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Contents

Introduction

The supervisory review and evaluation process (SREP) for 2025 shows that banks in Slovenia are maintaining strong capital and liquidity positions, and remain resilient to the risks posed in particular by the uncertain international situation. The 2025 SREP confirms the high capital adequacy, liquidity, profitability and asset quality of Slovenian banks. Despite the geopolitical and economic risks, performance remains stable, and the resilience of the system remains high.

The 2025 SREP takes account of the requirements of the EU banking package (CRR3 and CRD VI), which brings the final implementation of the Basel III reforms in the European banking framework. The new requirements are in force as of 1 January 2025, with full compliance envisaged by 2033. The banks are already successfully adapting to these requirements.

The overall capital requirement applicable as of 1 January 2026 averaged 15.2% of risk-weighted assets, virtually unchanged from 2024 (15.3%). The slight decline relative to 2024 was primarily attributable to a decline in the Pillar 2 guidance (P2G), stress tests having shown a smaller adverse impact on capital adequacy, as a result of high profitability and favourable values for the initial credit parameters. Average capital adequacy at banks in mid-2025 reached 20% of risk-weighted assets, well above the regulatory requirements.

Liquidity reserves remain high. Despite declining to 313%,[1] the liquidity coverage ratio (LCR) remains well above the minimum requirement, which means that the banks are maintaining their ability to cover net liquidity outflows over a short-term stress period. The net stable funding ratio (NSFR) also remained at a high level, although it declined to 165% over the course of the first half of the year. The banks still have good access to retail and wholesale funding, although there is considerable variation in the size of their liquidity surpluses.

Banks continue to maintain a high level of profitability, thanks largely to good net interest income and higher interest margins, although their growth is slowing. Cost pressures are strengthening, largely as a result of rising operating costs.

The resilience of the Slovenian banking system is based on several factors: improvements in risk management at banks in recent years, relevant regulation, high-quality supervision, and a preventive stance in Banka Slovenije macroprudential policy measures.

The average score deteriorated slightly in the 2025 SREP cycle to 2.4 (from 2.3 in 2024), largely as a result of a worse score for internal governance and risk management. There were also deteriorations in the scores for credit risk, as a result of a slight deterioration in credit portfolio quality, and interest rate risk, as a result of increased exposure to changes in interest rates. The operational risk score remained unchanged, but it remains the worst-scoring segment (2.8), largely on account of ICT risks and outsourcing risk.

The qualitative requirements and recommendations in the 2025 cycle focused on remedying deficiencies in the area of risks to capital (e.g. interest rate risk in the banking

[1] The LCR and the NSFR are taken from the June 2025 issue of the Report on bank performance with commentary | Banka Slovenije.

book, credit risk), and internal governance (e.g. functioning and composition of supervisory bodies). Although operational risks remain one of the supervisory priorities, no new recommendations were issued in this cycle, as the banks and supervisors focused on remedying deficiencies from previous cycles and on-site inspections.

The **SSM SREP methodology** for significant institutions and the **SSM LSI SREP methodology** for less significant institutions under the direct supervision of Banka Slovenije can be found on the ECB website.

The results from the 2025 SREP cycle for banks in Slovenia are presented below.

1 SREP scores

The overall SREP scores (unweighted average of SREP scores) have been relatively stable over the years. After improvements in the scores over the last few years, the overall score worsened slightly during this year's SREP cycle, reaching 2.4, up from 2.3 in 2023 and 2024,[2] primarily as a result of a slight deterioration in the score for internal governance and risk management.

The trend of improving scores for business model risk seen in the previous SREP cycles came to an end this year, the score remaining at its level of 2.3 from 2024. While a positive impact on business model risk came from the improvement in profitability driven by higher interest margins and growth in income in 2024, which did slow over the course of the year, business model risk was adversely affected by a rise in operating costs driven by the tax on total assets and rising labour costs, and the creation of provisions for the Swiss franc lawsuits.

A number of improvements were identified in the area of internal governance and risk management, but the score nevertheless deteriorated from 2.5 to 2.6, partly on account of the high turnover in key personnel and certain deficiencies in risk management.

With regard to risks to capital, there were deteriorations in the scores for credit risk and interest rate risk in the banking book, while the score for operational risk and ICT risk remained stable, the aforementioned changes in the scores having largely been driven by changes at individual institutions. The deterioration in the credit risk score was attributable to changes in the quality of the credit portfolio and the control environment, while the deterioration in the score for interest rate risk in the banking book was largely attributable to changes in the interest rate environment, which drove changes in institutions' risk profiles, and to on-site inspection findings.

The overall score for liquidity risk again remained unchanged at 1.8 in this year's SREP cycle, and in general reflects the good liquidity situation at the banks. The banks are maintaining a favourable liquidity position largely as a result of the structure of their liabilities, where diverse and stable household deposits are prevalent.

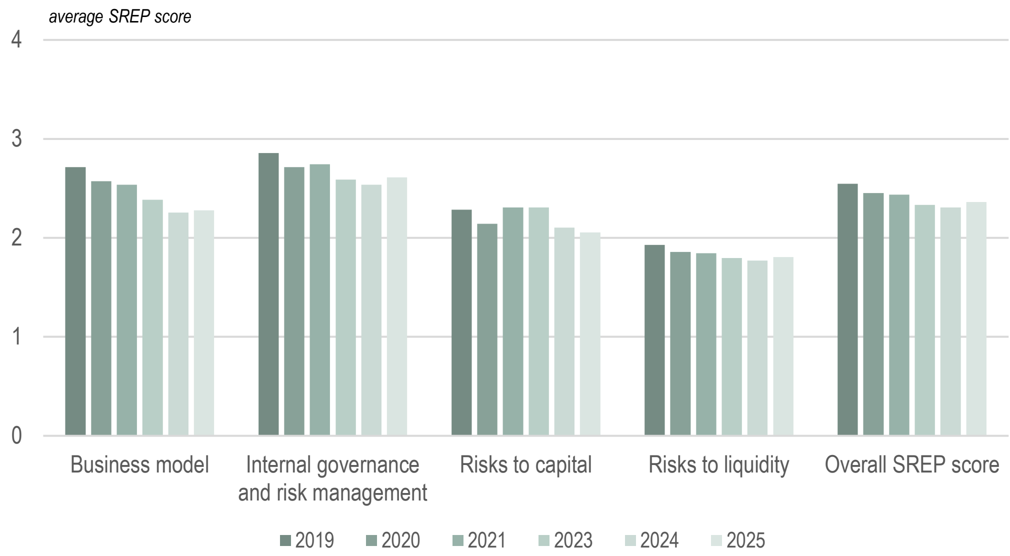
The evolution of the scores for individual risks over time is illustrated in Figure 1.

[2] Scale of SREP scores:

Score	Risk level
1	low risk
2	medium-low risk
3	medium-high risk
4	high risk

In accordance with the EBA's guidelines on the SREP, the overall SREP score, which ranges from 1 to 4, reflects the supervisor's overall assessment of the viability of the institution: higher scores reflect higher risks to the viability of the institution stemming from one or more features of its risk profile.

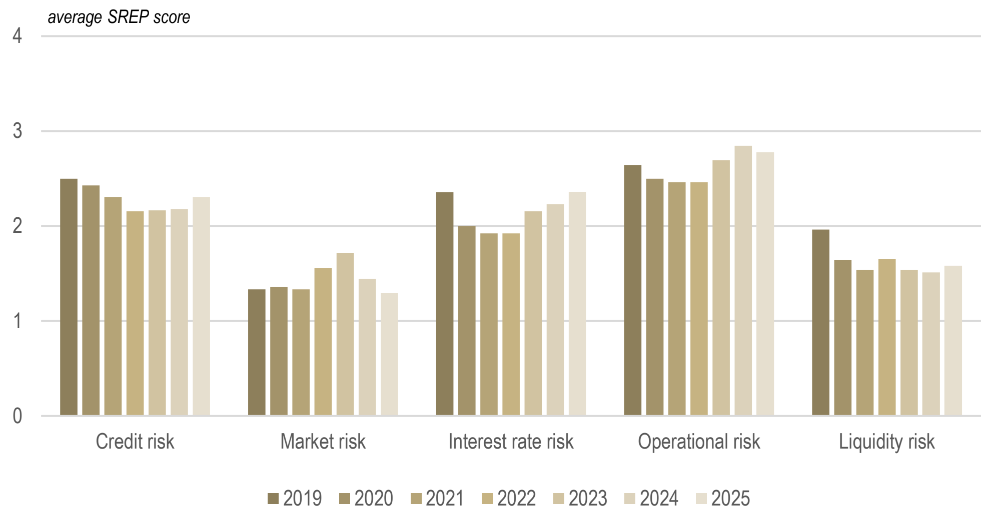
Figure 1: **Average SREP scores for each element and overall scores under the SREP cycles between 2019 and 2025**



Source: Banka Slovenije
Note: The data in the entire document relates to banking institutions in Slovenia on a consolidated basis.

In connection with the inherent risk scores, we should highlight the deterioration in the credit risk score, which was attributable to a slight deterioration in the quality of the credit portfolio, and the deterioration in the interest rate risk score owing to the increased exposure to changes in interest rates. Conversely the inherent risk score for operational risk remains practically unchanged in this year's SREP cycle, and it remains the SREP category with the worst average score. Given its relative weight, ICT risk is the main factor in the operational risk score, where the principal increase was in outsourcing risk.

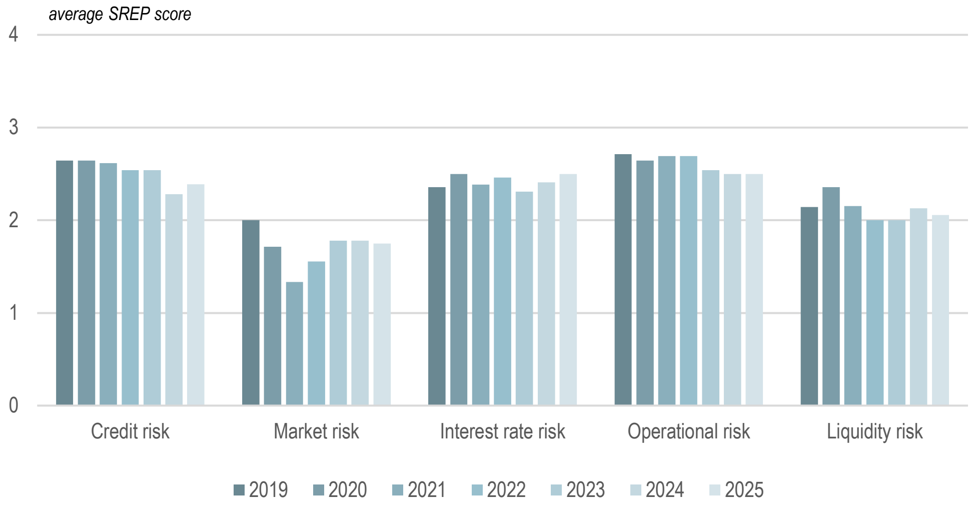
Figure 2: **Average scores for inherent risk under the SREP cycles between 2019 and 2025**



Source: Banka Slovenije

The scores for the control environment for individual risks were affected by the findings from ongoing supervision and inspections during the current SREP cycle, and also the banks' success in rectifying the previously identified deficiencies and in upgrading the control environment. The latter primarily acted to drive an improvement in the control environment for liquidity risk, while deficiencies identified on the basis of supervisory activity mainly drove a deterioration in the control environment for credit risk and interest rate risk. The control environment for operational risk is generally stable by contrast.

Figure 3: **Average scores for the control environment under the SREP cycles between 2019 and 2025**

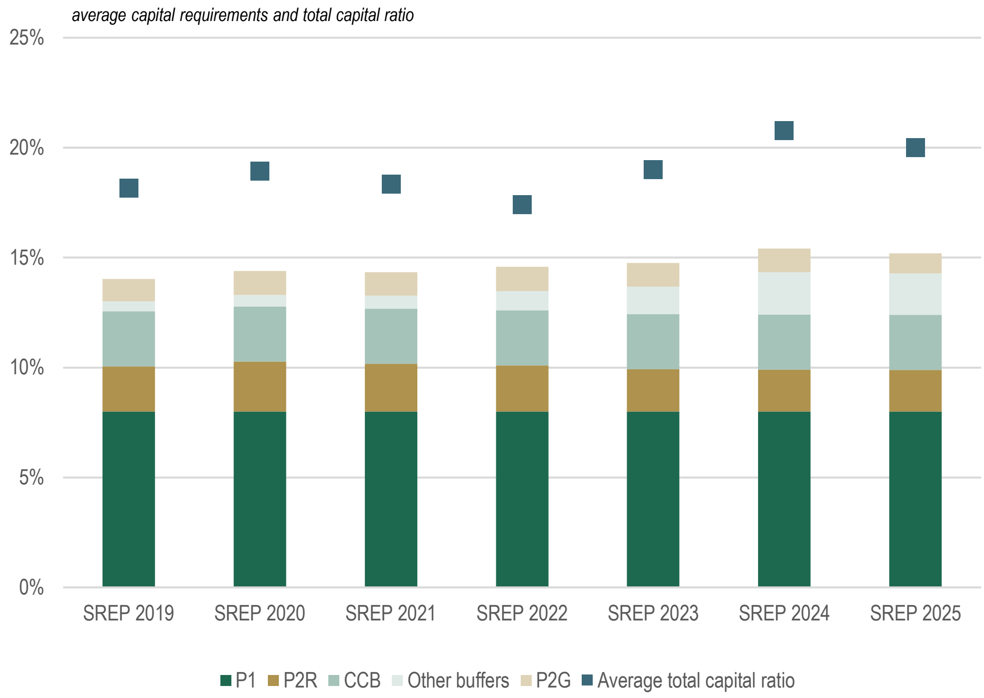


Source: Banka Slovenije

2 Capital requirements and capital surplus

The overall capital requirement that will apply to the banks as of 1 January 2026, including the Pillar 2 guidance, has declined slightly as a result of the 2025 SREP, and is estimated at 15.2% of risk-weighted assets at aggregate level.The average level of regulatory capital in the banking system stood at just over 20% of risk-weighted assets at the end of the first half of 2025. A simulation of the capital surplus over the capital requirements for 2026 indicates that all the banks and savings banks in Slovenia will exceed the capital requirements in January of next year. The estimated capital surplus over the overall capital requirement for 2026 including the Pillar 2 guidance amounted to EUR 1.8 billion at system level.

Figure 4: **Average overall capital requirements and guidance under SREP cycles 2019 to 2025 and total capital ratios**



Source: Banka Slovenije
Note: Average weighted by risk-weighted assets; capital requirements created during the SREP cycle in question and estimate of capital buffers in force in the next year; total capital ratio at year end for 2019 to 2024, and at end of second quarter for 2025.
P1: Pillar 1 requirement
CCB: capital conservation buffer
TCR: total capital ratio

Despite the deterioration in the average SREP score in 2025, the average Pillar 2 requirement (P2R) remains at the same level, namely 1.9% of risk-weighted assets. The requirements to maintain capital buffers remain the same for 2026, with the exception of the O-SII buffer in the case of particular institutions.

The average Pillar 2 guidance (P2G), which institutions are required to meet with Common Equity Tier 1 capital (CET1) above the overall capital requirement, declined from 1.1% to 0.9% this year. The decline was attributable to a decline in the impact on capital adequacy from the stress tests, which was primarily attributable to high profitability and the favourable values of the initial credit parameters given the low NPL ratio.

Despite the worsening economic and macroeconomic situation, and persistent geopolitical tensions, the banking sector remains resilient and strong in terms of capital, the banks' capital position having been strengthened slightly by good profitability, where retained earnings mean that funds remain at banks and are available for lending to the economy.

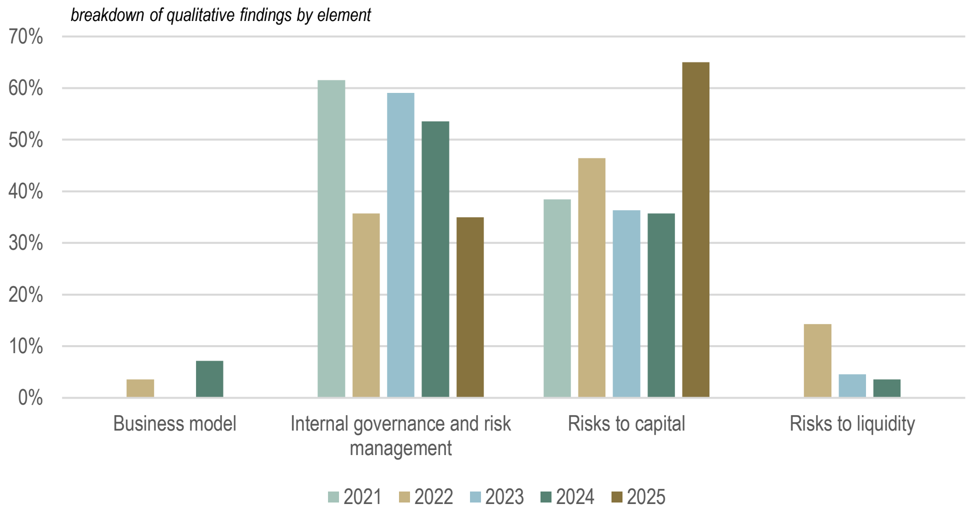
3 Qualitative findings

Qualitative requirements and recommendations addressing the supervisory findings were issued to the majority of Slovenian banks in the 2025 SREP cycle.

More than half of the SREP requirements and recommendations address deficiencies in the area of risks to capital (65%), followed by the area of internal governance and risk management (35%).

- In the area of risks to capital there was an increase in the share of qualitative requirements and recommendations relative to previous years: they were issued to almost half of all Slovenian banks. The findings with regard to risks to capital relate primarily to management in the area of interest rate risk in the banking book (measurement, validation), and credit risk management (creation of impairment for non-performing claims in accordance with ECB expectations).
- Qualitative requirements and recommendations in the area of internal governance and risk management were issued to approximately a third of the banks in Slovenia, mainly in the LSIs segment. The findings from the assessment of internal governance mainly encompass deficiencies in the functioning and composition of supervisory boards and management boards, the rectification of internal audit measures, and the management of bylaws.

Figure 5: **Breakdown of qualitative requirements across individual SREP elements under the SREP cycles of 2021 to 2025**



Source: Banka Slovenije

Conclusion

The 2025 SREP results confirm that Slovenian banks are maintaining high capital adequacy, liquidity and profitability, despite the challenging international environment. The average capital level is well above the regulatory requirements, and the capital surplus provides additional security and allows banks to support the economy. Liquidity reserves remain high, although there is considerable variation in the size of the liquidity surplus at different banks.

Despite the stable financial position, the overall SREP score deteriorated slightly, largely on account of a deterioration in internal governance and increased exposure to credit risk and interest rate risk. Operational risks, particularly in connection with ICT and outsourcing, remain the weakest segment, but have not deteriorated further.

The banks remain vulnerable to external factors, such as rising geopolitical risks, macroeconomic challenges, and a number of trends like digitalisation, climate change, demographic changes, and the threat of cyber incidents. As supervisors we therefore remain forward-looking, and will continue to pursue proactive risk management. The majority of the qualitative requirements and recommendations are therefore focused on remedying the deficiencies in the area of risks to capital and internal governance. This suggests that amid ongoing capital strength, the key tasks for the banks are to strengthen risk management, to improve internal controls, and to manage credit and interest rate exposures more effectively.