BANKA SLOVENIJE

EVROSISTEM

MONTHLY REPORT ON BANK PERFORMANCE WITH COMMENTARY

JUNE 2021

BRIEF COMMENT

With the improvement in the epidemiological situation and the lifting of containment measures, the economic situation gradually began improving during the first four months of 2021, which is also improving banks' operating conditions. The impacts of the epidemiological crisis on individual segments of the banks' operations will be apparent with a delayed effect. Up to April, growth in deposits slowed down primarily due to the recovery of economic activities and the subsequently increased spending and investment opportunities. From March onwards, the growth in household loans was again positive, and it strengthened further in April. In addition, the year-on-year contraction of corporate loans also slowed down. The increase in loans to the non-banking sector continued to significantly lag behind the increase in the deposits of that sector, and based on weak demand for loans, banks continued to leave a large portion of the money received from deposits in their accounts at the central bank. Especially due to one-off factors, the banking system's pre-tax profit significantly exceeded that recorded in the same period last year, but the sustainability of banks' profits generated in this way continues to be uncertain for the future. Specifically, even during the first four months of this year banks had to deal with a decline in net interest income, while at the same time the increase in non-interest income and the net release of impairments and provisions are largely one-off, which is why they cannot compensate for the falling interest income in the long run. The NPE ratio decreased in April, again primarily due to a one-off event, without which the ratio would have been similar to that in March. The capital ratios on a consolidated basis decreased slightly due to an increase in risk-weighted assets, and liquidity further improved. Attention remains directed towards banks with lower liquidity and capital surpluses, and those that are more exposed to the most affected activities.

In April, year-on-year growth in total assets slowed to 8.0% due to the monthly decrease in total assets and the base effect. Despite the April decrease, total assets during the first four months of 2021 increased by EUR 1.3 billion to EUR 45.9 billion. During this period, deposits by the non-banking sector increased significantly and, just like last year, banks primarily left the assets acquired in accounts at the central bank, while lending to the non-banking sector remained modest. On the investment side, the stock of securities remained nearly unchanged up until April and, due to the increase in total assets, the proportion of securities decreased to under a fifth of total assets.

The year-on-year contraction of lending to the non-banking sector has been slowing down since March, and the differences between individual types of loans remain significant. The positive changes in lending activity are reflected in all types of loans, but the nominal increase in loans to the non-banking sector has remained relatively modest this year, with loans only increasing by EUR 203 million over the first four months. Thus, after a notable decline last year, loans to the non-banking sector remain lower in year-on-year terms (by 0.4% in April).

Lending to households grew stronger in March and April due to an increased volume of housing loans. Year-on-year growth in loans to households has been positive again since March, and it increased to 1.6% in April. Over the first four months of this year, housing loans increased by EUR 110 million, while the monthly increase was above-average, especially in March and April, when it was nearly double last year's average. Growth in housing loans continues to reflect the dynamic of growth in residential real estate prices and, with an increased number of building permits being issued for residential real estate, the opportunities for further growth in housing loans are also increasing. Up to April, the year-on-year contraction of consumer loans slowed down to –6.6%, and with economic activities gradually starting to operate at an increasing capacity, spending opportunities are also increasing, as is the subsequent need for new consumer loans.

Year-on-year growth in loans to non-financial corporations remained at -3.6% in April. Given the weak demand, loans continued to decline in most activities; the decline was most notable in trade, whereas year-on-year growth in loans was highest in the accommodation and food service industry. In terms of company size, growth in loans remained positive for small and micro enterprises, whereas loans to large and medium-sized enterprises declined even further up to April compared to last year.

Credit portfolio quality indicators improved somewhat in 2021, except in activities that were most affected by the pandemic and in consumer loans. Over the first four months of 2021, banks' non-performing exposures decreased; this was especially the case in April, when they declined to 1.4% due to a major one-off event that had a strong impact on the NPE ratios in the portfolio of non-financial corporations and the rest of the world. Without this effect, the ratio would have been the same as in March (i.e., 1.8%). Exposures with increased credit risk also declined somewhat. However, unfavourable trends in these indicators continued in the most affected economic activities, which continue to operate with certain limitations despite the favourable trends in the macro-environment. Credit risk indicators are also deteriorating in consumer loans, where the NPE ratio further increased by April (to 3.3%). The proportion of exposures with increased credit risk continued to grow, as did the proportion of coverage of performing loans by impairments and provisions.

In March, growth in deposits began to slow down, especially due to the recovery of economic activities and increased spending and investment opportunities. Up to April, year-on-year growth in deposits by the non-banking sector decreased to 10.7%, because of slowed growth in both household deposits (10.2%) and deposits by non-financial corporations (17.5%). Up to April 2021, the volume of non-banking sector deposits increased by EUR 1.1 billion, in which sight deposits continue to grow; in April they already accounted for 79.9% of all non-banking sector deposits. With a further improvement in the epidemiological situation and the gradual recovery of economic activities, both spending and investment opportunities are increasing, which will reduce forced saving and probably contribute to a further slow-down of growth in non-banking sector deposits.

Increased profitability of the banking system during the first months of 2021 is primarily the result of one-off factors, and the sustainability of such profitability continues to be uncertain in the future. In the first third of 2021, pre-tax profit at the level of the banking system amounted to EUR 178 million, significantly exceeding the profit recorded in the same period last year. Return on equity stood at 11.6% on an annual basis. In this regard, it should be noted that growth in net interest has been negative for a year now, and that the higher non-interest income this year primarily derives from one-off factors and only temporarily increases the income of banks. If banks had created impairments and provisions at the long-term average, the banking system's return on equity would have been over 7 percentage points lower than that realised.

In the first quarter, the banking system's capitalisation declined slightly, whereas its liquidity further improved. Differences in resilience to systemic risks remain significant across banks. The total capital ratio decreased to 18.0% on a consolidated basis in the first quarter of 2021, and was 2.0 percentage points down on the highest value achieved in the third quarter of last year. The CET1 ratio decreased to 16.5%, which is 1.7 percentage points lower than the value recorded in the third quarter of last year. These changes are mainly the result of a decrease in the capital ratios in the last quarter of 2020, which were primarily due to the merger of one of the banks, while in the first quarter of this year capital adequacy declined slightly due to an increase in the risk-weighted assets of those banks in particular that increased their corporate and household lending. Banks will most likely experience a greater decline in the capital ratios after the end of the emergency measures, which may be followed by a deterioration in credit portfolio quality and reduced profitability. The LCR improved and remained well above the regulatory requirement, and is now among the highest in the euro area. The banking system's primary liquidity increased, exceeding one fifth of total assets.

CONTENTS

ANNEXES

Methodological notes:

The data in the tables and figures starting from March 2012 inclusive consist of data reported by banks to Bank of Slovenia in accordance with the Guidelines for implementing the Regulation on reporting by monetary financial institutions (report on accounting items with interest rates [PORFI]), and not data reported in accordance with the Guidelines on the submissions of monthly reports on balances in accounts (KNB). Changes in items in the statement of financial position have given rise to differences in certain categories.

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

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

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

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

In 2020 banks were changing over to a new way of disclosing interest on credit-impaired financial assets in accordance with the interpretation of the IFRS Interpretations Committee (IFRIC) of March 2019, and the application of that interpretation to a specific case of 22 July 2019, which can be found online at https://www.ifrs.org/news-and-events/2019/07/ ifrs-9-webinar-curing-of-a-credit-impaired-financial-asset/.

1. Macroeconomic environment

Domestic economic activity is continuing to strengthen, given the increasingly favourable epidemiologic circumstances and gradual lifting of containment measures. It went up in the first quarter of 2021, while year-on-year GDP growth of 1.6% was positive again after being negative for four consecutive quarters. The year-on-year growth is mainly the result of gross fixed capital formation while domestic and foreign demand had far less impact on it. Epidemiological circumstances were improving only gradually while containment measures were remaining in force. The positive year-on-year growth was influenced not only by greater activity but also by the base effect of the first quarter of 2020. A decrease in activity during the pandemic was more pronounced in activities that were more sensitive to containment measures, causing their recovery to be delayed and as such longer-lasting. After stagnating for a while in the last quarter of 2020, confidence indicators in manufacturing and construction continue to strengthen sharply and had surpassed the 2019 levels in May; moreover, indicators that decreased in the last quarter of 2020 have also strengthened. The retail confidence indicator increased significantly, becoming positive in April, while in May it was already at the 2019 level. The service sector confidence indicator and consumer confidence indicator have increased significantly, but have remained below the average of the years before the pandemic. In May, economic sentiment was positive again for the first time since the outbreak of the pandemic.

Figure 1.1: Confidence indicators

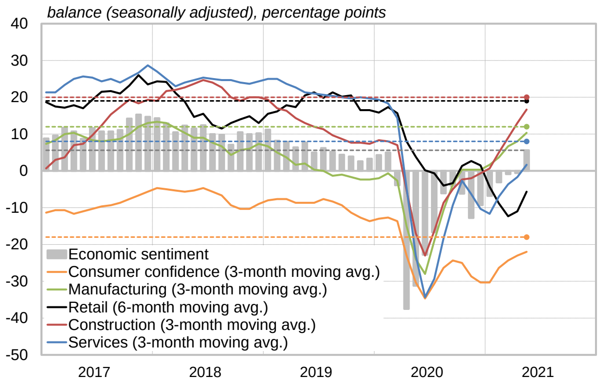
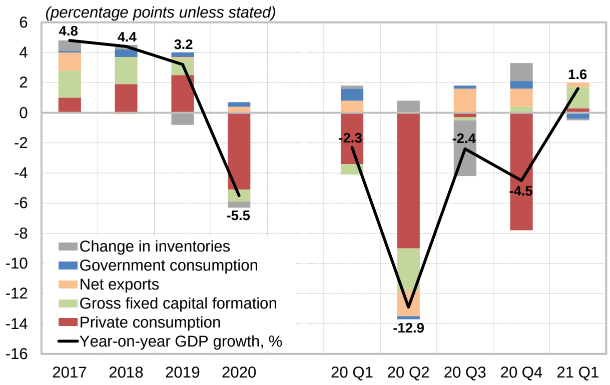


Figure 1.2: GDP growth and contributions to GDP growth



Note: Confidence indicator data in the left figure are presented as a 3-month or 6-month moving average (except for the economic sentiment indicator). Dots indicate the latest actual data point (May 2021), while dotted horizontal lines are there to compare the latest data with the movement of the indicators in previous periods.

Source: SORS.

As of the beginning of the year, circumstances in the labour market have improved, with 8.5% of people being registered as unemployed in March and 75,000 in May. Job preservation measures continue to prevent unemployment from going up. However, with economic conditions improving the measures might be suspended, thus leading to an increase in unemployment numbers. After going down, consumer prices have gone up again since the outbreak of the pandemic and recorded a year-on-year growth of 2.1% in April. The prices of electricity and petroleum products were the major driver of growth. The state of public finances is continuing to deteriorate, with the first-five-months' state budget deficit of EUR 1.35 billion reaching 49% of the anticipated deficit for the entire year 2021, according to provisional data. This was mainly due to higher year-on-year expenses in relation to Covid measures. Continued recovery is anticipated for this year and next year, which will be increasingly associated with the way support measures of various policies are being lifted. The European Commission increased expectations regarding economic growth in Slovenia, and forecasts a 4.9% growth for 2021. At the same time it lowered the expectations for 2022, when we are to return to the pre-crisis levels, and forecasts a 5.1% growth.

In the first quarter of 2021, euro area economic activity was still significantly impacted by the containment measures. According to preliminary seasonally adjusted data, GDP was down by 0.6% compared to the last quarter of 2020 and down 1.8% in year-on-year terms. With the share of vaccinated population increasing and with the gradual lifting of containment measures, economic recovery has been gathering pace in the second quarter, and has also increasingly been including activities whose functioning has been limited so far. This is reflected in confidence indicators which increased sharply across all sectors in April, with economic sentiment also reflecting a better economic situation than before the outbreak of the pandemic. The recovery is still uneven, with certain activities remaining strongly affected despite adjustments undertaken by companies, consumers' adjustments to the changed circumstances and lifting of the containment measures. Future growth will most likely be supported mainly by increased private consumption and investments, as well as through the strengthening of the global economy and external demand. Compared to the winter forecast, the European Commission significantly increased the expectations regarding future economic growth in the euro area, forecasting 4.3% year-on-year growth for 2021 and 4.4% growth for 2022. Growth rates will differ from country to country, although all Member States should reach pre-crisis levels by the end of 2022.

2. Bank assets

A further increase in non-banking sector deposits contributed to the increase in the balance sheet total in the first four months. Year-on-year growth in the banking system's balance sheet total had declined to 8.0% by April due to both a decrease in the volume of the balance sheet total and the base effect. In April, the balance sheet total thus decreased by EUR 53 million, which is the first monthly decline since September 2020, while in the first four months of this year it went up by EUR 1,298 million to almost EUR 46 billion. Similarly to last year, this year's increase in the balance sheet total was mainly due to the continuing growth of non-banking sector deposits, which the banks shifted mainly to liquid forms of assets[1] and somewhat less to non-banking sector lending. With April's decrease in the volume of securities by EUR 267 million, particularly due to the maturity of government bonds, their share in the balance sheet total dropped to 19.5%. Despite the aforementioned monthly decrease, year-on-year growth of securities remained positive at 3.4%.

Figure 2.1: Bank lending growth

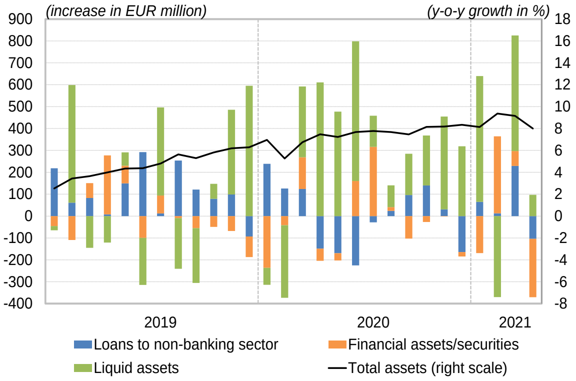
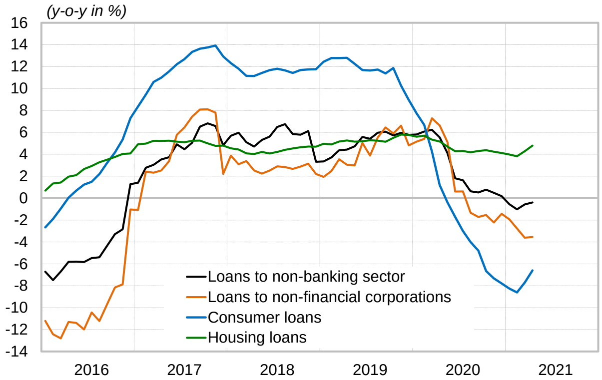


Figure 2.2: Growth in loans by sector and type



Note: In the image on the left the category 'Financial assets/securities' also includes debt securities from the category of loans and receivables. Liquid assets include receivables due from the CB, sight deposits at banks and cash on hand.

Source: Bank of Slovenia.

In March and April 2021, the year-on-year contraction of loans to the non-banking sector did not continue, which was due particularly to the increase in housing loans. The growth of loans to the non-banking sector slowed down significantly last year, and in the beginning of this year reached a year-on-year decrease of -0.4% (in April). In April, loans to the non-banking sector declined by EUR 104 million compared to March, which was due particularly to a decline in loans to non-financial corporations. Year-on-year growth in loans to households has been positive again since March, and it increased to 1.6% in April.

Housing loans in particular are strengthening, with an increase of EUR 110 million recorded up to April this year. The monthly increase in March and April, however, was almost twice last year's average monthly increase. Year-on-year growth of housing loans went up to 4.8% and thus surpassed last year's average year-on-year growth. This increase may be attributed to favourable conditions in the real-estate market. Apart from that, an increased number of granted building permits for both residential and non-residential real-estate is driving supply, thus paving the way for new possibilities to promote the growth of housing loans.

Positive changes in credit activity are also reflected in consumer lending. Since March inclusive, the intensity of decline in consumer loans started to slow down; on a year-on-year basis they were down by 6.6% in April. In the first four months of this year consumer loans went down by EUR 51 million, of which EUR 13 million were accounted for in April. With a gradual lifting of containment measures and the anticipated full-scale reboot of economic activities, spending opportunities are also increasing, as is the subsequent need for new consumer loans.

[1] Liquid assets comprise cash on hand, balances at the central bank and sight deposits at banks.

The decline in loans to non-financial corporations, based on gross data, continued in April, when loans were down 4.0% in year-on-year terms. In the first quarter, the year-on-year decline in loans continued for the majority of activities, with trade standing out with the year-on-year decline at almost -20% in April, which made its (negative) contribution to the total growth the biggest among all activities (trade accounts for 15% of all loans to non-financial corporations). This year too, the accommodation and food service sector stood out with the highest rates of growth (on average above 20%), including the highest positive contribution to the overall growth of loans (the accommodation and food service sector accounts for 6% of all loans to non-financial corporations). Working capital and investment loans were the major driver of the increase in loans to companies in the accommodation and food service sector. The only economic activity, apart from the accommodation and food service sector, which recorded a positive growth of loans, thus positively contributing to the overall growth, is construction, where the year-on-year growth has been strengthening since the beginning of the year and exceeded 6% in April (the construction sector otherwise accounts for less than 5% of all loans to non-financial corporations).

Figure 2.3: Contributions to credit growth by sector

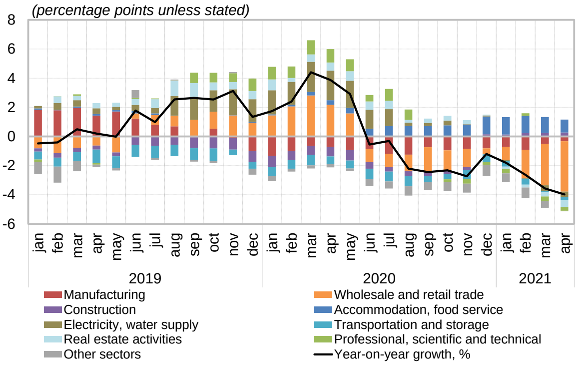
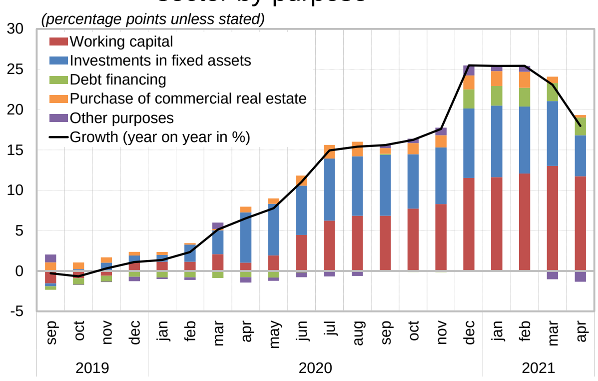


Figure 2.4: Contributions to credit growth in the accommodation and food service sector by purpose



Note: Data in both images is based on gross amounts.
Source: Bank of Slovenia, ECB SDW, calculations of Bank of Slovenia.

In terms of the size of non-financial corporations the year-on-year decline of loans intensified for large enterprises this year, while the growth of loans to small and medium sized enterprises (SMEs) was positive, albeit weak. In March and April, loans to large corporations, which account for over 47% of all loans to non-financial corporations, decreased at a year-on-year rate of -8%. Loans to SMEs which account for just shy of 53% of all loans to non-financial corporations stagnated in April, with loans to micro enterprises recording the highest year-on-year growth of 5%, loans to small enterprises also recording positive growth of more than 1%, while loans to medium-sized enterprises recorded negative growth just above -7%.

Figure 2.5: Growth in loans to non-financial corporations by corporate size

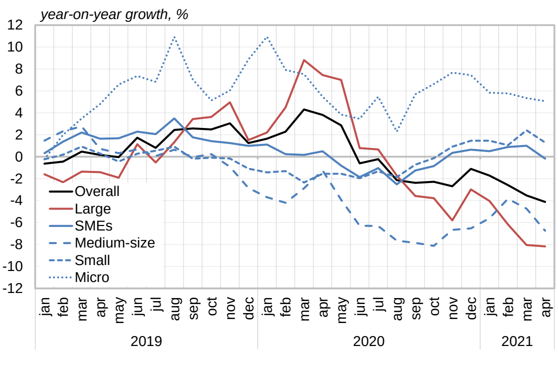
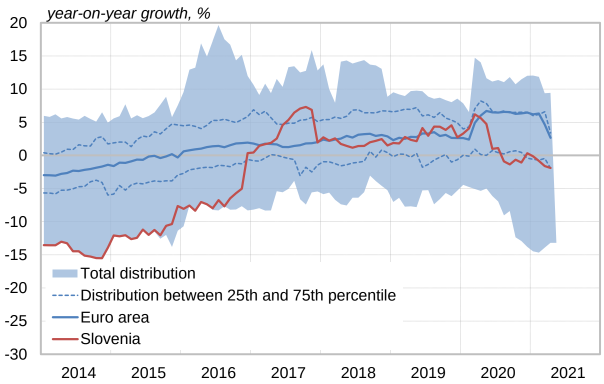


Figure 2.6: Comparison of growth in loans to non-financial corporations between Slovenia and the euro area



Note: Data in the image on the left is based on gross amounts.
Source: Bank of Slovenia, ECB SDW, calculations of Bank of Slovenia.

Compared to other countries of the euro area, year-on-year growth of loans to non-financial corporations and year-on-year growth of consumer loans were among the lowest this year, while the growth of housing loans was equal to the average of the euro area. The euro area year-on-year growth of loans to non-financial corporations has decreased sharply since the beginning of the year, but managed to remain positive, while the decrease in loans to this sector even intensified in Slovenia. Nevertheless, year-on-year growth remained at the level of the 25th percentile of all member countries. Apart from Slovenia, five other countries recorded a decrease in April. Year-on-year growth of housing loans to households recorded a slight boost, both in the average of the euro area and in Slovenia. The decrease in consumer loans slowed down by April, yet growth remained at the 25th percentile of all euro area countries where the average growth was positive again in April. Apart from Slovenia, six other euro area countries saw negative year-on-year growth.

Figure 2.7: Comparison of growth in housing loans between Slovenia and the euro area

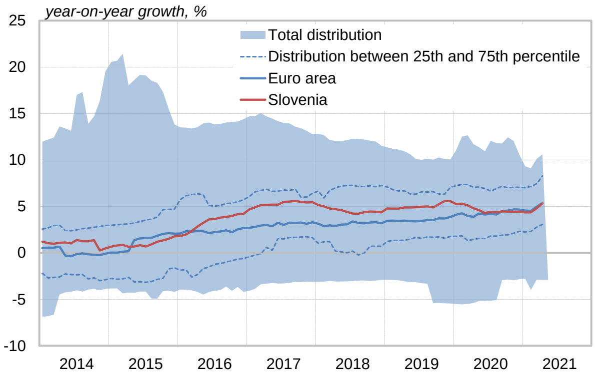
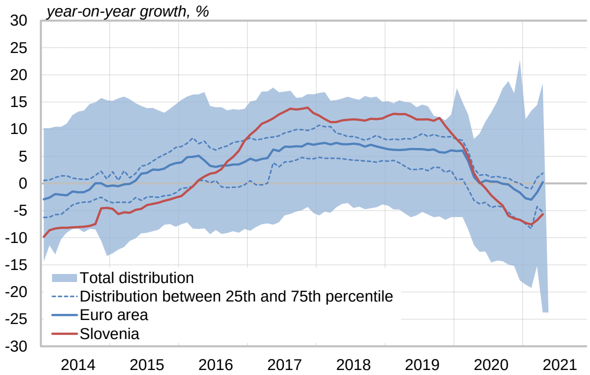


Figure 2.8: Comparison of growth in consumer loans between Slovenia and the euro area



Source: ECB SDW, calculations of Bank of Slovenia.

Box: Performance of non-financial corporations in 2020

In the course of 2020, which was marked by the Covid-19 pandemic and comprehensive measures to mitigate its impact, the financial situation of non-financial corporations in terms of their indebtedness improved, with the ability to repay their liabilities remaining the same. The indebtedness of non-financial corporations, measured by the debt-to-equity ratio, declined even further in 2020, namely to 91%. Despite options to overcome liquidity issues provided by the adoption of emergency measures, financing at banks decreased, while enterprises in other euro area countries made better use of this possibility. Despite the pandemic, the 2020 ability of non-financial corporations to regularly repay their debt, measured as the ratio of net debt to EBITDA, remained almost at the same level, i.e. of two years. Compared to their counterparts in other euro area countries, Slovenian enterprises made better use of the possibility of the moratorium on payments of liabilities to banks. With a deterioration of the financial position following the expiry of support measures, the financial situation of banks' clients may deteriorate, making them unable to regularly repay their debts despite the adopted measures.

Figure 2.9: Ratio of debt to equity for selected economic sectors of non-financial corporations

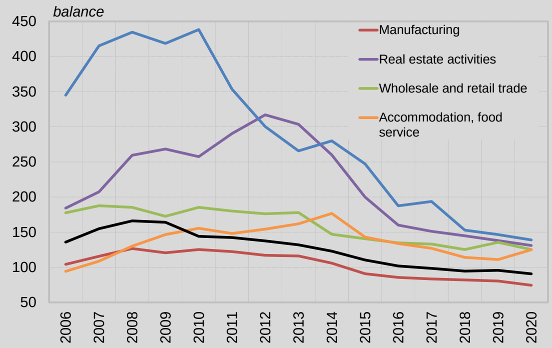


Figure 2.10: Ratio of net debt to EBITDA for selected economic sectors of non-financial corporations

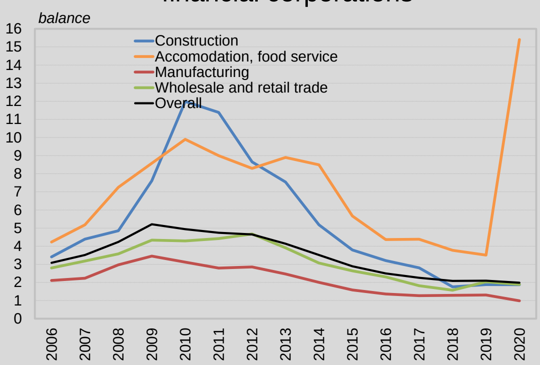


Figure 2.11: Overall net profit of non-financial corporations

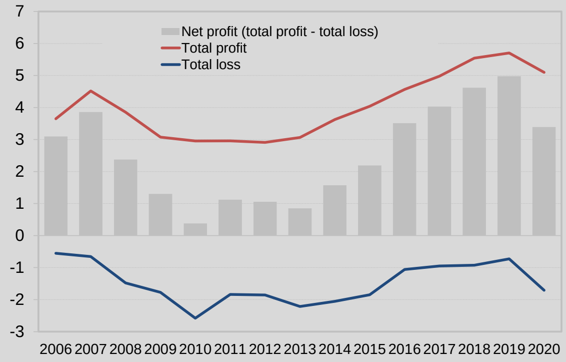
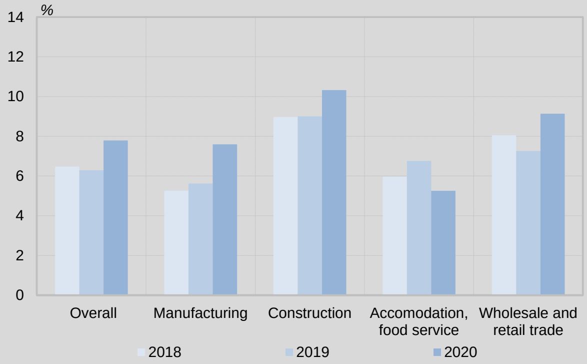


Figure 2.12: Ratio of cash to total assets for selected economic sectors of non-financial corporations



Source: AJPES, calculations of Bank of Slovenia.

The financial position of non-financial corporations differs very much among different sectors, with the accommodation and food service sector being hit particularly hard by the 2020 Covid-19 pandemic. Ten years ago, the indebtedness of non-financial corporations was highest in the sectors of construction and real estate, where debt servicing capacity was also the weakest, while the differences were less pronounced in 2020. The indebtedness of non-financial corporations remains lowest among those in manufacturing, whose ability to repay their debt is also among the best. In 2020, the indebtedness of non-financial corporations decreased in the majority of sectors while in the accommodation and food service sector it went up. The debt servicing ability of non-financial corporations in the accommodation and food service sector also deteriorated significantly, mainly due to the loss these enterprises generated. Non-financial corporations did generate profit in 2020, yet it was one third lower than a year earlier. Liquidity too, deteriorated in the accommodation and food service sector, while in the majority of other sectors it even improved and surpassed the pre-crisis level, most likely due to comprehensive measures taken.

Before the crisis, the financial position of non-financial corporations was good, the growth in bank loans to non-financial corporations was moderate, also with the improved macroeconomic conditions in 2021 the decline in loans could slow down and eventually stop. In the last ten years, non-financial corporations deleveraged, firstly and in particular by decreasing their debt and secondly also by increasing equity; the ability to repay their debt was also increased through high profits in the years before the crisis. Lower indebtedness and the increased debt servicing capacity of enterprises compared to previous years put in place favourable conditions for a new credit cycle at the time. The growth in loans to enterprises was moderate in the years before the crisis. However, with improved macroeconomic conditions the decline in loans to enterprises could slow down.

3. Quality of bank assets

At the level of the banking system, the bank portfolio quality indicators were improving in the first four months of 2021. The share of NPEs decreased notably from the stable 1.8% in the first quarter, to 1.4% in April, which was due to a one-off major repayment of debt. The repayment also significantly decreased the share of NPEs in the non-financial corporations sector (from 3.7% to 2.8%), within NFCs in trade (from 8.1% to 3.4%) and in large enterprises (from 3.0% to 1.4%). This also had a significant influence in terms of reducing the rest of the world NPEs (from 1.3% to 0.8%) due to the repayment of debt of subsidiaries abroad. Independently of this effect, the first months of 2021 saw a decrease in NPEs in other groups of clients and sectors as well. In April NPEs also decreased in the accommodation and food service sector (to 10.6%). However, after a consistent trend of increase in recent months, it is too early to speculate about a turnaround, especially given the persisting restrictions as to the operations of enterprises in the accommodation and food service sector and uncertainty about the recovery in this sector. On the other hand, the share of NPEs in consumer loans is continuing to increase: after a significant increase in December (from 2.8% to 3.2%) their share increased to 3.3% by April. Despite emergency measures being taken, the epidemic hit some households harder, generally those from sectors with limited operations, which in turn can affect their debt servicing ability.

Growth of exposures with increased credit risk (stage 2 under the IFRS) came to a halt across the entire portfolio, with the same segments of the portfolio as with the NPE ratios being the exceptions. At the portfolio level, the share of stage 2 exposures slightly decreased from 6.5% in December to 6.4% in April. Major shifts could be observed with non-financial corporations (a decrease in the share from 12.3% to 11.6%), where receivables were reclassified back to stage 1 with the lowest credit risk. Under the influence of favourable developments in the macro environment and a forecast of recovery for the upcoming period, banks carried out a reclassification to less risky stages in manufacturing, trade, construction, and to a lesser degree in the transportation sector. On the other hand, there are enterprises in the accommodation and food service sector and recreation, arts and entertainment sector where stage 1 shares are decreasing and stage 2 shares account for almost half of the portfolio. According to our estimate, the aforementioned developments indicate caution on the part of banks in assessing the risks in enterprises from sectors which are unable to start up their operations, either in part or in full, despite the slowing down of the pandemic. At the end of 2020, i.e. much later than in the corporate portfolio, stage 2 ratios increased in the household portfolio as well, both in consumer and housing loans; in consumer loans the increase also continued in the first quarter of 2021. A potential deterioration of the household portfolio will to a large degree depend on the recovery of the affected sectors, on which the financial position of a part of these debtors will depend.

Figure 3.1.: Ratio of NPEs for selected segments of the portfolio

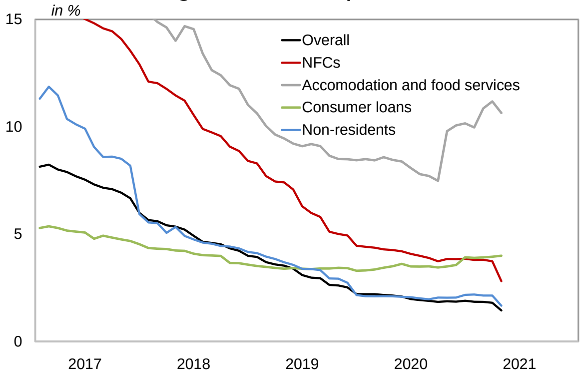
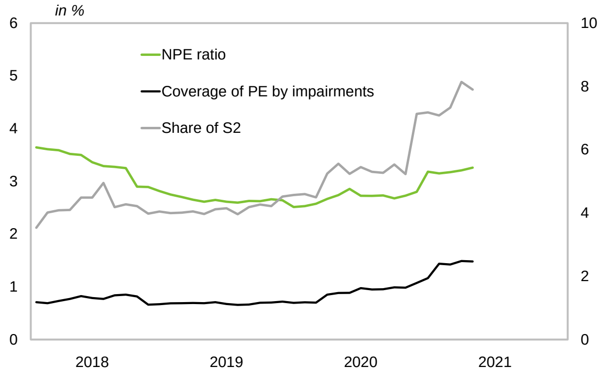


Figure 3.2.: Consumer loan portfolio quality indicators



Source: Bank of Slovenia.

Coverage of the entire portfolio by impairments was decreasing up to April 2021, while the one-off repayment of debt increased the coverage of NPEs by impairments. The latter increased in April by more than 5 percentage points to 52.7%. The coverage of performing exposures is slightly lower than at the end of the previous year, i.e. 0.6% (previously it was 0.7%). For both NPE ratios and stage 2 ratios we estimate that this is the result of a more optimistic macroeconomic situation at home and internationally. With the increase in the coverage by impairments, i.e. from 1.2% to 1.5%, performing consumer loans stand out again, while the coverage of housing loans is decreasing, as it is in other segments of the portfolio.

The gradual expiration of support measures and termination of more favourable regulatory consideration of deferred exposures are bringing about uncertainty regarding the future quality of the banks' portfolio. The imminent expiry of moratoria on the payment of debts will lead to a situation of default for numerous enterprises which suffered major business damage during the pandemic, in particular when the normal start of operations seems distant. Potential agreements with banks on restructuring of or an additional moratorium on debts due to a termination of favourable regulatory consideration of debts may be reflected in the increase in NPEs. Corporate bankruptcies that follow the difficulties of enterprises with a delay may, to a large extent, not occur until the next year. It is due to these uncertainties that the credit risk at banks remains high.

The quality of deferred exposures to NFCs is poorer than the quality of the overall portfolio. However, with non-past-due loans the actual quality will only be revealed once they fall due. The share of NPEs in deferred (past-due and non-past-due) exposures to NFCs accounted for 6.7% or EUR 134 million in April, compared to 2.8% and EUR 409 million in the overall NFC portfolio. Approximately half of these NPEs represent already expired moratoria. The construction sector (20.1%), accommodation and food service sector (12.1%), and professional, business and other services sector (15.2%) have the highest ratios of NPEs in deferred exposures. In terms of volume the deferred loans of enterprises in the accommodation and food service sector represent the majority of NPEs (EUR 43 million), which is notably more than in manufacturing overall (EUR 31 million). A future increase in NPEs will be mainly due to exposures to those sectors which, following the expiry of moratoria, started defaulting but have not yet been classified among NPEs.

By the end of April two thirds of deferred exposures to non-financial corporations were past-due, with a certain percentage of them already being in default. By April 2021, the lowest ratio of past-due moratoria was seen in recreation, arts and entertainment businesses (38%) which did not take up the majority of moratoria until the last months of the previous year, and by the accommodation and food service sector and education, health care and public administration sector (each with 51%). In May and June the majority of deferred liabilities of enterprises in the accommodation and food service sector (24%) and manufacturing (22%) will be past-due, with both sectors combined accounting for 80% of all past-due liabilities in the said two months.

Figure 3.3.: Past-due moratoria by NFC sectors

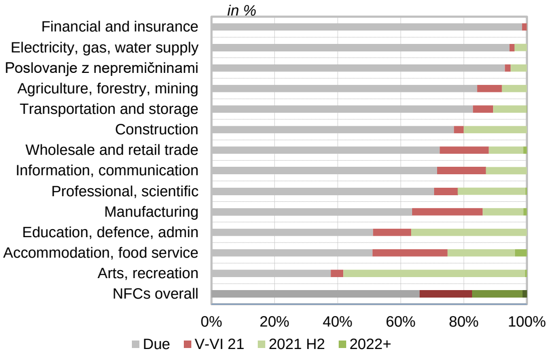
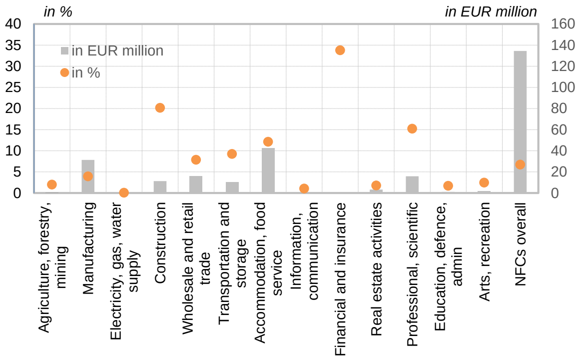


Figure 3.4.: Amounts and shares of NPEs in moratoria by NFC sectors



Source: Bank of Slovenia.

What can be expected is an increase in NPEs in NFCs whose moratoria are past-due and which are already in arrears. Among enterprises that are up to 90 days in arrears (and are not yet classified among NPEs), two thirds of exposures are to enterprises from the accommodation and food service sector, with the other third being divided among all other sectors. Past-due debts that are up to 90 days in arrears reached a 23% ratio in the accommodation and food service sector. It is high also among recreation, arts and entertainment businesses (10%), while in all other sectors it accounts for less than 5%. Based on the data on already realised arrears and considering the slow and only partial opening up of these sectors, we can estimate that loans falling due in May and June are highly likely to be the subject of arrears as well.

Figure 3.5.: Arrears in settling the debt arising from past-due performing loans with moratoria by NFC sector, ratios

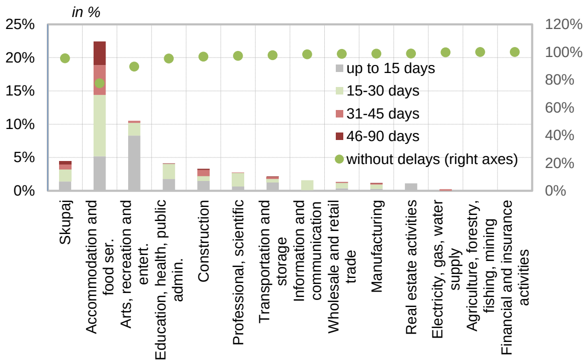
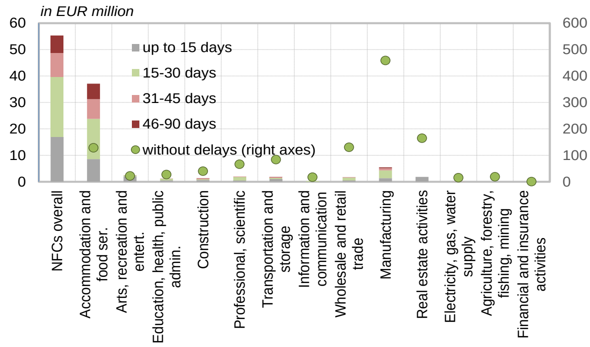


Figure 3.6.: Arrears in settling the debt arising from past-due performing loans with moratoria by NFC sector, amounts



Note: The sectors are classified based on the ratio of deferred exposures which after the expiry of moratoria settle their debts within 90 days. NPEs are not included.

Source: Bank of Slovenia.

4. Bank revenue generation

This year's increase in revenues of the Slovenian banking system is above-average. While the banks have been facing negative growth of net interest for a year now, the developments of other categories have been favourable, with net income increasing at an above-average rate. This year, however, this is the result of both higher non-interest revenues and operational costs management.

Net interest income is lagging behind last year's, while the net interest margin has decreased further. Net interest income, a key revenue-generating category for banks, has been decreasing since the second quarter of 2020. Their year-on-year decline accounted for -5.1% in April. However, comparing the 12-month period, their decline is another 2.5 percentage points higher compared to a year earlier (-7.6%). Apart from price effects that have been present for several years now, a decrease in bank lending activity also gradually contributed to the reduction in net interest income. The volume of positive quantity effects arising from loans already started to decrease last year, with the banks being unable to compensate for the negative price effects. By the end of April, the interest income of banks lagged behind last year's result by 3.0%. Year-on-year growth in loans to the non-banking sector, which had slowed sharply by the end of last year but remained positive, started to decline this year; it accounted for -0.4% in April which contributed to a decrease in interest income from loans.[2] Recently, interest expenses have also been increasing, yet their contribution to the reduction in net interest income is far less significant than the developments on the income side. An increase in interest expenses, accounting for 9.7% this year in year-on-year terms, is the result of borrowing via more expensive sources of funding (securities issued in 2020) and also of excess reserves on the assets side, which are being partially remunerated at a negative interest rate. The net interest margin over the preceding 12 months declined to 1.50% by April. A reduction in the margin is the result of both a decline in net interest and a quick increase in low-yielding assets of banks, especially in the form of primary liquidity in the framework of which excess reserves at the central bank are predominant.

Figure 4.1.: Year-on-year growth in net interest income, net interest-bearing assets, and net interest margin

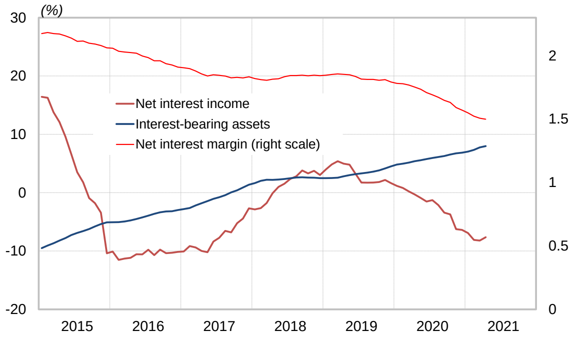
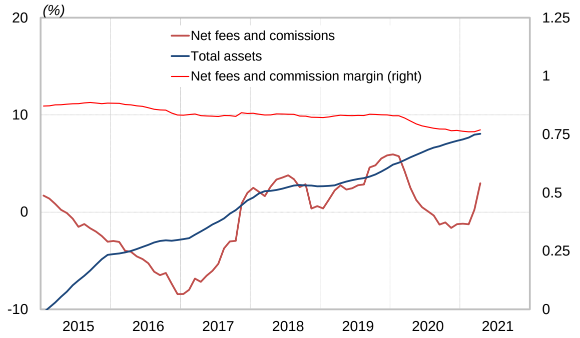


Figure 4.2.: Year-on-year growth of net fees and commissions, balance sheet totals and net "commission" margin



Source: Bank of Slovenia.

This year's net non-interest income of the banking system increased sharply over last year. Its sharp increase is mainly the result of an increase in other "non-commission" non-interest income that is more volatile and generally of a one-off nature. This year, it arises from the revaluation effects in respect of credits or securities with several banks. This year, the trend of achieving net fees and commissions reversed, with the latter achieving a high 9.7% year-on-year increase. This may also be the result of the fact that some banks do not classify income from custody fees and negative interest rates for deposits among interest income but among net fees and commissions. The net commission margin of banks stabilised at about 0.77% in recent months.

[2] In 2020, the average stock of loans to the non-banking sector still exceeded that of two years earlier (by almost 3%), while the last quarter of 2020 recorded zero growth and the first quarter of 2021 negative growth of about -0.5%. This additionally contributed to a decrease in interest income from loans (-2.2%), which account for almost 87% of all interest income.

Figure 4.3.: Structure of non-interest income

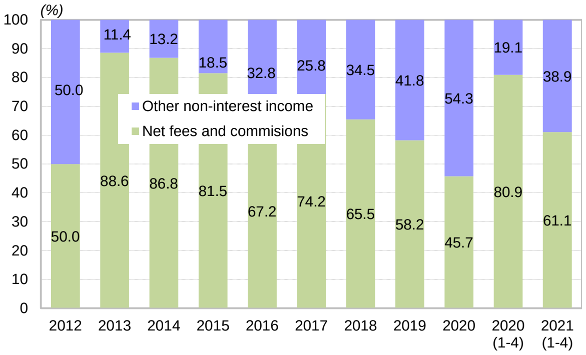
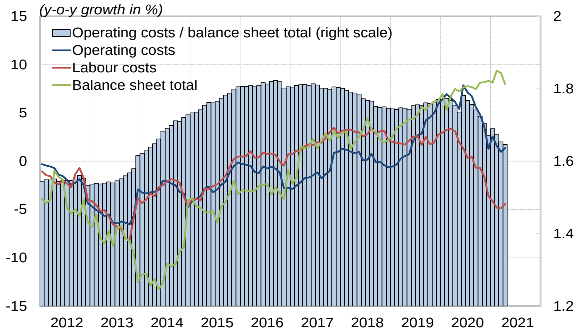


Figure 4.4.: Growth in operating costs and labour costs, and ratio of operating costs to balance sheet total



Source: Bank of Slovenia.

This year too, banks had relatively good control of operating costs. Excluding the costs of banks' contributions to the resolution fund and the guarantee scheme, which are classified among operating costs as of June 2020, the operating costs would have been down by 3.5% in the first four months of this year. Across the banking system, banks also had good control of labour costs, which more or less matched last year's labour costs (-0.6%). However, a comparison for longer 12-month periods shows that the decrease in these costs was even higher (-4.6%). Compared to last year's result for the same period the Cost-to-Income (CIR) ratio dropped to 59.6%. Excluding the aforementioned effect, it would have gone down by a further 4.4 percentage points.

Figure 4.5.: Cost-to-Income ratio

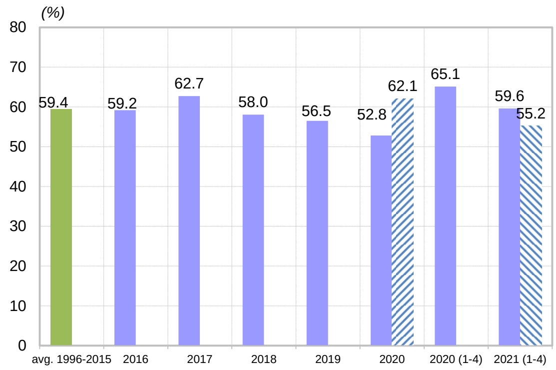
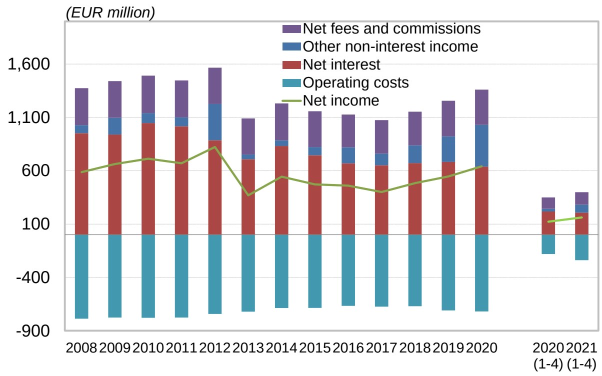


Figure 4.6.: Net interest income, net non-interest income, operating costs and banks' net income



Note: On the left of the Figure the ratio in the last two columns calculated for 2020 does not take account of the effects of the merger of two banks; in the period from January to April 2021 it does, however, take account of the effect of excluding banks' contributions to the resolution fund and guarantee scheme.

Source: Bank of Slovenia.

The generated net income of banks was almost one third higher than in the same period of the previous year. Given the anticipated trends, income developments were very good, except in the part referring to net interest. Despite this, it should be noted that banks' net interest income is decreasing, and that the major share of net non-interest income arose from the part that is not permanent in nature.

5. Capital adequacy, profitability and liquidity of banks

The Slovenian banking system maintained a fairly good capital position in the first quarter of 2021. The banking system total capital ratio on a consolidated basis decreased by 0.3 percentage points during the first quarter of 2021 to 18.0%, while the CET1 ratio decreased by 0.2 percentage points to 16.5%. Compared to the euro area, the total capital ratio remained below the euro area average,[3] while the CET1 ratio is continuing to exceed it. More than half of the banks saw a decrease in capital ratios because risk-adjusted assets increased more than capital for them. This encompasses

[3] At the time of drawing up this report the latest available data for euro area covered up to and including September 2020.

mostly banks that increased corporate and household lending over the period. Only some banks recorded an increase in risk adjusted assets for exposures in default and exposures associated with particularly high risk. However, at the end of the first quarter of 2021, their share accounted for 5.0% of the risk-adjusted assets for credit risk.

Capital surpluses above the total capital requirement[4] differ significantly among banks. The reason for this lies not only in the amount of capital adequacy but also in different Pillar 2 capital requirements and the amount of the capital buffers. Across the banking system, the capital surplus decreased slightly in the first quarter of 2021 relative to the end of the last year and accounted for 3.64% of the risk-adjusted assets.

The banks will most likely experience a greater effect on the decline in the capital ratios through losses and higher risk weights after the end of the emergency measures, and the resulting anticipated deterioration in the credit portfolio quality. Banks with lower capital surpluses and banks with large exposure to the sectors hit hardest in the crisis will find it harder to deal with the negative consequences of the harsh economic environment. Furthermore, due to the anticipated reduction in their profitability, the banks will also have less scope to increase their equity.

Figure 5.1.: CET1 ratio on an individual basis and exposure to non-financial corporations in the worst-hit sectors by banks[5]

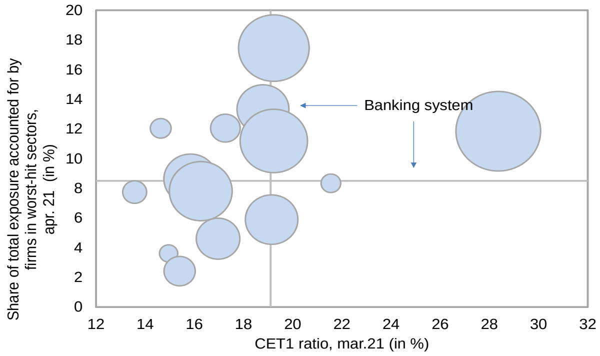
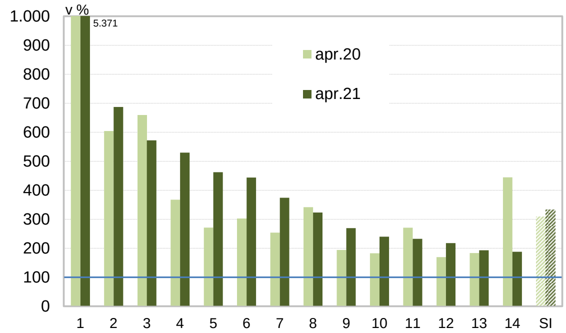


Figure 5.2.: Liquidity coverage ratio (LCR) by banks



Note: The left chart includes exposures to firms in the following sectors: transportation; accommodation and food service; professional, scientific and technical activities; other administrative and support service activities; arts. The size of the bubbles illustrates the surplus over the total capital requirement (OCR + P2G), which is calculated on a consolidated basis. In the right chart the blue line denotes the minimum requirement for the LCR (100%) in accordance with the CRR.

Source: Bank of Slovenia.

The high profit in the period from January to April 2021 was mainly the result of the increase in banks' net income and net release of impairments and provisions. About one half of this year's increase in profit before taxes, compared to last year's in the same period (see Figure 4.3), arises from the income segment[6], while the other half arises from the fact that in the same period last year banks disclosed net impairments and provisions (EUR 12.5 million), while this year they recorded a net release (EUR 16 million). At the end of last year, all credit institutions except one recorded a net increase in impairments and provisions, while this year nine institutions made a net release of impairments and provisions, with only one bank making a significant contribution to their overall volume.

A decrease in the net interest margin and a potential realisation of credit risk after the expiry of moratoria will affect profitability rates in the future. The return on equity (ROE) is particularly high (11.6%) and even exceeds the result achieved last year (9.6%). By the end of April, pre-tax profit amounted to a high EUR 178 million, up 85% on the same period last year. In the future, the economic situation will have a significant impact on the amounts of profits. As the moratoria expire[7] the impairments could go up, putting an additional strain on profitability. In this regard, however, the impact of international accounting standards must also be taken into consideration. By taking account

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[4] The total capital requirement is the sum of capital requirements under Pillar 1 and Pillar 2, and all buffer requirements.
[5] In Figure 4.1. the latest available data are taken into account: exposures to enterprises from the affected sectors are based on 2021 April data, while CET1 and the surplus over the total capital requirement use March 2021 data.
[6] See the section on income risk.
[7] See the section on credit risk.

of the long-term share of impairment and provisioning costs in generated gross income alone, this year's profit would account for just over one third of its actual figure. Less favourable developments may quickly affect the ability of banks to strengthen their capital and their resilience.

Figure 5.3.: Changes in components of profit, Jan-Apr 2021 relative to Jan-Apr 2020.

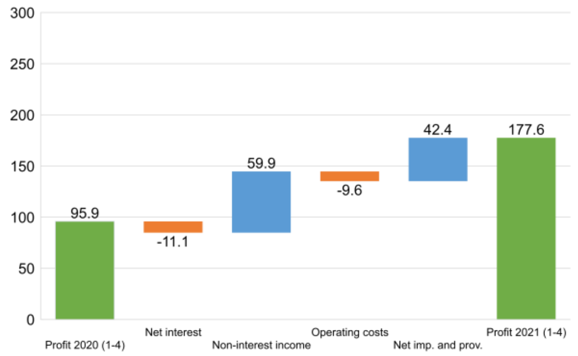
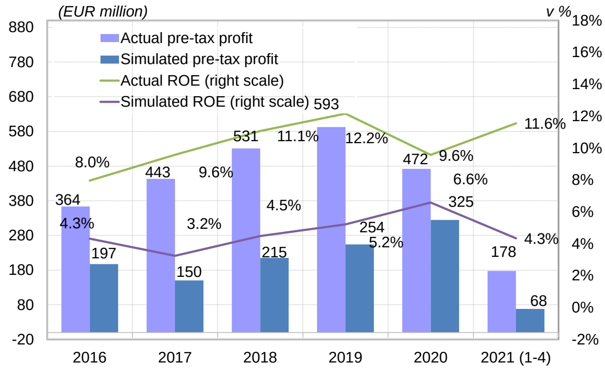


Figure 5.4.: A comparison between the banks' actual and simulated profitability while taking account of the long-term average of impairment and provisioning costs.



Source: Bank of Slovenia.

The liquidity of the Slovenian banking system improved in the first four months of 2021. The liquidity coverage ratio (LCR) increased by 9 percentage points to a high 334% which is indicative of the high capacity to cover net liquidity outflows over a short-term stress period. In terms of the value of this indicator Slovenia ranks[8] fourth among the European Union Member States. The liquidity surplus above the regulatory requirement for LCR (100%) increased by 4.4% across the banking system to EUR 9.7 billion, the largest surplus of the last five years. In April, almost all Slovenian banks recorded at least twice the regulatory requirement for LCR, yet the differences among them are still significant.

With a further increase in deposits by the non-banking sector and modest lending, this year too, like last year, highly liquid investments (i.e. cash on hand, assets at the central bank and sight deposits at other banks) increased sharply up to April. In April they recorded a historically high 21.0% of the balance sheet total. The share of secondary liquidity[9] accounted for in the balance sheet total dropped to 17.1% this year, mainly due to the increase in the balance sheet total. The proportion of banks' pool of eligible collateral in the Eurosystem that is free remained relatively high (in April it was 38 percentage points higher than the euro area's average and accounted for 62%), allowing banks to obtain additional liquidity assets if needed.

With the anticipated forecasts of an improved epidemiological and economic situation, no major deterioration of the banking system's liquidity position is expected. Indeed, the liquidity position could deteriorate at certain banks if a sudden shift in deposits among banks or a withdrawal of deposits from the banking system occurred. Banks with smaller liquidity surpluses would find it harder to face this, which makes it very important to monitor closely the liquidity position of these banks.

6. Bank funding

Year-on-year growth in deposits by the non-banking sector is slowing down and dropped to 10.7% in April. After relatively high monthly increases in the first quarter of 2021, in April the volume of deposits by the non-banking sector decreased for the first time since the Covid-19 pandemic was declared, specifically by EUR 110 million. Despite this, the increase in deposits by the non-banking sector amounted to EUR 1,115 milion in the first four months of this year, exceeding last year's increase by one fifth. The main factor driving the growth in the non-banking sector deposits was, like last year, the growth in household deposits and deposits by non-financial corporations.

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[8] At the time of drawing up this report the latest available data for the EU Member States covers September 2020; the comparison between the states is made on a consolidated basis.
[9] Secondary liquidity is based on liquidity ladder data, and consists of Slovenian government securities and foreign marketable securities rated BBB or higher.

The year-on-year increase in household deposits slowed down in April to 10.2%, but it still remains higher than before the pandemic was declared last March. Up to April, household deposits increased by EUR 720 million to EUR 23.2 billion, equivalent to a half of the balance sheet total. The increase of household deposits is expected to continue to slow down gradually, as with the anticipated lifting of measures and recovery of all sectors the possibilities of spending and investing are increasing. The base effect will also impact the year-on-year decline in growth, as monthly increases of deposits in the first and second wave of the pandemic were extremely high and will most likely not re-occur with the situation gradually getting back to normal. The introduction of custody fees for households may contribute to an additional decrease in household deposits at certain banks, which could cause a shift of savings from one bank to another or a withdrawal thereof from the banking system to other forms of investments (mutual funds, real estate investments, capital markets).

As was the case for household deposits, the year-on-year growth in NFC deposits also decreased in April, yet at 17.5% it was ten percentage points higher than after the pandemic was declared. Enterprises will most likely gradually reduce their holdings of bank deposits, particularly those hit hardest by the current situation. NFC deposits increased by EUR 248 million to EUR 8.3 billion up to April, with monthly changes remaining volatile. The banking system's dependence on other sources of financing remained low. Wholesale funding accounted for 5.7% of the balance sheet total in April, while liabilities to the Eurosystem accounted for just 3.0%. Banks had realised just 22% of the maximum available volume in TLTRO-III long-term refinancing operations up to April.

Figure 6.1.: Growth in deposits by sector

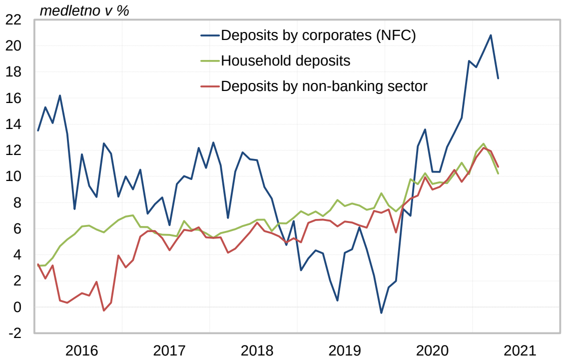
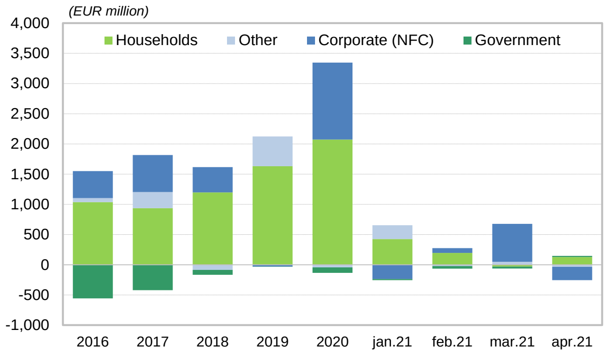


Figure 6.2.: Change in stock of deposits by sector



Source: Bank of Slovenia.

Not knowing exactly how the epidemiological and economic situation would evolve, savers continued to leave their assets at banks to be able to use them immediately if need be. In April, sight deposits increased to account for 79.9% of total deposits by the non-banking sector, and almost 61.5% of the balance sheet total. For households this figure was even higher and accounted for 84.2% of all household deposits. In the last 12-month period sight household deposits increased in all euro area countries. However, Slovenia remains one of the top five countries in the euro area in terms of the ratio of household deposits to the balance sheet total, with sight deposits dominating its household deposits.

7. Capital markets and mutual funds

Growth in stock markets continued in the first five months of 2021, reflecting the transition of world economies from recession to recovery. The growth in stock markets was given an additional impetus with the increase in required yields on government bonds. Positive expectations regarding the continued economic recovery and expectations of increased inflationary pressure in the USA triggered selling pressure and also an increase in the required yields of European government bonds. In this period the ECB and FED were explaining to the public that the higher inflation generated was of a temporary nature. In this way, they mitigated an excessive strengthening of market expectations regarding a shift to a stricter monetary policy, and prevented an uncontrolled increase in the required yields of government bonds. Inflationary expectations were also reflected in the growth in oil prices (brent crude stabilised under USD 70 per barrel in the beginning of the second quarter), while the prices of a few other commodities (copper, aluminium, zinc, nickel etc.) are approaching near their record values.

Figure 7.1.: Recovery of selected stock market indices

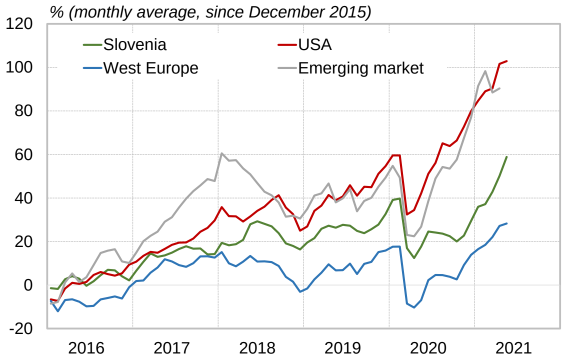
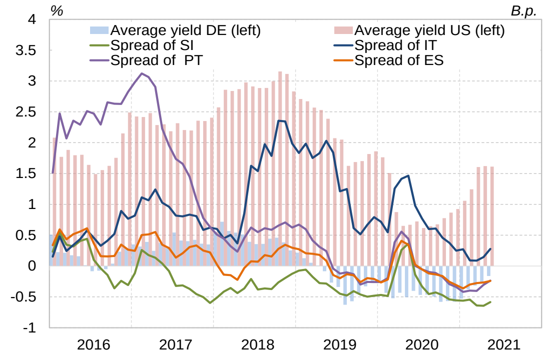


Figure 7.2.: Average yields and premiums of 10-year government bonds



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

Source: Bloomberg, Bank of Slovenia.

Optimism in stock exchanges is also contributing to an increase in investors' interest in investing in mutual funds. In Slovenia, net investments in domestic funds (excluding investments in money market funds) increased by EUR 24 million to account for EUR 221 million in the first four months of 2021 compared to the same period in 2019 (before the Covid-19 pandemic outbreak), while in the euro area they went up 2.5 times to account for EUR 280 billion in the first three months. Investments in equity funds account for more than half of the investments in Slovenia. Therefore, the growth which followed the decline in March 2020 was higher than that in the euro area. Households remain the major owners of units in domestic mutual funds, and have greatly increased net investments in domestic funds in the first few months of 2021. Households allocated more than 70% of net payments to equity funds while decreasing the exposure to money market funds. Increase of net investments was also continued by enterprises, which were exiting funds in recent years, and insurance companies, which increased their investments significantly in March, with transactions being highly concentrated to a few types.

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

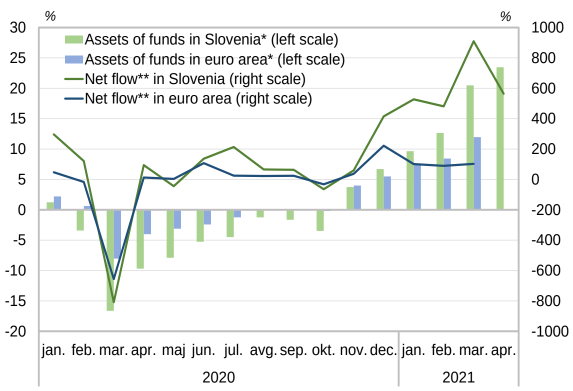
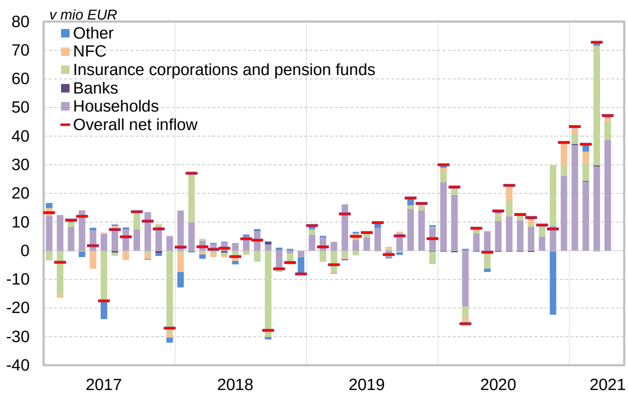


Figure 7.4.: Net investments in domestic mutual funds



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

Source: ECB SDW, ATVP, Bank of Slovenia.

8. Leasing company performance

Leasing companies[10] recorded a year-on-year increase in new business in the first quarter of 2021. Nevertheless, it remains below the 2019 level over the same period. New business was up by 13.2% in year-on-year terms to stand at EUR 272 million. Compared to the same period in 2019, this was down by 5.6%. The year-on-year increase in new business was mainly driven by households

[10] Includes companies that report to Bank of Slovenia under the Regulation on reporting by institutions pursuing leasing activities.

and enterprises, which made use of financial leasing services (these accounted for 77% of total new business) in particular to buy second-hand personal vehicles and second-hand heavy commercial and cargo vehicles.

Figure 8.1.: New leasing business

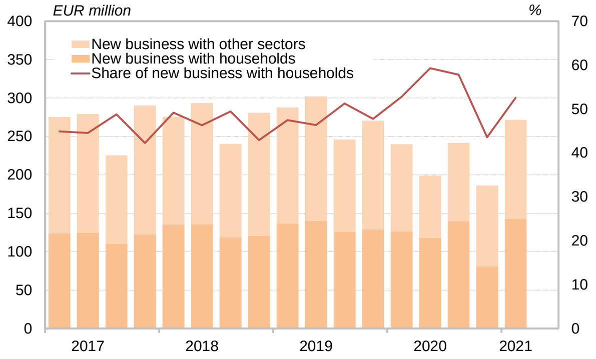
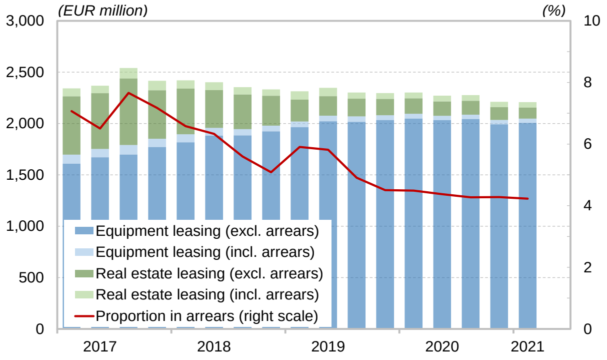


Figure 8.2.: Stock of leasing business and arrears of more than 90 days



Source: Bank of Slovenia.

Due to the contraction of new business in 2020 and the sale of real-estate investments, the stock of leasing business decreased by 4.1% in year-on-year terms to account for EUR 2.2 billion, while total profit was almost halved. The stock of real-estate business, which accounts for the majority of income in recent years, was down by 2.2% in year-on-year terms, a drop similar to the previous quarter when it was down for the first time after a number of years. This was the result of a decrease in the stock of real-estate business with corporate entities (by 7.4% in year-on-year terms), while the stock of business with households increased in the first quarter of 2021 as well (by 2.2% year-on-year). Arrears of more than 90 days decreased further, both in year-on-year and quarter-on-quarter terms, even though the ratio of corporate real-estate business went up for the second time and accounted for 4.1% of the value of the real-estate business with corporate entities, while on the other hand, the ratio of household real-estate business decreased and accounted for 0.57% of the value of real-estate business with households. Total profit was down by 43% year-on-year, standing at EUR 10 million, which was the result of a decrease in income from participating interests and revaluation revenues. In the first quarter of 2021, capital was up year-on-year by 0.9% despite an extreme deterioration of the business environment in 2020. This was also due to the macroprudential recommendation to leasing companies to retain profit which Bank of Slovenia, amid uncertainties, extended by 30 September 2021.

Figure 8.3.: Banks' new financial leasing business

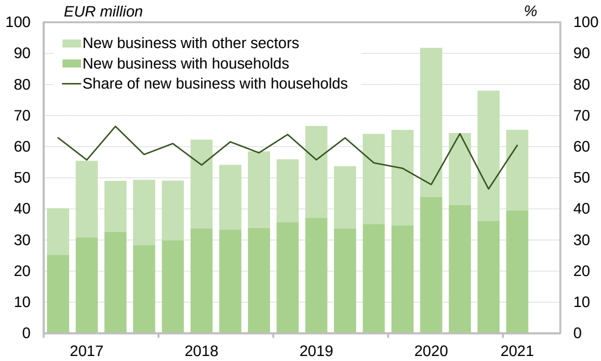
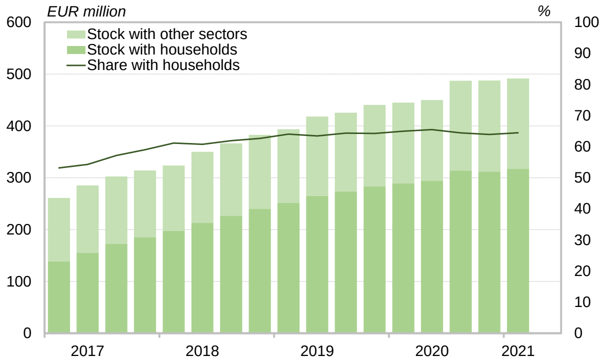


Figure 8.4.: Stock of banks' financial leasing business



Source: Bank of Slovenia.

Banks[11] additionally strengthened their direct presence in the financial leasing market in the first quarter of 2021. The value of new business remained at last year's level, while the stock of business increased by 10.5% year-on-year, which was the result of an increase in the value of new business in the second and last quarters of the previous year. In relation to this, one bank in particular increased its business due to a more active approach.

[11] Takes account of banks that report to Bank of Slovenia under the Regulation on reporting by monetary financial institutions.

9. Bank Lending Survey (BLS)

According to the Bank Lending Survey,[12] credit standards have mainly remained unchanged in the first quarter of 2021 for both household and corporate loans. Half of the banks took the view that the general economic situation still negatively affects the credit standards for households, yet, compared to the last quarter of 2020, this was not reflected in an additional tightening of credit standards for housing and consumer loans. Compared to the last quarter of 2020, lending terms also remain mainly unchanged, with only one reporting bank estimating that the overall lending terms for housing loans eased a little. This was the result of a decrease in the margin on average housing loans and less strict requirements as to loan collateral. As regards corporate loans, one reporting bank assessed that compared to the last quarter of 2020, credit standards were additionally tightened, specifically for long-term loans for both large enterprises and SMEs, while other reporting banks were of the opinion that credit standards for corporate loans saw no additional tightening. One of the banks highlighted the continuation of the uncertain economic situation, uncertain conditions in individual sectors and admissible risk at the bank as factors contributing to the tightening of credit standards. As with households, only one bank reported an easing of lending terms for large enterprises and SMEs, while other banks saw no particular changes in lending terms compared to the previous quarter.

Figure 9.1.: Credit standards for corporate loans

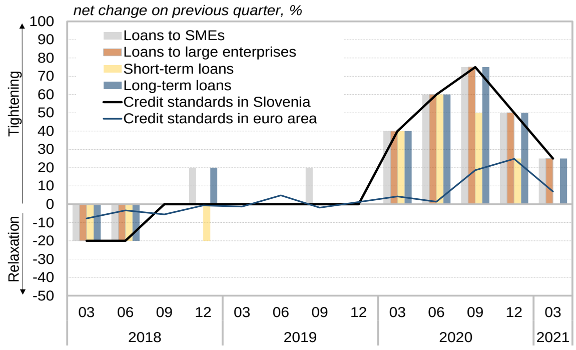
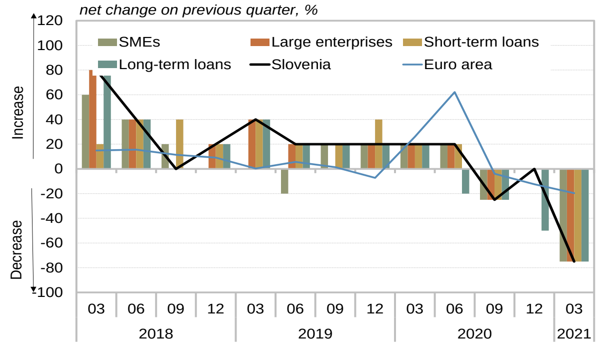


Figure 9.2.: Corporate demand for loans and factors affecting demand in Slovenia



Source: ECB; Bank of Slovenia.

Almost all reporting banks confirmed that the demand for corporate loans decreased in the first quarter of 2021, while most of them assessed that the demand for household loans did not change significantly. Three out of four reporting banks confirmed that the demand for loans by large enterprises and SMEs was down compared to the last quarter of 2020. In their view, this was due to a reduced need for new investments in fixed assets, financing inventories and working capital, and an increase in loans at other banks. Most banks expected no particular changes in the demand for corporate loans for the second quarter. One reporting bank assessed that compared to the last quarter of the previous year, demand for household loans was down for housing and consumer loans while other banks were of the view that there were no changes. Individual reporting banks took the view that an overall favourable interest rate level and an increased interest in buying durables could have a positive impact on lending. However, this was not yet reflected in an increased demand for housing and consumer loans in the first quarter of 2021. Most of the reporting banks confirmed that the demand for housing and consumer loans should improve in the second quarter in line with the lifting of measures which were adopted to contain the spread of the Covid-19 epidemic.

10. Risk and resilience dashboard

In the second quarter of 2021 the risk inherent in the macroeconomic environment decreased and remains elevated. With the epidemiological situation improving, it is expected to continue decreasing. Credit risk remains high, and income risk remains elevated. Banks' resilience to systemic risks in respect of solvency and profitability is assessed as medium, while in respect of liquidity it is assessed as high.

The euro area economy saw a 6.6% decline in 2020. This year, however, with an increase in vaccination and with a gradual lifting of containment measures the economic recovery continues,

[12] The note on page 2 also applies to the BLS: Slovenian reporting banks accounted for 60% of the balance sheet total and 57% of loans in the banking system on an individual basis in September, but it should be reiterated that the number of surveyed banks is small. According to the BLS, only four banks report data as of September or October 2020.

albeit rather unevenly. The share of NPEs remains low and even declined sharply in April due to a one-off event (from 1.8% to 2.4%). Exposures with increased credit risk also declined in the first months of this year. The risk inherent in the real estate market is assessed as moderate, yet it is expected to go up. With improved macroeconomic forecasts and relatively good business performance of leasing companies in the first quarter of 2021, the risk inherent in leasing companies started to decrease, but remains elevated. The resilience of the banking system remains good and has not changed compared to the previous quarter.

Table 10.1: Bank of Slovenia's risk and resilience dashboard for the Slovenian financial system

	Risk and resilience dashboard							
	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Trend
Systemic risk								
Macroeconomic risk								⇨
Income risk								⇧
Credit risk								⇩
Risk inherent in leasing companies								⇩
Risk inherent in real estate market								⇧
Funding risk								⇧
Interest rate risk								⇨
Resilience to systemic risks								
Banking system: solvency								⇨
Banking system: liquidity								⇩

Colour code:

Risk	low	moderate	elevated	high
Resilience	high	medium	low	very low

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

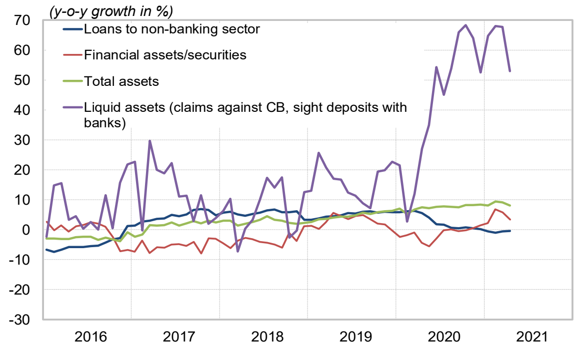
The first quarter of 2021 saw a change to the treatment of income risk, which now focuses on the risk to the generation of (net) income, while profitability is addressed together with solvency in the section "The banking system's resilience to systemic risks". The changes were introduced to eliminate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

Source: Bank of Slovenia.

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

1. KEY TRENDS IN THE BANKING SECTOR

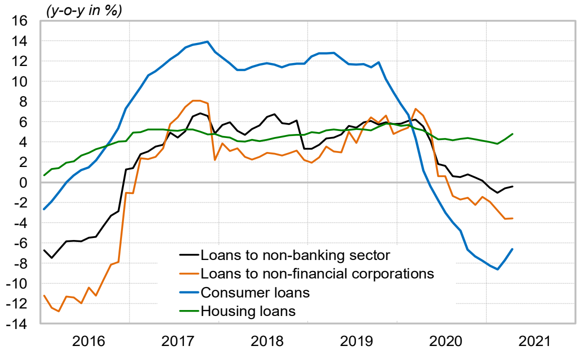
Figure1.1: Growth in bank investments



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

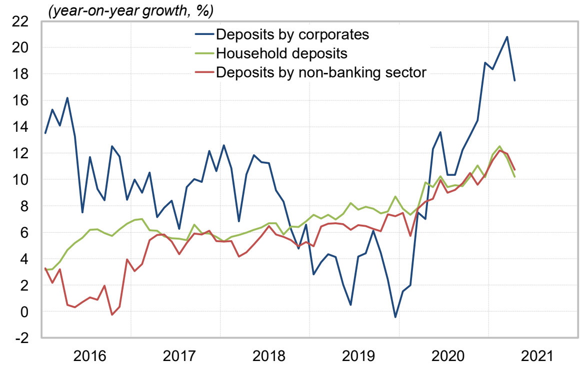
Source: Bank of Slovenia.

Figure1.2: Loans by sector and loan type



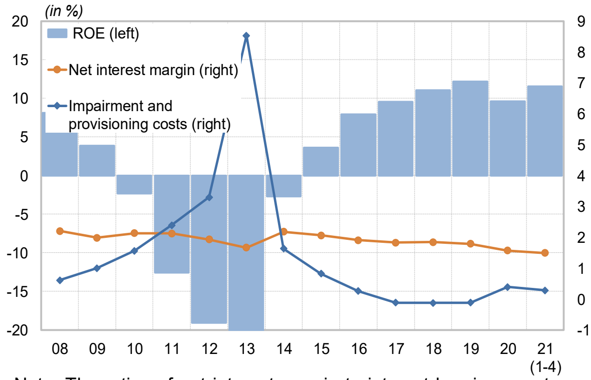
Source: Bank of Slovenia.

Figure 1.3: Deposits by sector



Source: Bank of Slovenia.

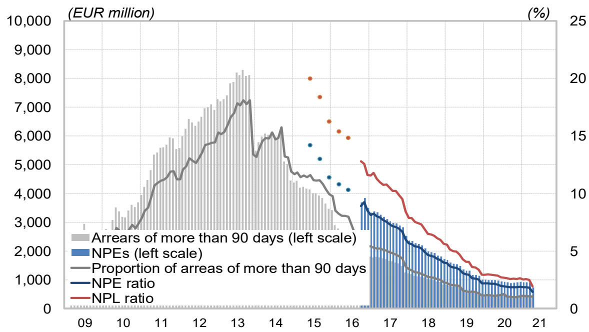
Figure 1.4: ROE, net interest margin, and ratio of impairment and provisioning costs to total assets



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

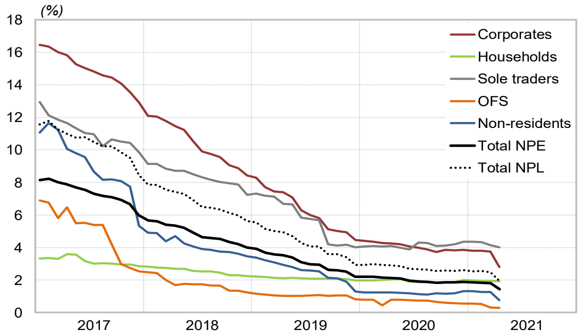
Source: Bank of Slovenia.

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



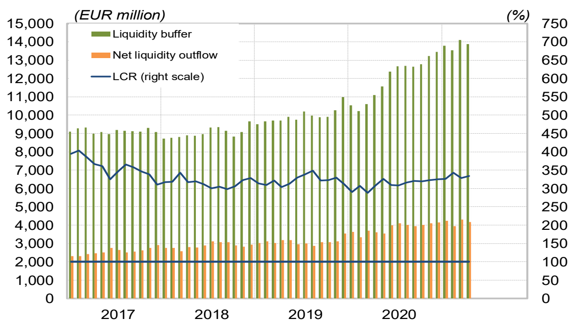
Source: Bank of Slovenia.

Figure1.6: NPE ratio by client segment



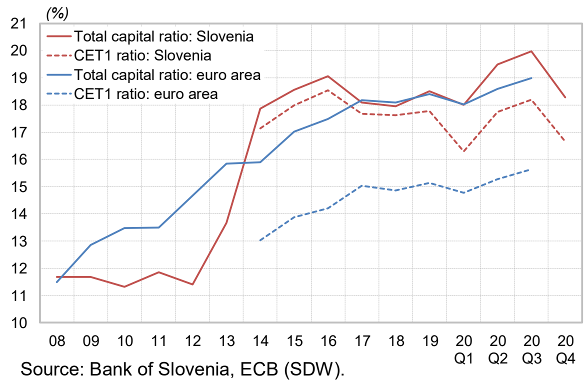
Source: Bank of Slovenia.

Figure1.7: Liquidity coverage ratio (LCR)



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

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



Source: Bank of Slovenia, ECB (SDW).

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

Table 2.1: Banking system's assets and liabilities, as at 30. April 2021

EUR million unless stated, growth rates in %	Stock 31.12.2008	Breakdown (%)	Stock 31.12.2020	Breakdown (%)	Stock 30.04.2021	Breakdown (%)	Increase in April 21	Increase in 2021	Growth in April 21, % monthly	Growth in April 21, % year-on-year
Assets	**47,948**	**100.0**	**44,651**	**100.0**	**45,949**	**100.0**	**-53.4**	**1,297.8**	**-0.1**	**8.0**
Cash in hand, balances at central bank and sight deposits at banks*	**1,250**	**2.6**	**8,825**	**19.8**	**9,654**	**21.0**	**96.9**	**828.8**	**1.0**	**53.0**
Loans to banks at amortised cost (including central bank)	**4,101**	**8.6**	**1,492**	**3.3**	**1,748**	**3.8**	**216.0**	**255.9**	**14.1**	**-0.6**
domestic banks	2,673	5.6	647	1.4	630	1.4	-7.5	-17.0	-1.2	-9.8
foreign banks	1,428	3.0	845	1.9	1,118	2.4	223.6	272.9	25.0	5.4
short-term loans to banks	2,056	4.3	271	0.6	503	1.1	150.9	232.4	42.8	-22.6
long-term loans to banks	2,046	4.3	1,222	2.7	1,245	2.7	65.2	23.5	5.5	12.2
Loans to non-banking sector*	**33,718**	**70.3**	**23,561**	**52.8**	**23,764**	**51.7**	**-104.1**	**202.9**	**-0.4**	**-0.4**
of which non-financial corporations	20,260	42.3	8,750	19.6	8,928	19.4	-90.8	177.8	-1.0	-3.6
households	7,558	15.8	10,712	24.0	10,758	23.4	22.0	45.8	0.2	1.6
of which residential			6,760	15.1	6,870	15.0	48.3	109.9	0.7	4.8
consumer			2,591	5.8	2,540	5.5	-13.0	-50.5	-0.5	-6.6
government	506	1.1	1,546	3.5	1,478	3.2	2.3	-68.6	0.2	-8.2
other financial institutions	2,829	5.9	1,202	2.7	1,182	2.6	4.2	-20.7	0.4	-5.0
non-residents	2,515	5.2	1,323	3.0	1,390	3.0	-41.7	67.5	-2.9	23.4
Other financial assets classed as loans and receivables (at amortised cost)	**0**	**0.0**	**113**	**0.3**	**148**	**0.3**	**-2.9**	**35.0**	**-2.0**	**-12.2**
Securities / financial assets**	**7,323**	**15.3**	**8,958**	**20.1**	**8,942**	**19.5**	**-266.7**	**-16.5**	**-2.9**	**3.4**
a) Financial assets held for trading	**1,177**	**2.5**	**61**	**0.1**	**59**	**0.1**	**-12.9**	**-1.4**	**-17.9**	**-34.4**
of which debt securities held for trading	571	1.2	3	0.0	1	0.0	-7.7	-2.4	-87.7	-94.8
... government debt securities held for trading	56	0.1	3	0.0	1	0.0	-7.7	-2.4	-87.7	-94.8
b) Financial assets measured at fair value through P&L not held for trading	**0**	**0.0**	**92**	**0.2**	**94**	**0.2**	**0.0**	**1.2**	**0.0**	**63.5**
of which debt securities measured at fair value through P&L not held for trading	0	0.0	3	0.0	3	0.0	-0.1	0.0	-3.8	0.0
c) Financial assets designated for measurement at fair value through P&L	**179**	**0.4**	**6**	**0.0**	**0**	**0.0**	**0.0**	**-6.1**		**-100.0**
of which debt securities designated for measurement at fair value through P&L	163	0.3	6	0.0	0	0.0	0.0	-6.1		-100.0
... government debt securities designated for measurement at fair value through P&L	0	0.0	0	0.0	0	0.0	0.0	0.0	0.0	0.0
d) Financial assets measured at fair value through other comprehensive income	**4,552**	**9.5**	**5,818**	**13.0**	**5,435**	**11.8**	**-165.7**	**-382.7**	**-3.0**	**12.2**
of which debt securities measured at fair value through other comprehensive income	4,318	9.0	5,625	12.6	5,238	11.4	-166.1	-387.0	-3.1	12.8
... government debt securities measured at fair value through other comprehensive income	2,875	6.0	3,854	8.6	3,497	7.6	-156.0	-356.7	-4.3	8.9
e) Debt securities at amortised cost	**1,415**	**3.0**	**2,981**	**6.7**	**3,354**	**7.3**	**-88.0**	**372.6**	**-2.6**	**-8.1**
of which government debt securities at amortised cost	1,182	2.5	2,314	5.2	2,590	5.6	-113.8	275.8	-4.2	-9.9
Investments in subsidiaries, joint ventures and associates	**627**	**1.3**	**903**	**2.0**	**926**	**2.0**	**23.1**	**23.1**	**2.6**	**-2.9**
Other assets	**928**	**1.9**	**799**	**1.8**	**768**	**1.7**	**-15.6**	**-31.5**	**-2.0**	**-9.5**
Equity and liabilities	**47,948**	**100.0**	**44,651**	**100.0**	**45,949**	**100.0**	**-53.4**	**1,297.8**	**-0.1**	**8.0**
Financial liabilities measured at amortised cost (deposits)	**41,895**	**87.4**	**39,404**	**88.2**	**40,634**	**88.4**	**-93.7**	**1,230.5**	**-0.2**	**9.4**
a) Financial liabilities to central bank (Eurosystem)	**1,229**	**2.6**	**1,380**	**3.1**	**1,398**	**3.0**	**-1.1**	**17.7**	**-0.1**	**20.2**
b) Liabilities to banks	**18,168**	**37.9**	**2,378**	**5.3**	**2,384**	**5.2**	**8.1**	**5.8**	**0.3**	**-16.6**
of which to domestic banks	2,065	4.3	799	1.8	805	1.8	1.6	5.6	0.2	-5.1
of which to foreign banks	16,098	33.6	1,579	3.5	1,579	3.4	6.4	0.2	0.4	-21.4
c) Liabilities to non-banking sector (deposits by NBS)	**20,883**	**43.6**	**34,281**	**76.8**	**35,396**	**77.0**	**-109.7**	**1,115.3**	**-0.3**	**10.7**
of which to non-financial corporations	3,728	7.8	8,031	18.0	8,279	18.0	-222.2	248.2	-2.6	17.5
households	13,407	28.0	22,437	50.2	23,156	50.4	128.7	719.8	0.6	10.2
government	1,879	3.9	948	2.1	872	1.9	17.5	-75.8	2.0	-15.6
other financial institutions	1,065	2.2	1,172	2.6	1,250	2.7	-6.1	77.3	-0.5	-0.9
non-residents	475	1.0	1,217	2.7	1,359	3.0	-28.2	142.7	-2.0	15.4
d) Debt securities	**1,276**	**2.7**	**1,058**	**2.4**	**1,058**	**2.3**	**1.0**	**0.1**	**0.1**	**46.1**
e) Other financial liabilities measured at amortised cost***	**1,568**	**3.3**	**307**	**0.7**	**398**	**0.9**	**7.9**	**91.6**	**2.0**	**-6.5**
Provisions	**176**	**0.4**	**186**	**0.4**	**175**	**0.4**	**0.2**	**-10.1**	**0.1**	**-3.0**
Shareholder equity	**4,010**	**8.4**	**4,805**	**10.8**	**4,934**	**10.7**	**49.5**	**129.1**	**1.0**	**-0.3**
Other liabilities	**1,867**	**3.9**	**257**	**0.6**	**205**	**0.4**	**-9.3**	**-51.7**	**-4.3**	**-27.3**
BALANCE SHEET TOTAL	**47,948**	**100.0**	**44,651**	**100.0**	**45,949**	**100.0**	**-53.4**	**1,297.8**	**-0.1**	**8.0**

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

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

*** 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.

**** Total financial liabilities measured at amortized cost in 2008 also include banks' liabilities to the central bank.

Source: Bank of Slovenia.

[1]The bank performance data in this publication is based on the banks' own book figures, which differ in methodological terms from the published statistics. The data on loans also differs because the data in this publication includes loans to non-residents, applies the net principle (amounts are minus value adjustments)

Table 2.2: Income statement for 2019, 2020 and 2021

(EUR million unless stated)	2019	Breakdown (%)	2020	Breakdown (%)	2020 Jan.-Apr	Breakdown (%)	2021 Jan.-Apr	Breakdown (%)	Annual growth, % Jan.- Apr. 21/ Jan.- Apr. 20
Interest income	790.0		754.0		254.6		246.9		-3.0
Interest expenses	107.3		114.9		36.3		39.8		9.7
Net interest	**682.7**	**54.4**	**639.1**	**47.0**	**218.3**	**62.3**	**207.1**	**51.9**	**-5.1**
Non-interest income	**573.4**	**45.6**	**721.0**	**53.0**	**132.3**	**37.7**	**192.2**	**48.1**	**45.3**
of which net fees and commission	333.8	26.6	329.7	24.2	107.0	30.5	117.4	29.4	9.7
of which net gains/losses on financial assets and liabilities held for trading	12.1	1.0	16.0	1.2	4.0	1.1	0.9	0.2	-78.2
Gross income	**1,256.1**	**100.0**	**1,360.1**	**100.0**	**350.5**	**100.0**	**399.3**	**100.0**	**13.9**
Operating costs	**-709.3**	**-56.5**	**-718.4**	**-52.8**	**-228.3**	**-65.1**	**-237.9**	**-59.6**	**4.2**
Net income	**546.8**	**43.5**	**641.6**	**47.2**	**122.2**	**34.9**	**161.4**	**40.4**	**32.1**
Net impairments and provisions	**45.7**	**3.6**	**-169.6**	**-12.5**	**-26.3**	**-7.5**	**16.1**	**4.0**	**-161.4**
Pre-tax profit	**592.5**	**47.2**	**472.0**	**34.7**	**95.9**	**27.4**	**177.6**	**44.5**	**85.1**
Taxes	-62.0		-21.7		-12.0		-17.1		41.9
Net profit	530.5		450.3		83.9		160.5		91.3

Source: Bank of Slovenia.

Table 2.3: Selected performance indicators

in %	2014	2015	2016	2017	2018	2019	2020	2020 Jan.-Apr.	2021 Jan.-Apr.	Apr-20 (last 12 mon.)	Apr-21 (last 12 mon.)
Profitability											
Financial intermediation margin*	3.10	3.05	3.05	2.88	3.01	3.13	3.16	2.56	2.70	2.96	3.19
ROA	-0.27	0.42	0.99	1.19	1.39	1.48	1.10	0.70	1.19	1.18	1.25
ROE	-2.69	3.63	7.96	9.58	11.07	12.16	9.57	5.96	11.55	9.81	11.30
Interest margin on interest-bearing assets	2.18	2.06	1.91	1.83	1.84	1.79	1.57	1.68	1.47	1.75	1.50
Net non-interest income / operating costs	58.05	60.05	68.53	62.67	71.93	80.84	100.35	57.93	80.77	73.88	107.26
Operating costs											
Labour costs / average assets	0.92	0.97	1.01	1.02	1.02	1.00	0.90	0.93	0.86	0.99	0.87
Other costs / average assets	0.81	0.84	0.80	0.78	0.73	0.77	0.77	0.71	0.72	0.77	0.77
Asset quality											
Impairments of financial assets at amortised cost / gross assets	8.98	7.84	5.38	4.09	2.64	1.53	1.59	1.56	1.38	/	/

** Gross income / average assets*

Source: Bank of Slovenia.

3. BANKS' INTEREST RATES

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

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

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

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

	Loans							
	Households				Corporates			
	Housing		Consumer		up to EUR 1m		over EUR 1m	
	EMU	SLO	EMU	SLO	EMU	SLO	EMU	SLO
Dec-12	3.3	5.5	6.8	7.2	3.7	6.9	3.0	5.3
Dec-13	3.2	6.4	6.8	7.2	3.6	5.5	2.9	4.6
Dec-14	2.6	4.4	6.2	6.8	2.9	5.4	2.1	2.9
Dec-15	2.4	3.2	5.9	5.5	2.5	3.8	1.9	3.0
Dec-16	1.8	2.6	5.5	6.0	2.0	3.2	1.6	2.2
Dec-17	1.9	2.9	5.4	6.1	2.0	3.4	1.5	1.8
Dec-18	1.9	2.9	5.5	6.2	2.0	3.3	1.6	1.5
Dec-19	1.4	2.7	5.3	6.2	1.7	3.5	1.4	1.1
Jan-20	1.4	2.7	5.7	6.2	1.8	3.1	1.3	1.0
Feb-20	1.4	2.6	5.6	6.1	1.8	3.8	1.3	1.4
Mar-20	1.4	2.6	5.5	6.1	1.7	3.0	1.2	1.3
Apr-20	1.4	2.8	5.5	6.1	1.6	2.9	1.3	2.9
May-20	1.4	2.6	5.3	6.1	1.6	2.8	1.3	1.8
Jun-20	1.4	2.5	5.1	6.1	1.7	2.8	1.4	1.2
Jul-20	1.4	2.4	5.3	6.1	1.7	3.5	1.4	2.3
Aug-20	1.4	2.3	5.4	6.1	1.7	2.9	1.2	1.9
Sep-20	1.4	2.3	5.3	6.0	1.7	3.2	1.3	1.2
Oct-20	1.4	2.2	5.3	6.1	1.7	3.4	1.4	1.4
Nov-20	1.4	2.2	5.3	6.0	1.7	3.0	1.3	1.5
Dec-20	1.3	2.2	5.1	6.0	1.7	3.3	1.3	1.7
Jan-21	1.4	2.1	5.3	6.1	1.7	3.1	1.3	1.7
Feb-21	1.3	2.1	5.3	6.1	1.7	3.4	1.2	1.8
Mar-21	1.3	2.0	5.1	6.0	1.7	2.6	1.2	1.1
Apr-21	1.3	1.9	5.2	5.9	1.7	2.6	1.4	1.6

Source: Bank of Slovenia, ECB.

4. QUALITY OF THE BANKING SYSTEM'S PORTFOLIO

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

	Exposures		Non-performing exposures (NPEs)							
	amount, EUR million	breakdown, %	amount, EUR million				ratio, %			
	Apr.21	Apr.21	Dec.19	Dec.20	Mar.21	Apr.21	Dec.19	Dec.20	Mar.21	Apr.21
NFCs	14,586	28.9	636	552	543	409	4.5	3.9	3.7	2.8
- large NFCs	7,378	14.6	261	224	220	103	3.5	3.1	3.0	1.4
- SME	7,045	14.0	374	324	324	307	5.6	4.8	4.6	4.4
OFIs	1,328	2.6	11	8	4	4	0.8	0.6	0.3	0.3
Households	12,234	24.2	247	255	250	249	2.1	2.1	2.1	2.0
sole traders	689	1.4	28	30	29	28	4.0	4.3	4.1	4.0
individuals	11,546	22.9	219	225	221	221	2.0	2.0	1.9	1.9
- consumer loans	2,593	5.1	71	84	84	84	2.5	3.2	3.2	3.3
- housing loans	6,731	13.3	123	115	109	109	1.9	1.7	1.6	1.6
- other	2,190	4.3	24	25	28	27	1.3	1.3	1.3	1.3
Non-residents	8,510	16.9	99	106	106	66	1.3	1.3	1.3	0.8
Government	5,024	9.9	12	8	1	1	0.2	0.2	0.0	0.0
Banks and savings banks	888	1.8	0	0	0	0	0.0	0.0	0.0	0.0
Central bank	7,928	15.7	0	0	0	0	0.0	0.0	0.0	0.0
Total	**50,498**	**100.0**	**1,006**	**929**	**904**	**729**	**2.2**	**1.9**	**1.8**	**1.4**

Table 4.2:[1] Non-performing exposures to non-financial corporations by sector

	Exposures		Non-performing exposures (NPEs)				NPE ratio			
	amount, (EUR million)	breakdown ,%	amount, (EUR million)				(%)			
	Apr.21	Apr.21	Dec.19	Dec.20	Mar.21	Apr.21	Dec.19	Dec.20	Mar.21	Apr.21
Agriculture, forestry, fishing, mining	113	0.8	3	3	3	3	2.1	2.8	2.8	2.8
Manufacturing	4,089	28.0	114	93	88	86	2.8	2.4	2.2	2.1
Electricity, gas, water, remediation	1,380	9.5	8	9	10	10	0.6	0.6	0.7	0.7
Construction	1,324	9.1	84	60	56	50	7.3	4.8	4.3	3.8
Wholesale and retail trade	2,584	17.7	229	209	207	89	9.0	8.1	8.1	3.4
Transportation and storage	1,618	11.1	20	25	24	23	1.2	1.5	1.4	1.4
Accommodation and food service	605	4.2	40	61	69	64	8.3	10.2	11.2	10.6
Information and communication	587	4.0	6	5	5	5	0.9	1.0	0.9	0.8
Financial and insurance activities	72	0.5	0	0	0	0	0.7	0.0	0.0	0.2
Real estate activities	573	3.9	46	24	21	19	7.9	4.1	3.6	3.4
Professional, scientific and technical	1,395	9.6	65	50	49	48	4.9	3.7	3.5	3.4
Education, health, public admin.	137	0.9	13	5	5	5	9.0	3.8	3.6	3.5
Arts, recreation and entertainment	109	0.7	7	8	7	7	6.5	7.1	6.6	6.3
Total	**14,586**	**100.0**	**636**	**552**	**543**	**409**	**4.5**	**3.9**	**3.7**	**2.8**

Table 4.3: Exposures by credit risk stages by client segment

	Share in %									Exposure to stage 2		
	S1			S2			S3			amount, EUR million		
	dec.19	dec.20	apr.21	dec.19	dec.20	apr.21	dec.19	dec.20	apr.21	dec.19	dec.20	apr.21
NFCs	89.5	84.7	85.7	6.9	12.3	11.6	3.6	3.0	2.8	976	1,743	1,684
- large NFCs	92.3	88.4	88.8	5.7	10.0	9.9	1.9	1.5	1.4	423	718	730
- SME	86.1	80.9	82.4	8.3	14.6	13.4	5.5	4.6	4.2	553	1,026	954
OFIs	98.8	99.2	99.5	0.4	0.3	0.2	0.8	0.6	0.3	5	4	3
Households	91.8	89.4	89.4	6.1	8.5	8.4	2.1	2.1	2.2	720	1,010	1,029
sole traders	86.3	84.3	84.3	9.7	11.3	11.7	4.0	4.3	4.0	67	78	80
individuals	92.1	89.7	89.7	5.9	8.3	8.2	2.0	2.0	2.1	653	932	949
- consumer loans	92.9	89.6	88.5	4.6	7.2	7.9	2.5	3.2	3.6	129	189	205
- housing loans	90.9	88.3	88.6	7.2	10.0	9.6	1.9	1.7	1.8	455	660	645
- other	95.1	94.6	94.3	3.6	4.1	4.4	1.3	1.3	1.3	69	83	99
Non-residents	96.4	94.5	93.2	2.7	4.6	6.0	0.9	1.0	0.8	207	366	510
Government	99.3	99.2	99.4	0.4	0.6	0.5	0.2	0.2	0.0	21	33	27
Total	**93.9**	**91.9**	**92.1**	**4.3**	**6.5**	**6.4**	**1.9**	**1.6**	**1.5**	**1,931**	**3,166**	**3,255**

Source: Bank of Slovenia.

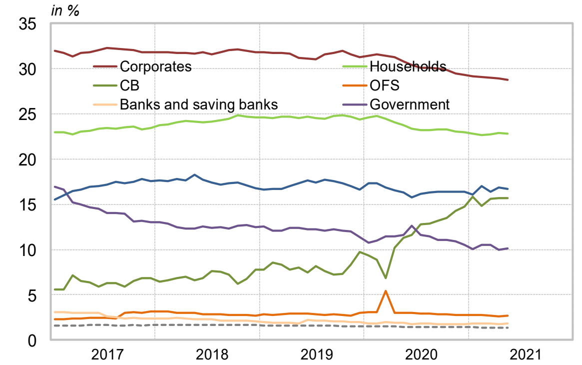
[1] The data on non-performing exposures is calculated on the basis of the banks' modified reporting under the Guidelines for implementing the Regulation on reporting by monetary financial institutions in accordance with the CRD IV and the EBA definition published in Commission Implementing Regulation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

Table 4.4: Exposures by credit risk stages by sector

	Share in %									Exposure to stage 2 amount, EUR million		
	S1			S2			S3					
	dec.19	dec.20	apr.21	dec.19	dec.20	apr.21	dec.19	dec.20	apr.21	dec.19	dec.20	apr.21
Agriculture, forestry, fishing, mining	87.6	80.9	82.3	10.4	16.3	14.9	2.1	2.8	2.8	13	19	17
Manufacturing	87.9	80.5	81.3	9.3	17.1	16.6	2.8	2.4	2.1	374	680	677
Electricity, gas, water, remediation	94.1	96.1	96.4	5.2	3.3	2.9	0.6	0.6	0.7	68	45	40
Construction	86.2	84.5	88.2	6.6	10.8	8.1	7.2	4.7	3.7	77	137	107
Wholesale and retail trade	91.2	88.0	89.8	4.4	8.2	6.8	4.5	3.8	3.4	106	201	175
Transportation and storage	92.7	93.8	93.9	6.1	4.7	4.7	1.2	1.5	1.4	106	77	76
Accommodation and food service	84.9	43.3	40.4	7.6	47.2	49.6	7.5	9.5	10.0	37	279	298
Information and communication	95.9	92.0	91.8	3.2	7.0	7.4	0.9	1.0	0.8	21	39	43
Financial and insurance activities	78.5	99.1	99.3	20.7	0.8	0.5	0.7	0.0	0.2	13	1	0
Real estate activities	82.8	86.3	86.9	9.3	9.6	9.7	8.0	4.1	3.4	54	56	55
Professional, scientific and technical	89.4	85.5	87.3	5.7	10.8	9.3	4.9	3.7	3.4	75	145	129
Education, health, public admin.	82.5	85.4	86.8	8.5	10.8	9.7	9.0	3.8	3.5	12	15	13
Arts, recreation and entertainment	76.8	47.3	45.2	16.8	45.6	48.5	6.5	7.1	6.3	19	49	53
Total	**89.5**	**84.7**	**85.7**	**6.9**	**12.3**	**11.6**	**3.6**	**3.0**	**2.8**	**976**	**1,743**	**1,684**

Source: Bank of Slovenia.

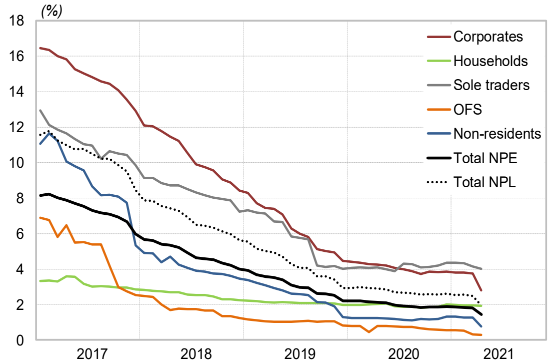
Figure 4.1: Structure of banks' exposures



Note: The category 'Financial assets/securities' also includes debt

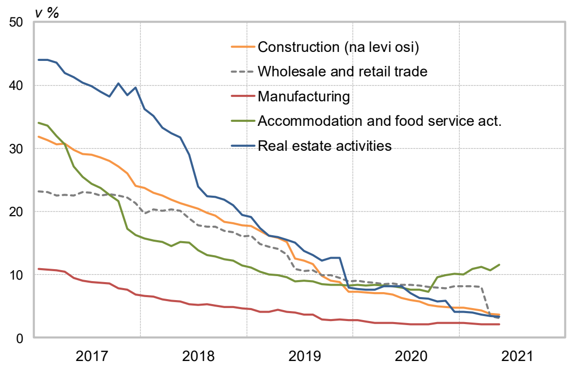
Source: Bank of Slovenia.

Figure 4.2: Share of NPEs by groups of clients



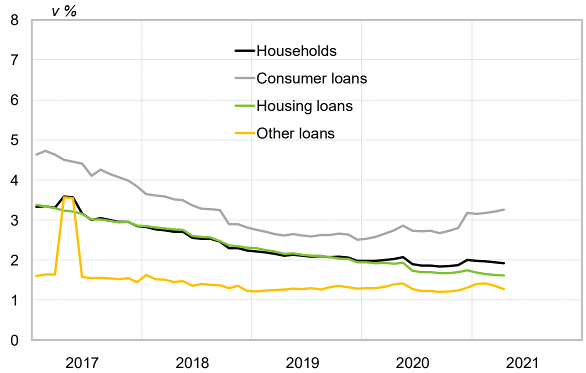
Source: Bank of Slovenia.

Figure 4.3: Share of NPEs by activity of enter-



Source: Bank of Slovenia.

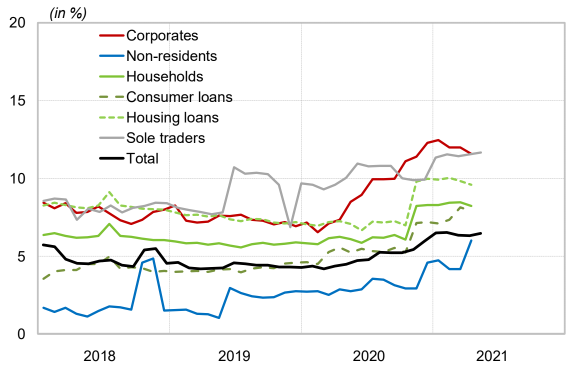
Figure 4.4: Share of NPEs in retail loans



Note: The ratios of net interest margin to interest-bearing assets and net impairment and provisioning costs to total assets are always calculated for the preceding 12 months. Pre-tax ROE is calculated during the year on a cumulative basis up to the most recent data available (September 2020).

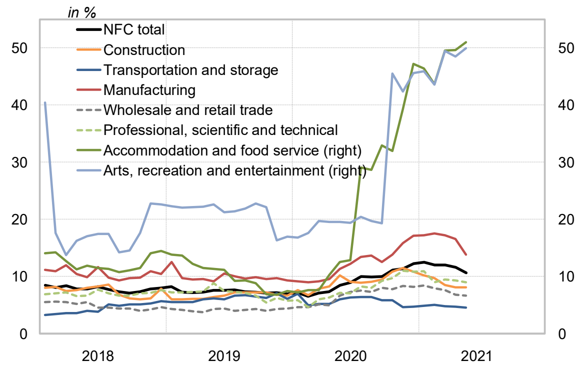
Source: Bank of Slovenia.

Figure 4.5: Share of Group 2 credit risk by groups of clients



Source: Bank of Slovenia.

Figure 4.6: Share of Group 2 credit risk



Source: Bank of Slovenia.

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

Table 5.1:[1] Loans as at 30 April 2021 by sector

	Total loans	Of which: Loans under moratorium		Of which: Loans under moratorium by law		Of which: Loans under moratorium by bilateral agreement	
	(EUR million)	(EUR million)	in % of total loans	(EUR million)	in % of total loans	(EUR million)	in % of total loans
	(1)	(2)	(3) = (2) / (1)	(4)	(5) = (4) / (1)	(6)	(7) = (6) / (1)
Central banks and credit institutions	10,999	0	0.0	0.0	0.0	0	0.0
Other financial organizations	1,604	10	0.6	9.6	0.6	0	0.0
Government	1,522	1	0.0	0.6	0.0	0	0.0
Non-financial corporations	10,291	2,086	20.3	1,703.7	16.6	382	3.7
large companies	4,452	775	17.4	717.5	16.1	58	1.3
micro, small and medium-sized companies	5,838	1,310	22.4	986.3	16.9	324	5.5
Households	11,077	602	5.4	567.4	5.1	35	0.3
sole traders	595	101	17.0	78.4	13.2	23	3.8
other households	10,482	501	4.8	489.0	4.7	12	0.1
Total	**35,492**	**2,698**	**7.6**	**2,281.4**	**6.4**	**416**	**1.2**

Source: Bank of Slovenia.

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

Table 5.2: Loans to non-financial corporations as at 30 April 2021 by activity

	Total loans	Of which: Loans under moratorium		Of which: Loans under moratorium by law		Of which: Loans under moratorium by bilateral agreement		Of which: Newly approved loans as a result of the Covid-19 epidemic	
	(EUR million)	(EUR million)	in % of total loans	(EUR million)	in % of total loans	(EUR million)	in % of total loans	(EUR million)	in % of total loans
	(1)	(2)	(3) = (2) / (1)	(4)	(5) = (4) / (1)	(6)	(7) = (6) / (1)	(8)	(9) = (8) / (1)
A Agriculture, forestry, fishing	54	5	9.1	4.4	8.2	0	0.9	0	0.0
B Mining	86	17	19.8	7.9	9.2	9	10.6	0	0.1
C Manufacturing	2,943	779	26.5	707.5	24.0	72	2.4	116	4.0
D Electricity, gas, remediation	700	1	0.1	1.0	0.1	0	0.0	0	0.0
E Water	111	15	13.6	12.2	11.0	3	2.6	0	0.3
F Construction	490	75	15.2	36.6	7.5	38	7.8	11	2.3
G Trade	1,597	191	12.0	163.9	10.3	27	1.7	35	2.2
H Transportation and storage	1,292	113	8.7	94.9	7.3	18	1.4	8	0.6
I Accommodation and food service	578	353	61.1	323.5	56.0	30	5.1	34	5.9
J Information and communication	441	38	8.5	30.6	7.0	7	1.6	5	1.0
K Financial and insurance activities	116	0	0.4	0.1	0.1	0	0.3	0	0.0
L Real estate activities	709	218	30.7	129.9	18.3	88	12.4	0	0.0
M Professional, scientific and tech.	717	83	11.5	58.5	8.2	24	3.4	7	0.9
N Upravne in podporne dej.	143	41	28.6	21.5	15.1	19	13.5	5	3.5
O Public admin., defense, soc. sec.	1	1	70.0	0.6	70.0	0	0.0	0	0.0
P Education	23	12	53.3	5.1	22.3	7	31.0	0	0.1
Q Health and social security	152	57	37.2	47.0	30.8	10	6.4	1	0.5
R Arts, recreation and entertainment	122	81	66.3	51.3	42.1	30	24.3	0	0.2
S Other activities	18	8	41.4	7.2	39.6	0	1.8	1	3.2
Total	**10,291**	**2,086**	**20.3**	**1,704**	**16.6**	**382**	**3.7**	**223**	**2.2**

Source: Bank of Slovenia.

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

Table 5.3:[1] Loans by moratoria according to the maturity of the deferral as at 30 April 2021 by industry

	Loans under legislative moratoria									Loans under bilaterally agreed moratoria								
		Of which: expired moratoria		Of which: active moratoria							Of which: expired moratoria		Of which: active moratoria					
	in mio EUR	in mio EUR	in % of 'loans under legislative moratoria	in mio EUR	in % of 'loans under legislative moratoria	Of which: Residual maturity of moratoria up to 3 months	Of which: Residual maturity of moratoria 3 - 6 months	Of which: Residual maturity of moratoria 6 - 9 months	Of which: Residual maturity of moratoria above 9 months	in mio EUR	in mio EUR	in % of 'loans under bilaterally agreed moratoria	in mio EUR	in % of 'loans under bilaterally agreed moratoria	Of which: Residual maturity of moratoria up to 3 months	Of which: Residual maturity of moratoria 3 - 6 months	Of which: Residual maturity of moratoria 6 - 9 months	Of which: Residual maturity of moratoria above 9 months
	(1)	(2)	(3) = (2) / (1)	(4)	(5) = (4) / (1)	(6)	(7)	(8)	(9)	(10)	(11)	(12) = (11) / (10)	(13)	(14) = (13) / (10)	(15)	(16)	(17)	(18)
A Agriculture, forestry and fishing	4	2	43.4	2	56.6	2	1	0	0	0	0	100	0	0.0	0	0	0	0
B Mining and quarrying	8	8	100.0	0	0.0	0	0	0	0	9	9	100	0	0.0	0	0	0	0
C Manufacturing	707	439	62.0	269	38.0	177	26	59	7	72	65	91	7	9.4	5	2	0	0
D Electricity, gas, steam and air conditioning supply	1	1	86.6	0	13.4	0	0	0	0	0	0	0	0	0.0	0	0	0	0
E Water supply	12	12	97.6	0	2.4	0	0	0	0	3	2	84	0	15.5	0	0	0	0
F Construction	37	33	90.6	3	9.4	2	1	0	0	38	21	54	17	45.6	8	9	0	0
G Wholesale and retail trade	164	124	75.8	40	24.2	24	7	8	1	27	23	85	4	14.5	2	0	2	0
H Transport and storage	95	79	83.7	15	16.3	7	3	6	0	18	14	81	3	19.3	1	0	2	0
I Accommodation and food service activities	323	175	54.2	148	45.8	107	24	14	3	30	8	27	22	73.3	3	5	4	10
J Information and communication	31	26	83.7	5	16.3	4	1	0	0	7	5	72	2	27.6	0	2	0	0
K Financial and insurance activities	0	0	100.0	0	0.0	0	0	0	0	0	0	100	0	0.0	0	0	0	0
L Real estate activities	130	122	94.1	8	5.9	6	1	0	0	88	51	59	36	41.3	36	0	0	0
M Professional, scientific and technical activities	59	46	78.1	13	21.9	4	8	1	0	24	22	93	2	6.8	2	0	0	0
N Administrative and support service activities	22	12	56.8	9	43.2	2	2	6	0	19	13	69	6	30.9	1	5	0	0
O Public administration and defence, compulsory social security	1	1	100.0	0	0.0	0	0	0	0	0	0	0	0	0.0	0	0	0	0
P Education	5	5	96.5	0	3.5	0	0	0	0	7	7	95	0	4.5	0	0	0	0
Q Human health services and social work activities	47	17	35.8	30	64.2	7	0	23	0	10	10	98	0	2.2	0	0	0	0
R Arts, entertainment and recreation	51	20	38.3	32	61.7	1	1	30	0	30	29	97	1	3.2	1	0	0	0
S Other services	7	5	67.7	2	32.3	2	0	0	0	0	0	68	0	31.5	0	0	0	0
Total	**1,704**	**1,126**	**66.1**	**578**	**33.9**	**344**	**77**	**146**	**10**	**382**	**281**	**74**	**101**	**26.4**	**57**	**24**	**9**	**11**

Source: Bank of Slovenia.

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