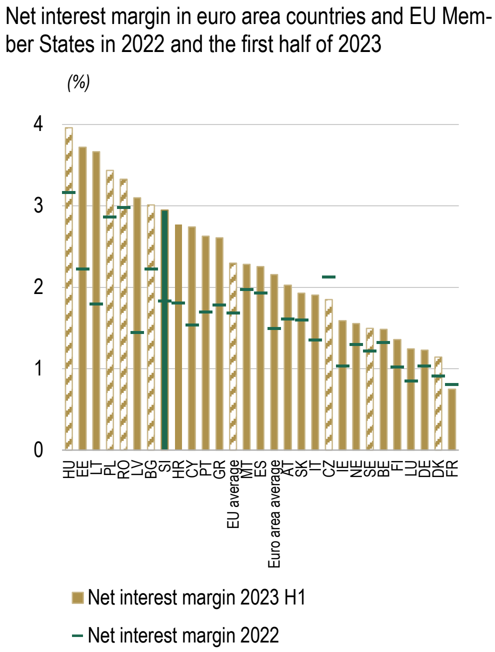
Slovenia has one of the highest rates of growth in net interest income and the net interest margin in the EU and in the euro area. Only in a few countries did growth in net interest income outpace that in Slovenia in the first half of this year.[14] Slovenia ranks in the top quarter of euro area countries in terms of the net interest margin, with

[14] According to the available data for 24 countries, only in the Baltic states, Cyprus and Ireland has growth in net interest income been higher this year than in Slovenia.

only the three Baltic states and four EU Member States outside the euro area recording higher figures. The main reasons for the widening difference between the net interest margin in Slovenia and the aforementioned countries are the very low interest expenses of Slovenian banks: in terms of the ratio of interest expenses to the balance sheet total they rank at the very bottom of the countries with the lowest figures, while in terms of the ratio of interest income to the balance sheet total they are comparable with the average figure.

Figure 13: **Net interest margin in euro area countries (left) and net interest margin in EU Member States (right)**





Note: The hatched bars in the right chart denote countries outside the euro area.
Source: Banka Slovenije

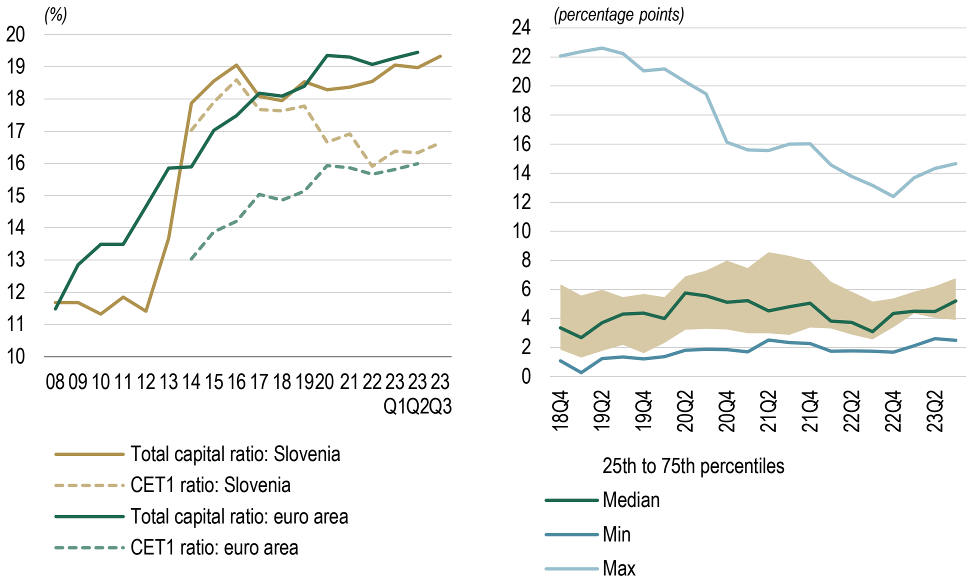
7 Capital Adequacy, Profitability and Liquidity in the Banking System

The capital ratios at system level increased over the first three quarters of this year, as a result of a decline in risk-weighted assets and an increase in regulatory capital. The banking system's total capital ratio on a consolidated basis increased by 0.8 percentage points over the first three quarters of 2023 to 19.3%, while the common equity Tier 1 capital (CET1) ratio increased by 0.7 percentage points to 16.6%. Risk-weighted assets have declined by 1.2% this year, primarily as a result of a decline in exposure to credit risk. The largest factors in this decline were the sale of a leasing company at one of the banks, and a decline in exposures to central governments and central banks, driven by a downsizing of the government bond portfolio and additional guarantees. Banks also reduced their risk-weighted exposures calculated under the IRB approach,[15] and non-performing exposures. Conversely they increased their exposures to individual financial institutions, items associated with particularly high risk and exposures secured by mortgages on immovable property. There was an increase in regulatory capital over this period, as a result of an increase in interim retained earnings, retained earnings from previous years, and a decline in revaluation losses on debt securities. The issuance of Tier 2 capital instruments did not significantly increase regulatory capital, as they were primarily replacing existing issues that were maturing.

Figure 14: **Capital ratios and surpluses over capital requirements**

Capital ratios, comparison with the euro area, consolidated basis

Surplus over overall capital requirement (excluding P2G)



Sources: Banka Slovenije, ECB SDW, own calculations

The total capital ratio of the Slovenian banking system on a consolidated basis has remained below the euro area average since the end of 2020, but has converged on it during 2023. The total capital ratio in the euro area overall stood at 19.4% at the end of the first half of 2023, while the CET1 ratio stood at 16.0%. Banks in Slovenia are disclosing record high profitability in 2023. Because banks are relatively con-

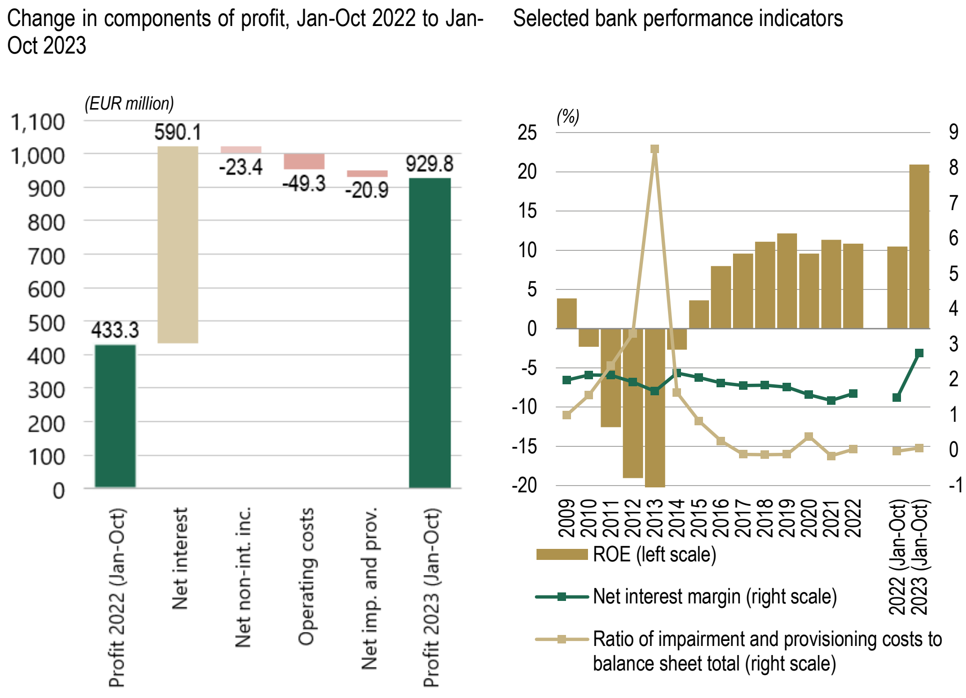
[15] Banks succeeded in reducing risk weights in the segment of NFCs other than SMEs, as a result of upgrades in corporate credit ratings.

strained in obtaining fresh regulatory capital on the market, a prudent policy in allocating this year's earnings could further strengthen their solvency, and their capacity to absorb any negative effects from the macroeconomic environment. Here it should be noted that there is variation in the surpluses that banks hold over their allocated overall capital requirements, and thus in their capacity to absorb any shocks.

Banks generated a high pre-tax profit of EUR 930 million over the first ten months of this year, up fully 115% on the same period last year. The increase in profit was driven primarily by the increase in net income (EUR 517 million), while net impairments and provisions increased by just EUR 21 million in year-on-year terms. Nine of the 15 banks and savings bank have seen net creation of impairments and provisions this year. Pre-tax ROE doubled compared with last year to stand at 20.9%.

The increase in net income driven by net interest will keep bank profitability high over the remaining months of the year. Given the extremely high interest rates, there is an expectation of an increase in interest income and thus in net interest, which remains the main engine of the increase in profit, over the final two months of this year and (at least) the early months of next year. Interest rates on bank assets are still well above last year's levels, and the adjustment in liability interest rates is slower and lagging.[16] Another significant factor in the generation of interest income this year has been the large holdings in the ECB's deposit facility, where the current interest rate actually exceeds the interest rates on the deposits by the non-banking sector at the longest maturities, the most important source of bank funding. Given the persistence of the high growth in net interest income, the small year-on-year decline in non-interest income is not having a significant impact on earnings. Growth in operating costs is moderate, and is much lower than the current growth in income in the banking system. Net impairments and provisions remain low, despite an increase in October. In light of the uncertain and deteriorating economic situation and outlook, banks' high profits and the approach of the end of the year, they can be expected to increase over the remainder of the year. There is nevertheless an expectation that profitability will remain high, thereby strengthening the resilience of the banking system this year.

Figure 15: **Changes in components of profit and selected bank performance indicators**



Source: Banka Slovenije

[16] The spread between the overall effective interest rates on assets and liabilities widened sharply: it stood at 1.9 percentage points in October of last year, and 3.4 percentage points in October of this year. For more, see the section on bank income generation.

The Slovenian banking system outperformed the EU and the euro area overall in terms of ROE in the first half of this year, although the difference narrowed slightly compared with last year. Slovenian banks and banks in the EU overall saw increases in ROE[17] in the first half of this year compared with last year, to 16.8% in Slovenia (up from 13.3% last year) and to 15.1% in the EU overall (up from 9.2%). Exceeding the profitability of the Slovenian banking system compared to the weighted average of EU countries and the euro area remained comparable to 2022; compared to the weighted average of the EU Member States and the euro area countries amounted to 6.3 and 6.7 percentage points, respectively. The main factor in the increase in profitability in Slovenia and in the EU and the euro area overall was the increase in net interest income. By contrast, net impairments and provisions did not reduce profitability in the first half of this year: their ratio to the balance sheet total actually declined, in EU Member States and in euro area countries.[18]

The liquidity of the banking system improved over the first ten months of the year, but there remain considerable differences between individual banks. In the wake of an increase in bank holdings in accounts at the central bank and thus in the liquidity buffer, and a decline in net liquidity outflows, the liquidity coverage ratio (LCR) on an individual basis rose by 55 percentage points to 344%, thus remaining well above its regulatory requirement (100%). Slovenia continues to be ranked fourth in the euro area[19] in terms of this indicator, and is thus classed among the countries with high capacity to cover net liquidity outflows over a short-term stress period. Slovenia is also ranked a high second in terms of the net stable funding ratio (NSFR), which is indicative of a good capacity to fund the banking system’s liabilities over a one-year period. The NSFR increased by almost 9 percentage points over the first nine months of this year to 173%, in the wake of an increase in available stable funding and a decline in required stable funding. Although all the banks exceed the minimum requirements for LCR and NSFR (both of 100%), and the majority of banks have seen an improvement in these indicators this year, there remain large differences in their liquidity surpluses, for which reason careful monitoring of competition in the sector and liquidity management remain vital.

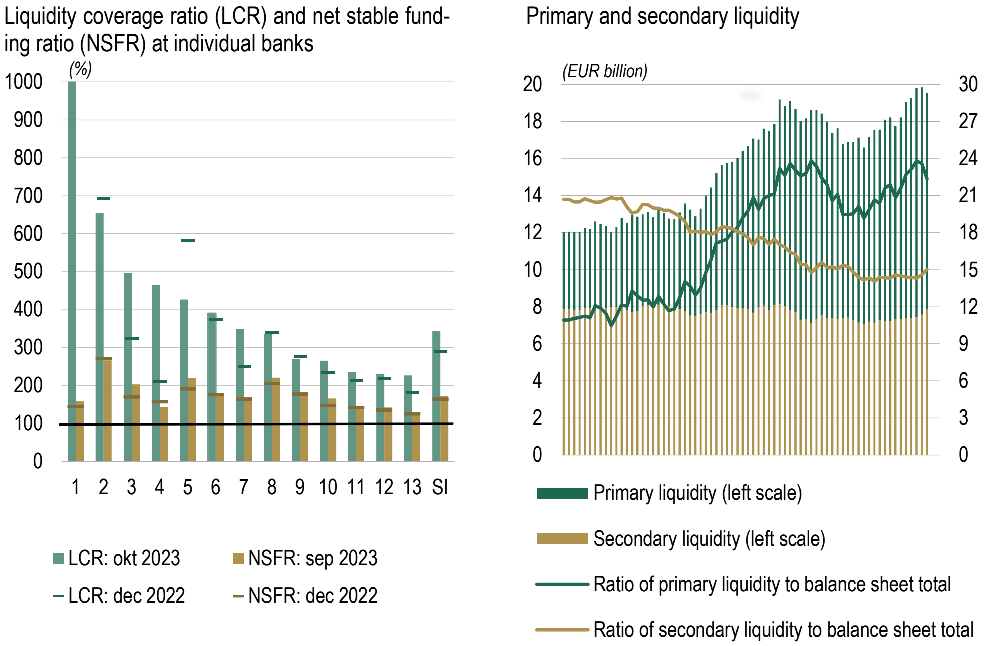
After declining last year, primary liquidity has strengthened this year. The stock increased by EUR 1.2 billion to EUR 11.7 billion, or a fifth of the balance sheet total. Amid a decline in lending activity, banks directed some of the funds obtained via deposits by the non-banking sector and issued debt securities into increasing their holdings of securities and making final repayment of liabilities to the Eurosystem (TLTRO-III), while leaving the remainder in accounts at the central bank. The stock of primary liquidity could increase further by the end of the year in the event of a substantial inflow of household deposits, which is common during this period. The evolution of primary liquidity will also depend on further lending activity, and any new issuances of debt securities.

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

[18] The available indicator under the ECB SDW and FINREP (Ratio of impairments of financial assets not measured at fair value to balance sheet total) declined in the first half of this year: the ordinary EU average declined from 0.19% to 0.13%, while the weighted average halved to 0.15%. Slovenia was still recording the net release of impairments in the first half of the year according to this indicator.

[19] The comparison between countries takes account of the latest data, namely consolidated data for the second quarter of 2023.

Figure 16: **Liquidity indicators**

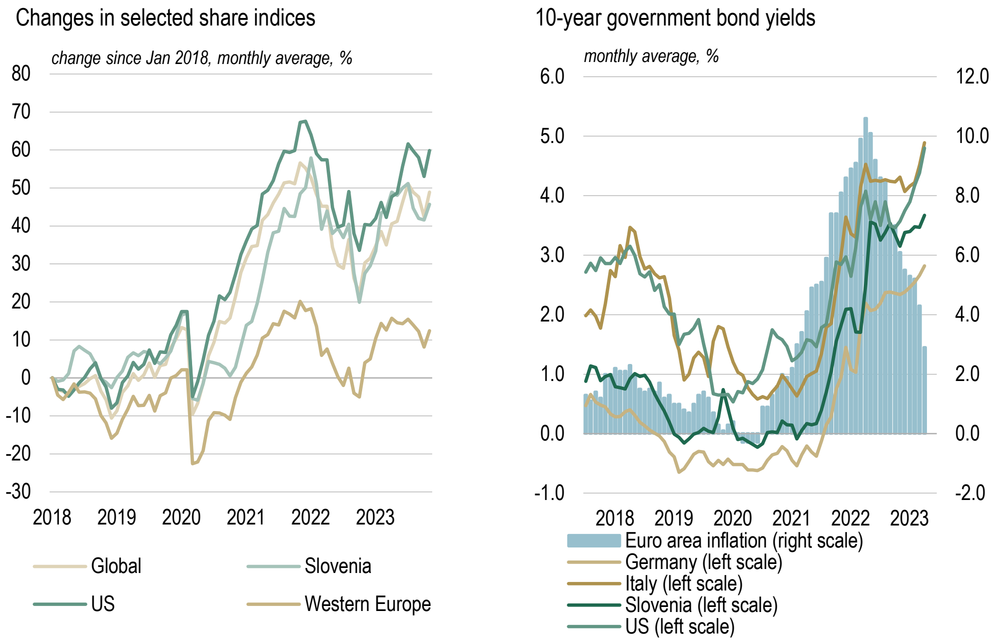


Note: For the sake of transparency, the full value of one of the banks is not illustrated in the left chart. Its LCR stood at 1319% in October 2023, and 1814% in December 2022. The horizontal dark line in the left chart denotes the minimum requirements for the LCR and the NSFR in accordance with the CRR (100%). Primary liquidity in the right chart comprises cash on hand, balances at the central bank and sight deposits at banks, while secondary liquidity comprises Slovenian government securities and foreign marketable securities rated BBB or higher.
Source: Banka Slovenije

8 Capital Markets and Mutual Funds

This year central banks have primarily focused on dealing with the challenge of elevated inflation. Stakeholders in the equity and bond markets have been diligent in closely following the inflation figures and central bank communications regarding future developments in interest rates. Stock markets have been volatile this year, driven by uncertainties in the geopolitical situation and the persistently high inflation. Following a decline since August, the main stock market indices have risen significantly over the last two months. November saw a positive sentiment on global stock markets, driven by encouraging reports showing a slowdown in inflation in the euro area and the US. Yields on 10-year government bonds in the US and Germany fell in late November, reflecting the gradual easing of inflationary pressures and the expectations that the major central banks have now finished their interest rate hikes.

Figure 17: **Stock market indices and government bond yields**

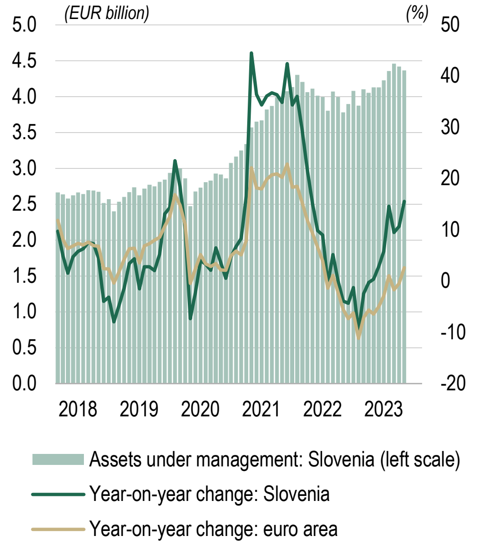


Note: The indices in the left chart are the S&P 500 for the US, the Euro Stoxx 600 for western Europe, the SBITOP for Slovenia and the MSCI World Net Total Return Index for global equities. The data in the chart is to November 2023 inclusive.
Sources: Bloomberg, Eurostat, Banka Slovenije

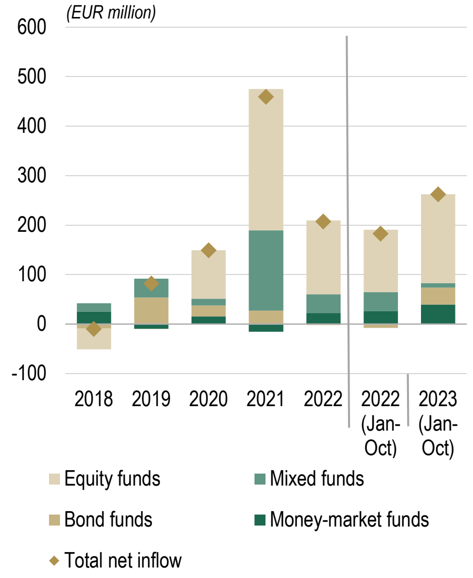
Net inflows into mutual funds over the first ten months of this year were up compared to the same period last year. This growth was also reflected in the domestic mutual funds' assets under management, which continued to rise over the same timeframe. Assets under management amounted to EUR 4.3 billion in October, up on the end of 2022. The year-on-year change in the domestic mutual funds' assets under management stood at 7.4% at the end of October. Net inflows into mutual funds remained positive over the first ten months of the year. Net inflows into the domestic mutual funds amounted to EUR 262.4 million over the first ten months of the year, the majority (73.1%) coming from households. Equity funds saw the largest cumulative inflows over the first ten months of the year (68.4% of the total), while no type of funds recorded net withdrawals.

Figure 18: **Domestic mutual funds' assets under management and net inflows**

Stock and year-on-year change in mutual funds' assets under management



Net inflows into domestic mutual funds by fund type

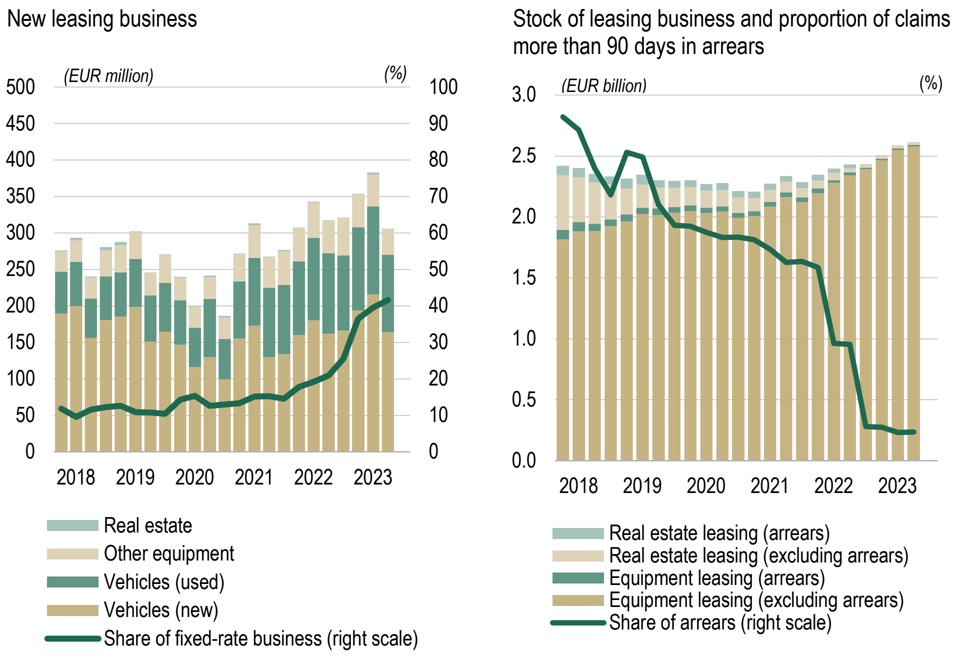


Note: The left chart does not include money-market funds. The data in the left chart is to September 2023 inclusive, and the data in the right chart is to October 2023 inclusive.
Sources: ECB SDW, SMA, Banka Slovenije

9 Performance of Leasing Companies

Leasing companies have continued to strengthen their performance this year. Leasing companies approved EUR 1.0 billion of new business over the first nine months of the year, marking a 7.7% increase compared to the same period last year. The majority of new business was made with non-financial corporations (53.1% of the total), followed by households (46.7%). As in the past, purchases of cars and of commercial vehicles accounted for the majority of new business. The number of new business operations approved at fixed interest rates rose significantly over the first three quarters of the year. The positive trend in new business is also being reflected in the stock of leasing business, which amounted to EUR 2.6 billion at the end of September, up 7.5% in year-on-year terms.

Figure 19: **New business, stocks of leasing business, and arrears**



Note: The data is to September 2023 inclusive.
Source: Banka Slovenije

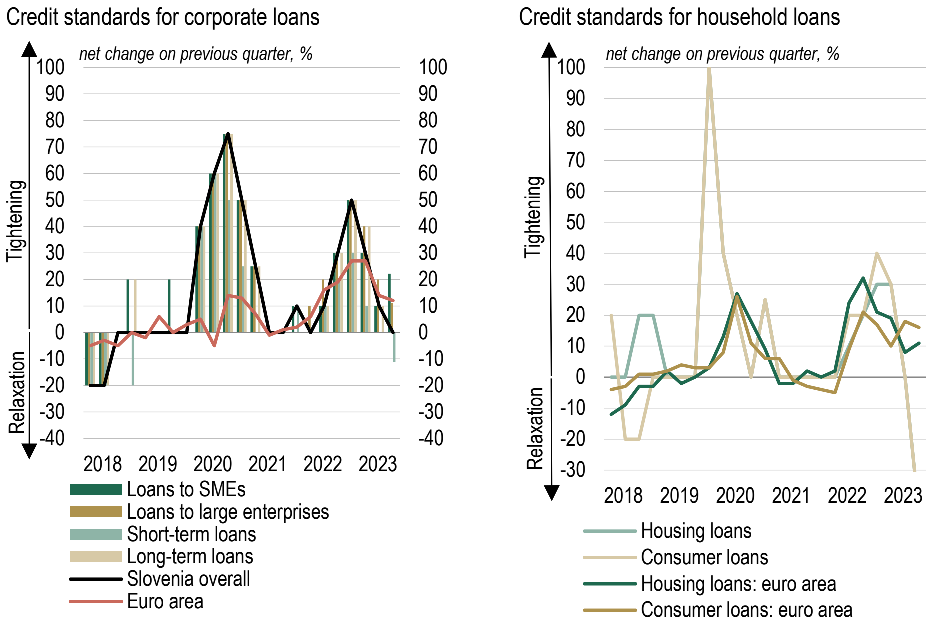
Despite the increased volume of business, leasing companies are facing a decline in profitability. Their earnings amounted to EUR 25.5 million. If the leasing companies that were excluded from reporting in 2023 are omitted from the figures for the first nine months of the year, the year-on-year decline in earnings would have been 14.5%.[20] Profitability is being hit by rising costs of material and services, as well as increased cost of loan funding. The leasing companies' balance sheet total stood at EUR 3.0 billion at the end of September of this year, up 5.9% in year-on-year terms. The quality of the leasing portfolio remained high: the proportion of claims more than 90 days in arrears stood at 0.55% at the end of September. The arrears remain highly concentrated, with four leasing companies accounting for over 85% of the arrears. Banks are also continuing to strengthen their finance leasing business. They had approved EUR 317.2 million of new finance leases by the end of September of this year, up 25.9% on the same period last year.

[20] Banka Slovenije sets out the statistical sample of reporting entities on the basis of the significance of their operations, and does not cover the entire leasing sector. The sample of reporting entities can change between quarters. Four leasing companies were excluded from the reporting sample this year.

According to the Bank Lending Survey (BLS),[21] in the third quarter banks were no longer reporting a tightening of credit standards.[22] A tightening[23] of credit standards had been seen for NFCs and for households between the third quarter of last year and the second quarter of this year, but no longer as of the third quarter. In previous quarters and during the most recent survey banks cited the general economic situation and outlook and the industry-specific situation as the main factors in the tightening of standards. After several quarters of moderate tightening, the credit standards on household loans, whether housing loans or consumer loans, remained unchanged in the second quarter, and banks are reporting a pronounced relaxation in the third quarter of this year. The main factor that they cited was an increase in borrower creditworthiness, as a result of the relaxation of Banka Slovenije macroprudential measures.

According to the survey conducted in September and October, banks are expecting credit standards for corporate loans and housing loans to remain unchanged in the final quarter of this year, while those for consumer loans are expected to tighten slightly.

Figure 20: **Credit standards for corporate loans and household loans according to the BLS**



Note: The line representing housing loans in the right chart is not fully visible; its final data follows the line representing consumer loans.
Source: Banka Slovenije

[21] A total of ten credit institutions have reported in the BLS for Slovenia since late 2021 and early 2022. This is six more banks than previously. As of September 2023 this number was reduced to nine, following the merger of two banks in the reporting sample. According to the BLS criteria,t banks in the sample accounted for 83.4% of loans to NFCs, 93.7% of housing loans and 90.4% of consumer loans in June of this year.

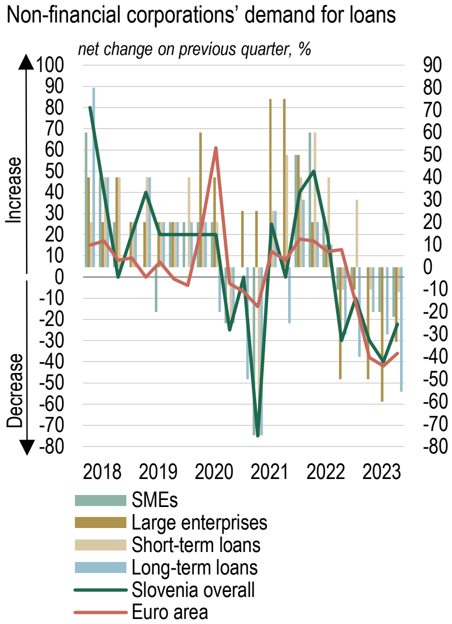
[22] Credit standards are the internal guidelines and criteria according to which a bank approves a loan. They are established before the actual negotiation of loan terms, and before the actual decision to approve or deny a loan. Credit standards according to the BLS for bank loans in the euro area define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

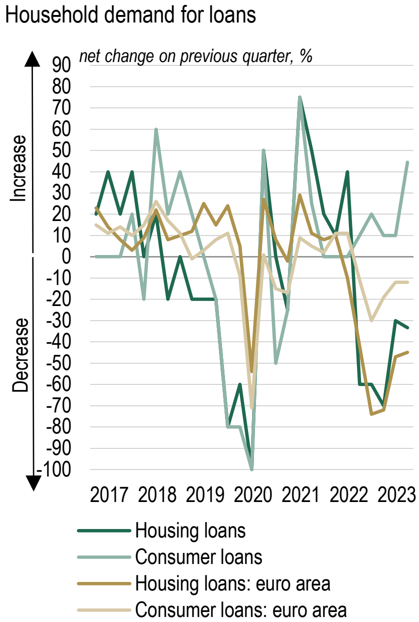
[23] In the BLS banks report changes in standards, conditions and demand with regard to the previous quarter. The changes are illustrated as net percentages defined as the difference between the total percentage of banks reporting for example an increase in demand and the total percentage of banks reporting a decrease in demand.

According to the survey, demand for loans to NFCs is declining for the fifth consecutive quarter, as is demand for housing loans, while demand for consumer loans has increased moderately. The main reasons cited by banks for the decline in demand for loans to NFCs are a decline in investment and the general level of interest rates. The general level of interest rates is also the main factor in the decline in demand for housing loans. The positive changes in demand for consumer loans strengthened markedly in the third quarter of this year, when certain macroprudential restrictions were relaxed. Purchases of durables were the most important factor driving the increased demand for consumer loans. Banks' expectations for the final quarter of this year show almost no change: only for loans to NFCs is demand expected to decline slightly, while no change is expected with regard to consumer loans and housing loans.

Similarly to Slovenia, credit standards in the euro area overall tightened mainly in the previous quarters, and less so in the third quarter. Demand for loans of all three types declined. Demand for loans to NFCs and demand for housing loans declined by slightly more than in Slovenia. A difference with Slovenia has opened up over the last year in demand for consumer loans, Slovenia having seen an increase. The expectations for the final quarter of this year in the euro area overall suggest a slight tightening of standards in the NFCs segment and the consumer loans segment, with no changes in the housing loans segment. At the same time banks in the euro area overall are expecting a decline in demand in all three segments in the next quarter.

Figure 21: **Corporate and household demand for loans according to the BLS**





Source: Banka Slovenije

11 Risk and Resilience Dashboard

The assessment of systemic risks and resilience for the purposes of financial stability remains unchanged in the final quarter of this year. Here and there the trends and the short-term outlooks have improved relative to the third quarter. Despite the decline in the level of systemic risks and the gradual strengthening of resilience, it should be noted that the trend might reverse in the future. The rising uncertainties are mainly attributable to the increase in geopolitical tensions, the cooling economy, and the increasing debt financing burden.

The assessment of interest rate risk remains elevated, the repricing gap between assets and liabilities not having improved significantly, but the trend over the next quarters remains favourable. The trend in credit risk was upgraded to stable, while the risk assessment remains moderate. The main indicators of credit risk remain at record low levels, and the summer floods did not lead to any significant deterioration in bank asset quality. In connection with the resilience of the banking system, there was an improvement in the trend in solvency and profitability, where the rise in interest rate is expected to continue having a positive impact on income generation, and thus on the conditions for additionally strengthening the banks' capital resilience. The trend in liquidity was also upgraded to stable, as banks remain highly liquid at system level.

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

	Risk and resilience dashboard						
	Q4 2021	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Trend of change
Systemic risk							
Risk inherent in the real estate market	elevated	elevated	elevated	moderate	moderate	moderate	⇨
Funding risk in the banking system	moderate	moderate	moderate	moderate	moderate	moderate	⇨
Interest rate risk in the banking system	moderate	elevated	elevated	elevated	elevated	elevated	⇩
Credit risk in the banking system	elevated	elevated	elevated	elevated	moderate	moderate	⇨
Income risk in the banking system	elevated	moderate	moderate	moderate	low	low	⇨
Risk inherent in leasing companies	moderate	moderate	moderate	moderate	low	low	⇨
Resilience to systemic risks							
Solvency and profitability of the banking system	medium	medium	medium	medium	medium	medium	⇧
Liquidity of the banking system	high	high	high	high	high	high	⇨
Other risks							
Cyber risk	moderate	moderate	moderate	moderate	moderate	moderate	⇨
Climate risks*	moderate	moderate	moderate	moderate	moderate	moderate	⇨

Colour code:

Risk	low	moderate	elevated	high
Resilience	high	medium	low	very low

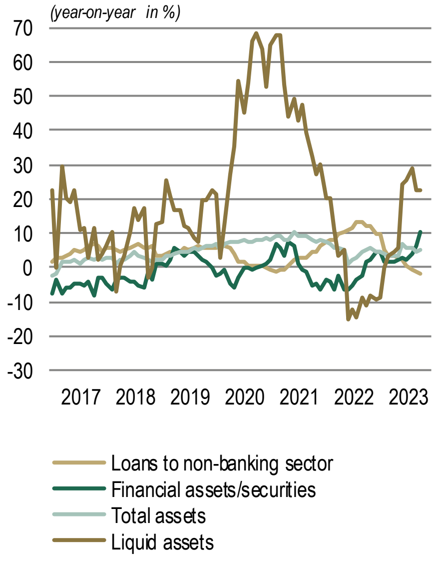
Note: The colour code in the risk and resilience dashboard relates to the assessment for up to one quarter in advance. The arrow illustrates the expected change in risk or resilience in the scale (up or down) over a slightly longer horizon of around one year. For risks, an up arrow means an increase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

12 Appendix

Key trends in the banking system

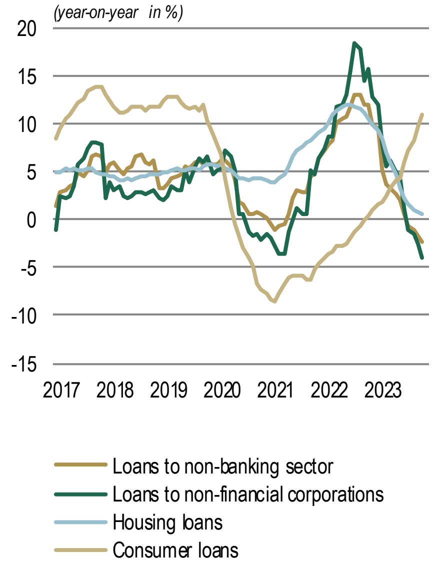
Figure 22: **Assets and loans**

Bank assets



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

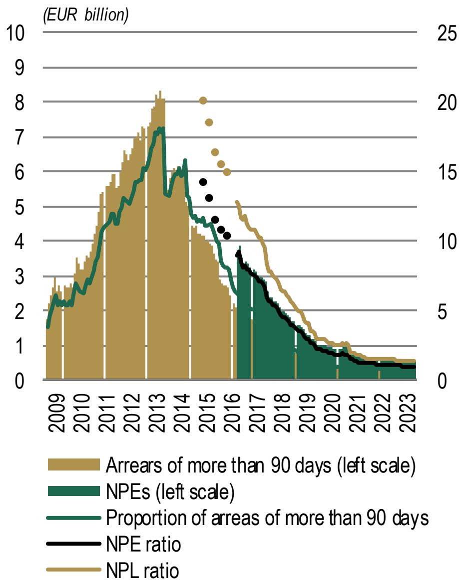
Loans by institutional sector and loan type



Source: Banka Slovenije

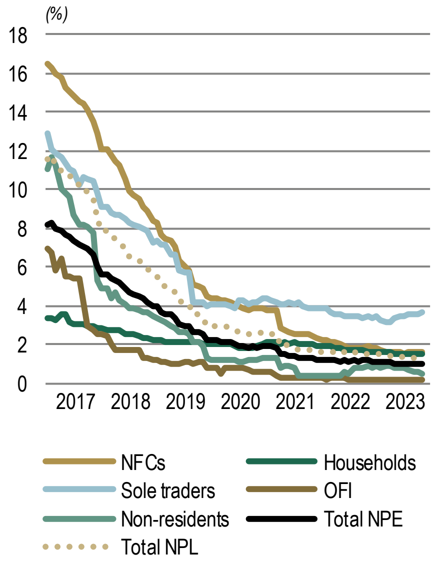
Figure 23: **NPEs at banks**

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



Source: Banka Slovenije

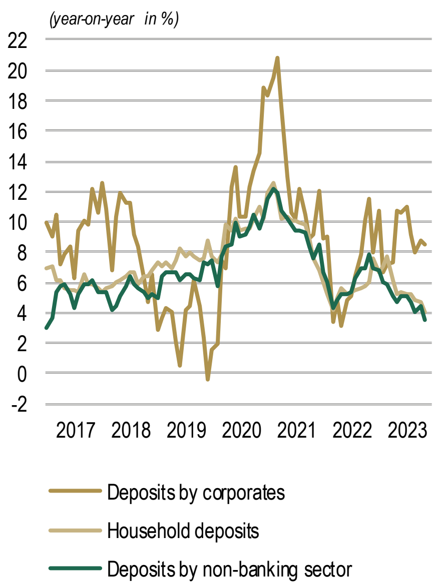
NPE ratios by customer segment



Source: Banka Slovenije

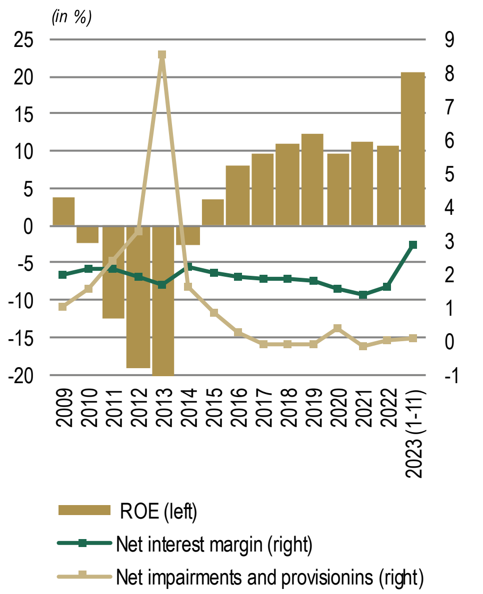
Figure 24: **Deposits and profitability indicators**

Growth in household deposits in Slovenia and the euro area



Source: ECB SDW

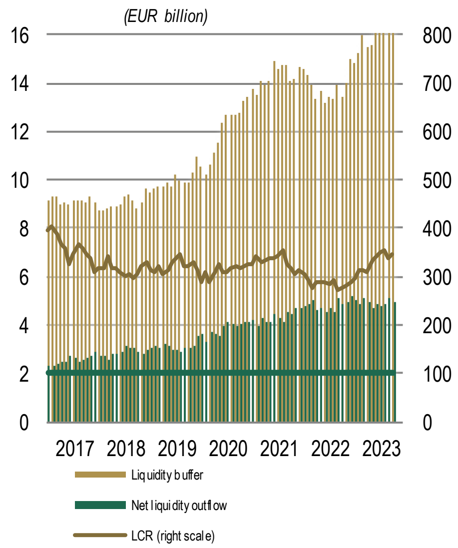
ROE, net interest margin, and ratio of impairment and provisioning costs to balance sheet total



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

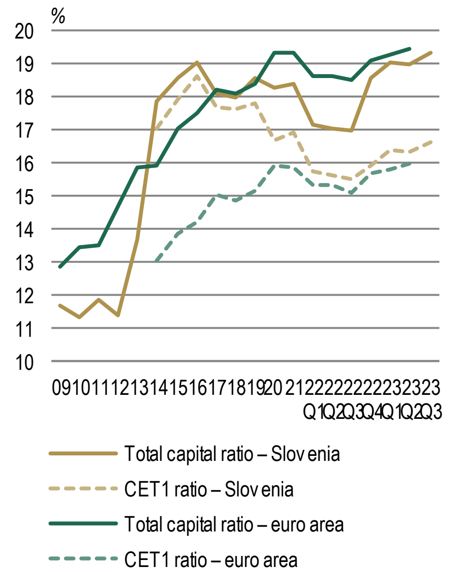
Figure 25: **Liquidity and solvency indicators**

Liquidity coverage ratio (LCR)



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

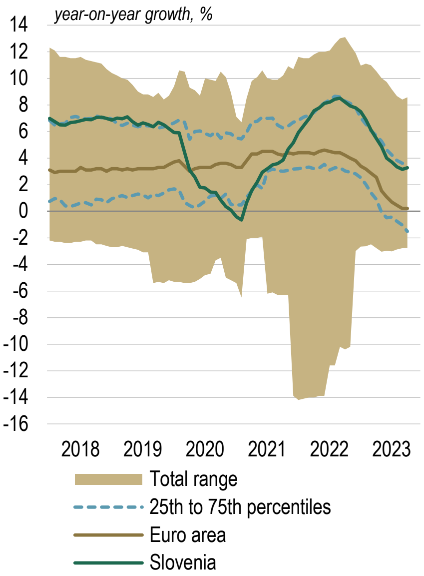
Total capital ratio, consolidated basis, comparison with the euro area



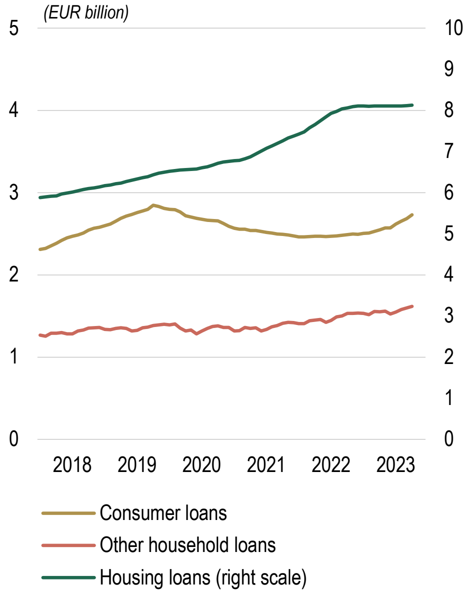
Sources: Banka Slovenije, ECB SDW

Figure 26: **Household lending**

Growth in household loans, comparison with the euro area



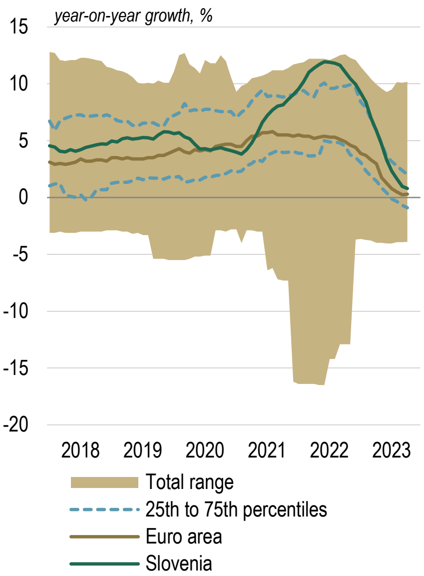
Stock of household loans



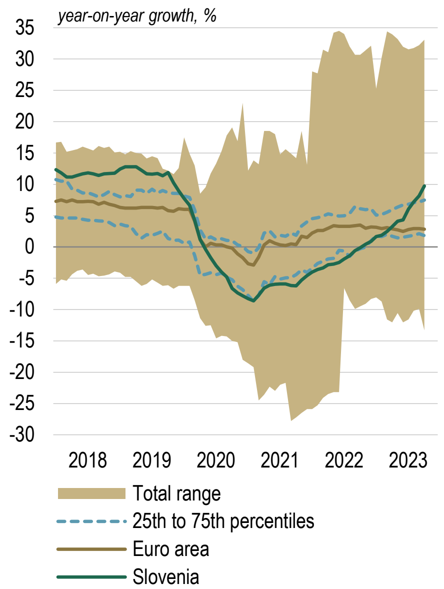
Source: Banka Slovenije

Figure 27: **Housing loans and consumer loans**

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



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



Sources: Banka Slovenije, ECB SDW, Banka Slovenije calculations

Table 2: **Banking system balance sheet as at 31 October 2023**

	Stock	Breakdow	Stock	reakdown	Stock	reakdown	:rease in mio EUR		Growth in %	
EUR million unless stated, growth rates in %	dec.09	(%)	dec.22	(%)	okt.23	(%)	okt.23	in 2023	okt.23	year-on-year
Assets	**52.009**	**100.0**	**50.575**	**100.0**	**52.279**	**100.0**	**331.7**	**1.704.1**	**0.6**	**5.1**
Cash in hand, balances at CB and sight deposits at banks	**1,468**	**2.8**	**10,445**	**20.7**	**11,684**	**22.3**	**-576.1**	**1,239.5**	**-4.7**	**22.5**
Loans to banks at amortised cost (including central bank)	**5.763**	**11.1**	**1.665**	**3.3**	**1.927**	**3.7**	**443.0**	**261.5**	**29.8**	**13.2**
domestic banks	3.531	6.8	361	0.7	250	0.5	-9.5	-111.0	-3.7	-28.2
foreign banks	2.232	4.3	1.304	2.6	1.677	3.2	452.5	372.5	37.0	23.9
short-term loans to banks	3.020	5.8	687	1.4	794	1.5	463.6	107.0	140.1	7.5
long-term loans to banks	2.743	5.3	978	1.9	1.133	2.2	-20.6	154.5	-1.8	17.6
Loans to non-banking sector*	**34.132**	**65.6**	**27.538**	**54.4**	**27.251**	**52.1**	**169.5**	**-287.1**	**0.6**	**-1.6**
of which non-financial corporations	20.201	38.8	10.487	20.7	10.485	20.1	86.7	-1.6	0.8	-2.5
households	8.072	15.5	12.138	24.0	12.476	23.9	76.4	338.5	0.6	3.3
of which residential			8.106	16.0	8.126	15.5	11.3	20.1	0.1	0.8
consumer			2.494	4.9	2.731	5.2	46.1	237.1	1.7	9.7
government	735	1.4	1.319	2.6	1.280	2.4	-1.4	-39.0	-0.1	-6.6
other financial institutions	2.719	5.2	1.652	3.3	1.117	2.1	8.3	-534.8	0.8	-31.4
non-residents	2.354	4.5	1.914	3.8	1.865	3.6	-0.2	-49.0	0.0	1.8
Other FA classed as loans and receivables (at amortised cost)	**0**	**0.0**	**266**	**0.5**	**193**	**0.4**	**29.2**	**-72.8**	**17.8**	**-44.7**
Securities / financial assets (FA)**	**8.907**	**17.1**	**8.759**	**17.3**	**9.506**	**18.2**	**261.1**	**747.0**	**2.8**	**10.1**
a) FA held for trading	**890**	**1.7**	**129**	**0.3**	**114**	**0.2**	**-15.1**	**-14.5**	**-11.7**	**-23.5**
of which debt securities held for trading	381	0.7	0	0.0	5	0.0	-3.9	5.0	-42.1	-70.4
... government debt securities held for trading	30	0.1	0	0.0	5	0.0	-3.9	5.0	-42.1	-70.4
b) FA measured at FV through P&L not held for trading	**0**	**0.0**	**92**	**0.2**	**99**	**0.2**	**0.5**	**7.3**	**0.5**	**17.3**
of which debt securities measured at FV through P&L not held for tradinc	0	0.0	1	0.0	2	0.0	0.0	0.2	-0.1	24.4
c) FA designated for measurement at FV through P&L	**270**	**0.5**	**0**	**0.0**	**0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
of which debt securities designated for measurement at FV through P&L	264	0.5	0	0.0	0	0.0	0.0	0.0	0.0	0.0
... government debt securities designated for measurement at FV	0	0.0	0	0.0	0	0.0	0.0	0.0	0.0	0.0
d) FA measured at FV through other comprehensive income	**6.237**	**12.0**	**3.702**	**7.3**	**3.230**	**6.2**	**-42.4**	**-471.9**	**-1.3**	**-15.4**
of which debt securities measured at FV through other comprehensive income	5,627	10.8	3,513	6.9	3,036	5.8	-43.7	-476.3	-1.4	-16.3
... government debt securities measured at FV through other comprehensive income	3,870	7.4	2,406	4.8	2,196	4.2	-18.4	-209.7	-0.8	-9.7
e) Debt securities at amortised cost	**1.511**	**2.9**	**4.837**	**9.6**	**6.063**	**11.6**	**318.1**	**1.226.1**	**5.5**	**32.3**
of which government debt securities at amortised cost	1.231	2.4	3.487	6.9	4.227	8.1	256.8	739.7	6.5	30.4
Investments in subsidiaries, joint ventures and associates	**696**	**1.3**	**1,097**	**2.2**	**958**	**1.8**	**0.0**	**-138.6**	**0.0**	**-9.8**
Other assets	**1.042**	**2.0**	**805**	**1.6**	**760**	**1.5**	**5.0**	**-45.4**	**0.7**	**-2.7**
Equity and liabilities	**52.009**	**100.0**	**50.575**	**100.0**	**52.279**	**100.0**	**331.7**	**1.704.1**	**0.6**	**5.1**
Financial liabilities measured at amortised cost (deposits)***	**46.927**	**90.2**	**45.026**	**89.0**	**46.038**	**88.1**	**209.2**	**1.011.9**	**0.5**	**4.0**
a) Financial liabilities to central bank (Eurosystem)	**2.121**	**4.1**	**758**	**1.5**	**116**	**0.2**	**0.4**	**-642.6**	**0.3**	**-91.5**
b) Liabilities to banks	**15.949**	**30.7**	**2.034**	**4.0**	**1.961**	**3.8**	**23.9**	**-73.0**	**1.2**	**11.3**
of which to domestic banks	2.920	5.6	600	1.2	413	0.8	-11.6	-186.5	-2.7	-26.2
of which to foreign banks	13.024	25.0	1.434	2.8	1.548	3.0	35.5	113.5	2.3	28.8
c) Liabilities to non-banking sector (deposits by NBS)	**23,892**	**45.9**	**39,756**	**78.6**	**40,297**	**77.1**	**76.2**	**541.4**	**0.2**	**4.4**
of which to non-financial corporations	3.850	7.4	9.710	19.2	10.007	19.1	163.8	296.6	1.7	8.8
households	14.049	27.0	25.784	51.0	26.225	50.2	-85.9	440.9	-0.3	4.7
government	4.008	7.7	940	1.9	748	1.4	30.5	-191.3	4.3	-26.7
other financial institutions	1.130	2.2	1.467	2.9	1.398	2.7	3.5	-69.5	0.2	-6.7
non-residents	537	1.0	1.307	2.6	1.348	2.6	-38.0	40.0	-2.7	2.5
d) Debt securities	**3,442**	**6.6**	**2,066**	**4.1**	**3,152**	**6.0**	**12.2**	**1,086.0**	**0.4**	**70.7**
e) Other financial liabilities measured at amortised cost****	**1,523**	**2.9**	**411**	**0.8**	**511**	**1.0**	**96.6**	**100.2**	**23.3**	**-28.6**
Provisions	**175**	**0.3**	**142**	**0.3**	**149**	**0.3**	**14.3**	**7.1**	**10.6**	**5.0**
Shareholder equity	**4.310**	**8.3**	**5.153**	**10.2**	**5.788**	**11.1**	**107.8**	**634.9**	**1.9**	**13.8**
Other liabilities	**597**	**1.1**	**254**	**0.5**	**304**	**0.6**	**0.4**	**50.2**	**0.1**	**18.7**
Balance sheet total	**52.009**	**100.0**	**50.575**	**100.0**	**52.279**	**100.0**	**331.7**	**1.704.1**	**0.6**	**5.1**

Notes: * Loans to non-banking sector not held for trading are defined on the basis of the methodology for producing the recapitulation of the statement of financial position, and comprise loans and other financial assets at amortised cost (from A.VI), at fair value through profit or loss (from A.III) and at fair value through other comprehensive income (from A.IV).

** Financial assets / securities on the asset side comprise total financial assets from A.II, including loans held for trading, while equities and debt securities other than loans are captured from other categories of financial asset (A.III, A.IV and A.V)

*** Total financial liabilities at amortised cost in 2008 also include liabilities to the central bank.

**** Includes subordinated debt until 31 December 2017. Under the IFRS 9 methodology, the item of "subordinated debt" is abolished, and these liabilities are included under liabilities to banks.[24]

Source: Banka Slovenije

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

Table 3: **Income statement for 2009, 2021, 2022 and 2023**

(EUR million unless stated)	2009	Breakdown (%)	2021	Breakdown (%)	2022	Breakdown (%)	2022 jan.-okt.	Breakdown (%)	2023 jan.-okt.	Breakdown (%)	Annual growth, % jan.- okt. 23/ jan.- okt. 22
Interest income	2,114.7		737.2		884.3		686.1		1,472.9		114.7
Interest expenses	1,175.1		112.0		136.5		107.6		304.3		182.9
Net interest	**939.6**	**65.2**	**625.2**	**51.9**	**747.8**	**56.9**	**578.6**	**54.2**	**1,168.6**	**71.5**	**102.0**
Non-interest income	**500.5**	**34.8**	**580.5**	**48.1**	**567.3**	**43.1**	**489.5**	**45.8**	**466.1**	**28.5**	**-4.8**
of which net fees and commission	342.7	23.8	377.3	31.3	398.1	30.3	335.2	31.4	321.0	19.6	-4.3
of which net gains/losses on financial assets and liabilities held for trading	41.5	2.9	17.7	1.5	31.3	2.4	34.6	3.2	9.9	0.6	-71.2
Gross income	**1,440.2**	**100.0**	**1,205.6**	**100.0**	**1,315.1**	**100.0**	**1,068.1**	**100.0**	**1,634.7**	**100.0**	**53.1**
Operating costs	**-777.0**	**-54.0**	**-717.1**	**-59.5**	**-757.6**	**-57.6**	**-617.2**	**-57.8**	**-666.5**	**-40.8**	**8.0**
Net income	**663.2**	**46.0**	**488.5**	**40.5**	**557.6**	**42.4**	**450.9**	**42.2**	**968.3**	**59.2**	**114.7**
Net impairments and provisio	**-501.0**	**-34.8**	**73.7**	**6.1**	**-14.1**	**-1.1**	**-17.6**	**-1.6**	**-38.5**	**-2.4**	**119.2**
Pre-tax profit	**162.1**	**11.3**	**562.2**	**46.6**	**543.4**	**41.3**	**433.3**	**40.6**	**929.8**	**56.9**	**114.6**
Taxes	-39.1		-36.9		-41.7		-48.2		-117.3		143.0
Net profit	123.0		525.3		501.7		385.1		812.5		111.0

Source: Banka Slovenije

Table 4: **Selected performance indicators**

in %	2017	2018	2019	2020	2021	2022	2022 jan.-okt.	2023 jan.-okt.	okt.2022 (last 12 mon.)	okt.2023 (last 12 mon.)
Profitability										
Financial intermediation margin*	2.88	3.01	3.13	3.16	2.58	2.68	2.64	3.86	2.73	3.70
ROA	1.19	1.39	1.48	1.10	1.20	1.11	1.07	2.19	1.22	2.05
ROE	9.58	11.07	12.16	9.57	11.33	10.82	10.49	20.92	11.85	19.34
Interest margin on interest-bearing assets	1.83	1.84	1.79	1.57	1.41	1.61	1.50	2.89	1.49	2.76
Net non-interest income / operating costs	62.67	71.93	80.84	100.35	80.95	74.89	79.32	69.94	85.86	67.41
Operating costs										
Labour costs / average assets	1.02	1.02	1.00	0.90	0.85	0.84	0.81	0.83	0.84	0.86
Other costs / average assets	0.78	0.73	0.77	0.77	0.69	0.71	0.71	0.74	0.70	0.73
Asset quality										
Impairments of financial assets	4.09	2.64	1.53	1.59	1.14	1.03	1.10	0.97	/	/

** Gross income / average assets*

* Gross income / average assets

Source: Banka Slovenije

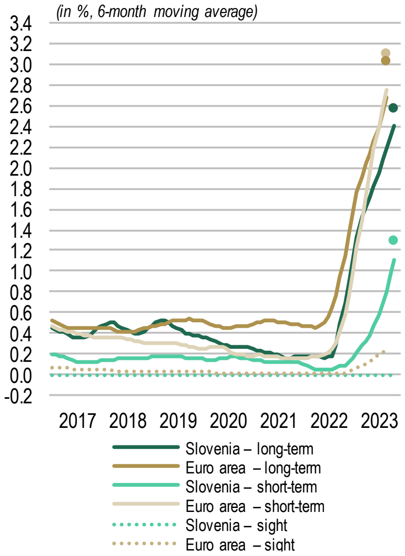
Table 5: **Comparison of interest rates on new variable-rate loans in Slovenia with the euro area overall**

		Loans									Household deposits			
	Interest rate	Households				Corporates					up to 1 year		over 1 year	
		Housing		Consumer		up to EUR 1m		over EUR 1m						
v %	ECB	EMU	SLO	EMU	SLO	EMU	SLO	EMU	SLO		EMU	SLO	EMU	SLO
dec.17	0.00	1.7	2.0	4.5	4.4	2.1	2.4	1.3	2.0		0.3	0.1	0.5	0.5
dec.18	0.00	1.6	1.9	4.9	4.7	1.9	2.2	1.3	1.8		0.3	0.2	0.5	0.6
dec.19	0.00	1.5	1.8	5.4	4.6	1.9	2.2	1.3	1.5		0.2	0.2	0.5	0.4
dec.20	0.00	1.4	1.8	5.0	4.5	1.8	2.3	1.3	1.8		0.2	0.1	0.5	0.3
dec.21	0.00	1.3	1.6	5.1	4.7	1.7	1.9	1.1	1.4		0.2	0.1	0.5	0.2
dec.22	2.50	3.1	3.8	6.7	6.7	3.7	4.0	3.4	3.7		1.4	0.2	1.9	1.4
jan.23	2.50	3.5	4.4	7.4	6.8	4.0	4.4	3.5	4.2		1.5	0.2	2.0	1.4
feb.23	3.00	3.7	4.6	7.5	6.7	4.3	4.4	3.7	3.9		1.9	0.4	2.2	1.5
mar.23	3.50	3.9	4.7	7.8	5.2	4.6	4.3	4.1	4.4		2.1	0.6	2.2	1.9
apr.23	3.50	4.1	4.8	8.3	6.7	4.8	4.5	4.3	4.8		2.3	0.4	2.3	1.9
maj.23	3.75	4.2	5.2	8.4	6.3	5.0	4.8	4.5	5.3		2.5	0.5	2.4	2.0
jun.23	4.00	4.4	5.1	7.0	6.6	5.2	5.0	4.8	5.0		2.7	0.7	2.6	2.2
jul.23	4.00	4.6	5.5	8.4	7.1	5.4	5.2	4.9	5.0		2.8	0.9	2.8	2.3
avg.23	4.25	4.7	5.7	8.7	6.7	5.4	5.0	5.0	4.8		3.1	1.1	3.0	2.3
sep.23	4.50	4.7	5.4	8.5	6.5	5.5	5.3	5.0	5.2		3.1	1.3	3.0	2.6
okt.23	4.50	4.8	5.5	8.3	6.9	5.6	5.6	5.2	5.7		3.3	1.5	3.2	2.6
nov.23	4.50	4.9	5.7	7.3	6.8	5.7	5.5	5.1	5.3		3.3	1.3	3.3	2.6

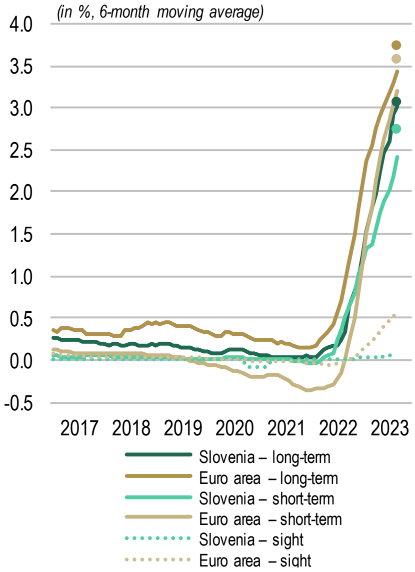
Note: Household deposits are itemised by maturity, irrespective of type of remuneration (fixed-rate and variable-rate deposits are combined).
Sources: Banka Slovenije, ECB

Figure 28: **Average interest rates on new deposits**

Average interest rates on new household deposits



Average interest rates on new deposits by non-financial corporations



Note: The dots denote the latest data.
Sources: Banka Slovenije, ECB SDW

Table 6: **Comparison of interest rates on new fixed-rate loans in Slovenia with the euro area overall**

	Loans							
	Households				Corporates			
	Housing		Consumer		up to EUR 1m		over EUR 1m	
v %	**EMU**	**SLO**	**EMU**	**SLO**	**EMU**	**SLO**	**EMU**	**SLO**
dec.17	1.9	2.9	5.4	6.1	2.0	3.4	1.5	1.8
dec.18	1.9	2.9	5.5	6.2	2.0	3.3	1.6	1.5
dec.19	1.4	2.7	5.3	6.2	1.7	3.5	1.4	1.1
dec.20	1.3	2.2	5.1	6.0	1.7	3.3	1.3	1.7
dec.21	1.3	1.7	5.1	6.0	1.6	2.2	1.2	1.2
dec.22	2.8	3.6	6.4	6.7	3.8	4.7	3.3	3.5
jan.23	3.0	3.8	7.0	6.8	4.0	5.9	3.4	-
feb.23	3.1	4.0	7.1	6.8	4.3	5.7	3.6	4.0
mar.23	3.3	4.0	7.2	6.7	4.4	5.6	3.9	4.6
apr.23	3.4	4.0	7.4	6.7	4.5	5.7	3.7	4.4
maj.23	3.5	4.0	7.6	6.7	4.6	5.5	4.0	4.9
jun.23	3.6	4.0	7.5	6.7	4.8	6.0	4.1	5.3
jul.23	3.6	4.0	7.7	6.8	4.9	6.2	4.3	3.8
avg.23	3.7	4.0	7.8	6.7	5.1	5.9	4.0	4.7
sep.23	3.7	4.0	7.8	6.7	5.1	5.8	4.2	2.3
okt.23	3.8	3.9	7.9	6.8	5.2	6.1	4.5	4.2
nov.23	3.9	3.9	7.9	6.7	5.3	5.9	4.4	4.1

Sources: Banka Slovenije, ECB

Table 7: **Non-performing exposures by customer segment**

	Exposures		Non-performing exposures (NPEs)							
	EUR million	in %	EUR million				ratio, in %			
	Oct.23	Oct.23	Dec.21	Dec.22	Sep.23	Oct.23	Dec.21	Dec.22	Sep.23	Oct.23
NFCs	16,882	29.3	347	310	265	267	2.3	1.8	1.6	1.6
large NFCs	8,453	14.7	74	53	43	51	0.9	0.6	0.5	0.6
SME	8,214	14.2	273	257	222	216	3.8	3.2	2.7	2.6
OFIs	1,242	2.2	4	3	2	2	0.2	0.1	0.2	0.2
Households	13,986	24.3	261	236	230	230	2.1	1.7	1.7	1.6
sole traders	760	1.3	27	25	27	27	3.9	3.4	3.6	3.6
individuals	13,225	22.9	233	211	203	203	2.0	1.6	1.5	1.5
consumer loans	2,815	4.9	94	90	86	86	3.7	3.5	3.1	3.1
housing loans	8,070	14.0	114	95	90	89	1.6	1.2	1.1	1.1
other	2,340	4.1	24	25	26	25	1.2	1.1	1.1	1.1
Non-residents	10,365	18.0	30	79	57	57	0.3	0.8	0.6	0.5
Government	3,946	6.8	0	0	0	0	0.0	0.0	0.0	0.0
Banks and savings banks	719	1.2	0	0	0	0	0.0	0.0	0.0	0.0
Central bank	10,528	18.3	0	0	0	0	0.0	0.0	0.0	0.0
Total	**57,667**	**100.0**	**641**	**628**	**555**	**557**	**1.2**	**1.1**	**1.0**	**1.0**

Source: Banka Slovenije

Table 8: **Non-performing exposures to non-financial corporations by sector**

	Exposures		Non-performing exposures (NPEs)				NPE ratio			
	EUR million	in %	EUR million				(%)			
	Oct.23	Oct.23	Dec.21	Dec.22	Sep.23	Oct.23	Dec.21	Dec.22	Sep.23	Oct.23
Agriculture, forestry, fishing, mining	146	0.9	2	2	3	3	1.5	1.4	2.1	1.9
Manufacturing	4,864	28.8	61	55	59	66	1.5	1.2	1.2	1.4
Electricity, gas, water, remediation	1,713	10.1	8	3	1	1	0.5	0.2	0.1	0.1
Construction	1,832	10.8	41	34	26	27	2.8	2.0	1.5	1.5
Wholesale and retail trade	3,063	18.1	75	60	54	57	2.8	2.0	1.8	1.9
Transportation and storage	1,549	9.2	19	18	22	21	1.3	1.1	1.4	1.4
Accommodation and food service	490	2.9	77	79	46	39	13.3	14.9	9.2	8.0
Information and communication	635	3.8	4	3	3	2	0.7	0.5	0.4	0.4
Financial and insurance activities	169	1.0	0	0	0	0	0.1	0.0	0.0	0.0
Real estate activities	760	4.5	6	5	6	5	0.9	0.6	0.7	0.7
Professional, scientific and technical	1,419	8.4	44	47	42	40	3.0	3.4	2.9	2.8
Education, health, public admin.	142	0.8	4	2	2	2	2.8	1.2	1.1	1.3
Arts, recreation and entertainment	101	0.6	6	2	3	3	5.2	1.9	2.6	2.5
Total	**16,882**	**100.0**	**347**	**310**	**265**	**267**	**2.3**	**1.8**	**1.6**	**1.6**

Source: Banka Slovenije

Table 9: **Breakdown of exposures by credit risk stage and customer segment**

									Share in %	Exposure to stage 2		
			S1			S2			S3	amount, EUR million		
	Dec 21	Dec 22	Oct 23	Dec 21	Dec 22	Oct 23	Dec 21	Dec 22	Oct 23	Dec 21	Dec 22	Oct 23
NFCs	87.5	89.7	91.0	10.2	8.5	7.4	2.3	1.8	1.6	1,549	1,449	1,255
large NFCs	91.9	94.2	96.1	7.2	5.2	3.1	0.9	0.6	0.8	527	427	240
SME	83.3	85.3	86.3	13.2	11.7	11.3	3.5	3.0	2.3	1,022	1,021	1,015
OFIs	99.5	98.1	99.6	0.2	1.8	0.2	0.2	0.1	0.2	3	32	3
Households	88.4	89.9	90.3	9.5	8.4	8.0	2.1	1.7	1.6	1,199	1,139	1,125
sole traders	82.3	82.8	79.9	13.8	13.9	16.5	3.9	3.3	3.6	98	105	125
individuals	88.8	90.3	90.9	9.3	8.1	7.6	2.0	1.6	1.5	1,101	1,034	999
consumer loans	85.1	85.6	86.8	11.2	10.9	10.1	3.7	3.5	3.1	283	279	285
housing loans	89.5	91.7	92.8	8.9	7.1	6.1	1.6	1.2	1.1	644	571	495
other	90.5	90.5	89.5	8.3	8.3	9.4	1.2	1.2	1.2	174	184	219
Non-residents	96.8	97.4	97.9	2.9	1.8	1.6	0.3	0.8	0.5	251	169	164
Government	99.1	98.7	98.6	0.9	1.3	1.4	0.0	0.0	0.0	39	46	57
Total	**93.0**	**93.8**	**94.5**	**5.8**	**5.1**	**4.5**	**1.2**	**1.1**	**1.0**	**3,060**	**2,847**	**2,612**

Source: Banka Slovenije

Table 10: **Breakdown of exposures to non-financial corporations by credit risk stage and sector**

									Share in %	Exposure to stage 2		
			S1			S2			S3	amount, EUR million		
	Dec 21	Dec 22	Oct 23	Dec 21	Dec 22	Oct 23	Dec 21	Dec 22	Oct 23	Dec 21	Dec 22	Oct 23
Agriculture, forestry, fishing, mining	91.6	91.2	90.8	6.8	7.4	7.3	1.5	1.4	1.9	9	11	11
Manufacturing	86.7	85.9	89.4	11.8	12.9	9.2	1.5	1.2	1.4	478	609	450
Electricity, gas, water, remediation	96.9	95.8	97.2	2.6	4.0	2.8	0.5	0.2	0.1	40	75	47
Construction	90.7	91.5	93.3	6.6	6.6	5.3	2.7	2.0	1.5	95	113	96
Wholesale and retail trade	89.1	92.2	91.2	8.0	5.8	7.0	2.8	2.0	1.9	212	180	214
Transportation and storage	92.3	94.7	94.7	6.5	4.2	3.9	1.3	1.1	1.4	100	68	61
Accommodation and food service	32.7	55.8	64.8	54.6	29.8	27.1	12.8	14.4	8.1	314	157	132
Information and communication	97.0	94.6	93.3	2.3	4.9	6.4	0.7	0.5	0.4	16	32	40
Financial and insurance activities	95.4	95.9	99.3	4.6	4.1	0.7	0.1	0.0	0.0	6	11	1
Real estate activities	86.6	94.0	94.0	12.5	5.4	5.3	0.9	0.7	0.7	84	42	40
Professional, scientific and technical	88.7	88.4	88.3	8.3	8.3	8.9	3.0	3.4	2.8	121	113	126
Education, health, public admin.	88.5	85.6	86.8	8.7	13.2	11.8	2.8	1.2	1.3	13	19	17
Arts, recreation and entertainment	38.7	77.7	77.3	56.1	20.4	20.2	5.2	1.9	2.5	61	20	20
Total	**87.5**	**89.7**	**91.0**	**10.2**	**8.5**	**7.4**	**2.3**	**1.8**	**1.6**	**1,549**	**1,449**	**1,255**

Source: Banka Slovenije

Table 11: **Coverage of NPEs and credit risk stages by impairments and provisions by customer segment**

	Credit risk stages									NPE		
	S1			S2			S3					
	Dec.21	Dec.22	Oct.23	Dec.21	Dec.22	Oct.23	Dec.21	Dec.22	Oct.23	Dec.21	Dec.22	Oct.23
NFCs	0.4	0.4	0.3	4.4	4.0	3.0	57.2	59.1	64.7	57.4	59.1	64.7
OFIs	0.4	0.2	0.2	1.6	0.6	3.4	92.8	87.6	92.9	92.8	87.6	92.9
Households	0.2	0.3	0.3	4.3	4.6	5.7	53.9	59.1	61.7	53.9	58.9	61.6
sole traders	0.9	0.7	0.6	5.1	4.9	5.1	52.6	56.0	55.2	52.8	54.5	55.2
individuals	0.2	0.2	0.3	4.2	4.5	5.8	54.0	59.5	62.5	54.0	59.4	62.5
consumer loans	0.4	0.5	0.5	6.0	6.6	7.7	64.3	67.4	70.1	64.3	67.4	70.0
housing loans	0.2	0.2	0.2	3.9	3.9	5.4	43.5	51.5	55.4	43.5	51.5	55.4
other	0.2	0.3	0.3	2.7	3.2	4.3	62.8	59.7	60.9	63.6	61.0	61.9
Non-residents	0.2	0.3	0.2	4.3	5.5	6.1	77.2	35.8	15.9	77.2	34.3	16.0
Government	0.1	0.1	0.1	2.8	1.1	0.5	92.8	54.3	78.4	92.8	10.7	78.4
Total	**0.2**	**0.2**	**0.2**	**4.3**	**4.2**	**4.3**	**57.0**	**56.4**	**58.6**	**57.1**	**56.0**	**58.6**

Source: Banka Slovenije

Table 12: **New loans and loan moratoria for floods**

Debt moratoria and new loans to companies due to floods
Stock in EUR

	New loans	Debt moratoria under the Intervention Law		Contractual debt forgiveness
		Yes	No	
Exposures at approval:				
31.08.2023			126,992	
30.09.2023	5,285,000	356,149	4,601,181	29,167
31.10.2023	6,980,000	2,559,076	4,820,751	29,167
30.11.2023	12,980,000	3,098,768	5,072,152	29,167
In % of exposures	0.08	0.018	0.03	0.000
No of contracts:				
30.11.2023	17	31	28	1

Debt moratoria and new loans to natural persons due to floods
Stock in EUR

	New loans	Debt moratoria under the Intervention Law		Other contract changes	Contractual debt forgiveness
		Yes	No		
Exposures at approval:					
31.08.2023	251,564		630,456	206,117	0
30.09.2023	745,795	244,930	1,347,431	305,377	4,428
31.10.2023	1,010,295	1,641,792	1,889,704	985,811	4,428
30.11.2023	1,094,295	2,053,734	1,923,111	1,108,593	4,428
In % of exposures	0.01	0.02	0.01	0.01	0.00
No of contracts:					
30.11.2023	69	37	31	24	1

Source: Banka Slovenije

Figures

Tables