BANKA SLOVENIJE

EVROSISTEM

MONTHLY REPORT ON BANK PERFORMANCE WITH COMMENTARY

DECEMBER 2020

COMMENTARY IN BRIEF

The sharp deterioration in the epidemiological situation and the reimposition of containment measures brought a renewed downturn in the economy in the final quarter of 2020. Business conditions are also deteriorating sharply for the banks, which were nevertheless still relatively profitable over the first ten months of the year. The banking system's pre-tax profit amounted to EUR 454 million between January and October of this year, down just 17% on the same period last year, although a significant measure of the relatively good performance is attributable to a one-off effect. Bank lending activity has declined sharply this year, while the trend of increase in deposits has continued, and on the asset side has been reflected in an increase in the most liquid forms of asset. Banks are continuing to face declining income. Net interest income is declining, driven by the decline in credit growth and falling returns on assets. Net fees and commission, the most important component of non-interest income, has been declining since the outbreak of the pandemic. The banking system has recorded positive impairment and provisioning costs this year for the first time in several years, although they still account for a relatively small share in the generated gross income. This has largely been attributed to moratoria on credit liabilities, but these costs are forecast to increase in the future. The NPE ratio continued to decline until September inclusive, before increasing in the non-financial corporations segment in October for the first time since the outbreak of the pandemic. Resilience in the banking system currently remains high, thanks to the sound capital and liquidity position.

The banking system's balance sheet total increased by EUR 2.7 billion over the first ten months of the year to stand at EUR 43.9 billion. Year-on-year growth in the balance sheet total has strengthened this year, reaching 8.1% in October. Amid a sizeable increase in deposits by the non-banking sector and a decline in lending, banks are increasing their holdings of the most liquid forms of asset, most notably claims against the central bank. Securities also continue to account for a relatively large share of total holdings of assets (more than a fifth at system level). On the liability side, compared with previous years, this year has seen an above-average increase in deposits by the non-banking sector.

As a result of the pandemic and its adverse impact on the economy, including increased uncertainty, bank lending activity has declined sharply, although there are large differences between the different types of loan. Loans to the non-banking sector increased by just EUR 175 million over the first ten months of the year, slowing year-on-year growth to 0.8%. The gap between the increase in deposits and the increase in loans in the banking system thus widened again.

Year-on-year growth in household loans had declined to 0.8% by October. The decline in the stock of household loans was particularly evident during the first half of this year, but it rose again from July in the recovery in activity following the first wave of the epidemic. As expected, the stock of consumer loans continued to decline, taking the year-on-year rate of growth to -6.6% by October. The main reasons for these developments are thought to be the general increase in uncertainty, a decline in household income, and increased caution with regard to borrowing. By contrast, year-on-year growth in housing loans remained relatively solid at 4.4% in October. This can be attributed to the current state of the real estate market, where the majority of the indicators remain stable, despite the Covid-19 crisis. Future developments on the real estate market will primarily depend on the duration of the current crisis, and the pace of the economic recovery, where the impact on the second wave of the epidemic will be decisive.

Growth in corporate loans slowed during the year, turning negative in August, which can primarily be attributed to the fall in demand caused by the large decline in economic activity and the uncertainty surrounding future developments. Demand for loans declined sharply, in line with expectations, loans for investment purposes in particular. The proportion of demand accounted for by loans for current operations and for liquidity purposes increased. In this segment too, future lending activity will mostly depend on the pace and intensity of the economic recovery.

After declining for several months despite the Covid-19 crisis, the stock of NPEs and the NPE ratio increased in October. The increase was evident in the non-financial corporations portfolio, where there was an increase in NPEs to firms in the sectors hit worst by shutdowns or reduced operations. Since the very outbreak of the crisis, the increased credit risk has been reflected in customers being reclassified as exposures with increased credit risk that are not yet in default status. This reclassification is most pronounced in the non-financial corporations portfolio, but is also evident in the household and non-residents portfolios. Coverage by impairments is increasing, in both the non-performing and performing parts of the portfolio.

Deposits by the non-banking sector have been the main factor in the increase on the funding side of the balance sheet during the pandemic. The year-on-year rates of growth in deposits by the non-banking sector, household deposits and corporate deposits increased to 10.5%, 10.2% and 13.3% respectively, while this year's nominal increase in deposits thus far has amounted to EUR 2.2 billion. The increase in household deposits, which mainly rose in the second quarter, has in our assessment primarily been driven by reduced consumption amid government measures to alleviate the impact of the pandemic on the labour market. The level of sight deposits has been increasing for several years now, and they now account for 77% of all deposits by the non-banking sector, and 59% of the balance sheet total.

Under adverse business conditions, the banking system has seen a decline in profitability this year, and income risk is high. Pre-tax profit over the first ten months of the year amounted to EUR 454 million, down 17% on the same period last year. The relatively small year-on-year decline is mostly attributable to a one-off increase in non-interest income as a result of the merger of two banks in September. The increasingly adverse developments in the generation of net interest income and non-interest income driven by the decline in lending and the weakened economy, and the moderate increase in impairment and provisioning costs are gradually reducing bank profitability.

The Slovenian banking system remains resilient to the increased risks, as it remains well-capitalised, while liquidity has improved further despite the difficult situation. The total capital ratio increased to 20.0% on a consolidated basis in the third quarter of 2020, and the common equity Tier 1 capital ratio to 18.2%, both thus remaining above their euro area averages. The probable deterioration in credit portfolio quality and declining profitability could also be reflected in a downturn in the banks' capital positions. Primary liquidity increased overall to a record high as a ratio to total assets, while the relative level of secondary liquidity remained stable. The LCR remains well above its regulatory requirement, and among the highest in the euro area, although there remain considerable variations from bank to bank.

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APPENDICES

Methodological notes:

The data in the tables and figures as of March 2012 inclusive consist of data reported by banks to Bank of SloveniaBank 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 AND ADVANCES includes two new sub-items, namely (a) Debt securities, which had previously been reported in part under the sub-items of "Loans and advances to banks" and "Loans and advances 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 the 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 are 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/. As a result of the changeover, there were increases in gross exposure and in accumulated impairment allowances and adjustments to fair value due to credit risk.

1. Macroeconomic environment

With the second wave of the pandemic, the worsening epidemiological situation and the reimposition of containment measures, risks stemming from the macroeconomic environment remain high. Following its strong recovery in the third quarter, when economic activity was up 12.5% on the previous quarter according to seasonally adjusted figures, and down by 4.3% in year-on-year terms, the euro area economy took a renewed sharp downturn in October. The slowdown in the recovery was reflected in the confidence indicators and economic sentiment indicator, which declined again in November after rising strongly between April and September. According to the ECB's December macroeconomic projections, euro area GDP is forecast to decline by 7.3% in real terms this year, followed by a recovery in 2021 with growth of 3.9%. Amid the renewed deterioration in the epidemiological situation in numerous euro area countries, the reimposition of stringent containment measures and the impending availability of a vaccine, the course of the economic recovery remains uncertain. Alongside the evolution of the health crisis, it will be significantly linked to the extension of measures to support businesses and households, or a variety of further policy measures..

Similarly to the euro area overall, the sharp decline in GDP in Slovenia in the second quarter was followed by a significant recovery, but economic activity in the third quarter nevertheless remained down 2.6% in year-on-year terms. The economic recovery was reflected in a surge in confidence indicators, which strengthened sharply until September, but remained below their long-term averages. The economic sentiment also improved significantly. The outlook for the ongoing economic recovery worsened again in October and November with the deterioration in the domestic and international epidemiological situation and the reimposition of containment measures. The labour market conditions have not changed much, also due to all of the government measures.. Unemployment in the third quarter remained similar to the second quarter, and the unemployment rate was virtually unchanged at 5.1%. The impact of the emergency measures taken during the year to preserve jobs is still being felt, while new measures have also been put in place, and are making a significant contribution to holding down unemployment. Deflationary pressures remain evident: annual consumer price deflation as measured by the HICP stood at 1.1% in November. The pandemic has had a profound impact on the public finances: general government expenditure has increased due to all the fiscal measures, while the sharp decline in economic activity has also reduced general government revenues. This year's general government deficit is forecast at 8.6% of GDP, which will drive public debt sharply upwards past 82% of GDP. While monetary policy remains accommodative, borrowing terms remain favourable, thanks in part to Slovenia's positive sovereign credit rating. Both are reflected in the negative required yield on government bonds.

Figure 1.1: Confidence indicators

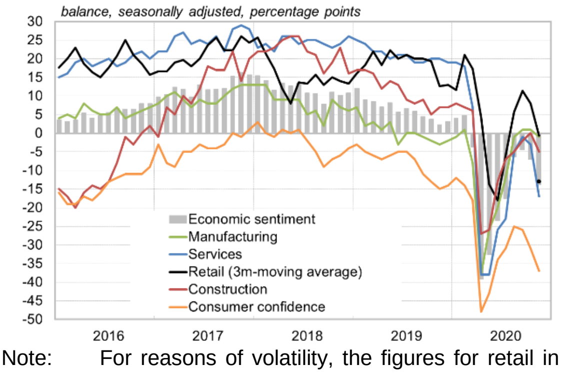
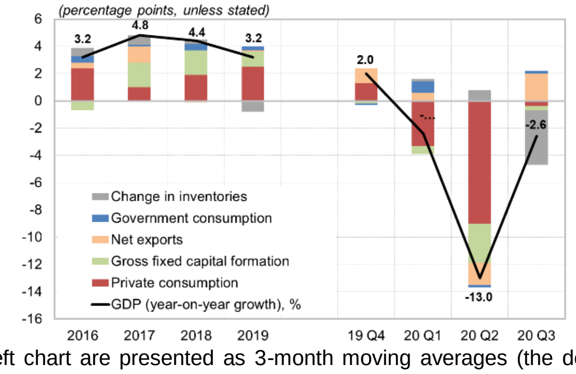


Figure 1.2: GDP growth and contributions to GDP growth: expenditure side



Note: For reasons of volatility, the figures for retail in the left chart are presented as 3-month moving averages (the dot denotes the actual latest figure).

Source: SORS

2. Bank assets

Year-on-year growth in the balance sheet total picked up pace in 2020, reaching 8.2% in October, up almost 2 percentage points on December of last year. The balance sheet total has increased by EUR 2.7 billion this year, driven largely by an increase in deposits by the non-banking sector (sight deposits in particular), which amid declining lending is being reflected in an increase in the most liquid forms of asset. Liquid assets have increased by EUR 2.3 billion this year, taking their ratio to the balance sheet total to a high 18.4%. Investments in securities are growing more slowly than the balance sheet total: the stock was comparable to October of last year, but was still more than a fifth of the balance sheet total. Amid declining bank lending activity, the gap between the stock of deposits by the non-banking sector and the stock of loans to the non-banking sector widened. The banks are thus facing the challenge of where to invest the surplus obtained through deposits.

Figure 2.1: Growth in bank assets

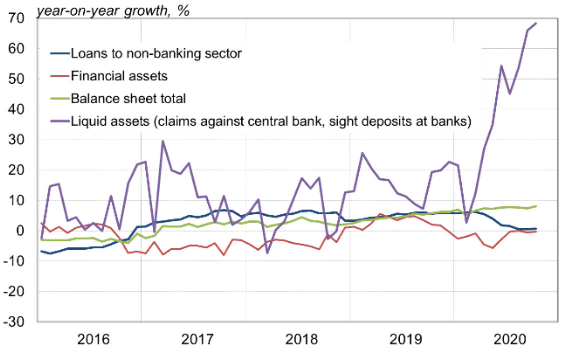
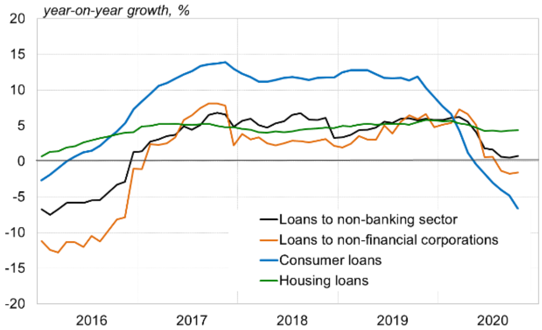


Figure 2.2: Growth in loans by sector and type



Source: Bank of Slovenia

Year-on-year growth in loans to the non-banking sector has declined sharply this year, reaching 0.8% in October. There was a pronounced slowdown in growth in household loans, while growth in loans to non-financial corporations was negative in October for the third consecutive month. Year-on-year growth in household loans has nevertheless remained positive, reaching 0.8% in October, down 5.4 percentage points on December of last year. The slowdown was driven by a decline in consumer lending at banks. Growth in consumer loans began to decline rapidly when the epidemic was declared in March of this year, and entered negative territory in May. The declining growth was exacerbated by a base effect, consumer loans having increased sharply over the first ten months of last year. The decline in consumer loans deepened further over the following months, as they were down 6.6% in year-on-year terms in October. The stock of consumer loans has declined by EUR 152 million this year.[1] Year-on-year growth in housing loans has also slowed this year, but merely by 1.2 percentage points to 4.4%. This is attributable to the relatively favourable developments on the real estate market: despite the current crisis, the majority of real estate market indicators have remained relatively stable, and growth has been moderate. The impact of the crisis on the real estate market is nevertheless forecast to depend on the duration and pace of the general economic recovery, where the second (autumn) wave of the epidemic will be the decisive influence. Having increased gradually in the first quarter of this year,[2] corporate loans then declined between April and August inclusive, which has also

[1] There was great variation in the factors of demand for durables in 2020. Access to durables was much-reduced during the first and second waves of the epidemic, precautionary and forced saving increased, and the epidemic has had a larger impact on the earnings of employees in service sectors, most notably accommodation and food service activities, tourism, personal care, etc. where wages are already below average. This is confirmed by figures for the share of employees included in the furlough scheme, which was highest in these very sectors. When the situation stabilises we expect the lost consumption of durables to be regained, which was already indicated by the year-on-year growth of 4.3% in the third quarter, and the gradual return of the structure of consumption to its pre-crisis levels (see also Macroeconomic Projections for Slovenia, December 2020).

[2] It was mainly long-term loans that were increasing in the early part of the year, and then liquidity loans in March at the outbreak of the Covid-19 pandemic, as a result of the activation of credit lines.

been reflected in tightening credit standards for firms as reported in the BLS, while (surveyed) corporate demand for loans remained virtually unchanged.[3] Year-on-year growth in corporate loans has been negative since August, and stood at -1.5% in October.

The uncertainty of the economic recovery will be the main factor in future developments in lending activity, which are of great importance to the generation of net interest income. The bad economic outlook and the uncertainty surrounding the future situation on the labour market are maintaining the risk of low credit activity vis-à-vis households. It is similar with corporates, where year-on-year growth in lending was driven down sharply by this year's large decline in economic activity, turning negative for the first time since January 2017. Demand for loans, particularly for investment purposes, has declined sharply.

The share of corporate loans approved or subject to moratorium to alleviate the impact of the Covid-19 crisis is increasing. Loans entered into or extended because of the current crisis accounted for 21% of the stock of corporate loans by October. Although the majority of these loans were entered into or subject to moratorium in the first months of the crisis, their stock is still increasing. Given the persistence of the health crisis and the resulting extension of the containment measures, these loans can be expected to further increase over the coming months. The level of these loans is markedly higher in the sectors worst affected by partial or full shutdowns. Almost 70% of the stock of bank loans to the accommodation and food service activities sector was classed as such, up 7 percentage points on July, when the sector reopened temporarily. The equivalent figure is more than 30% in public services. The figures for the share of Covid-related loans are also similar in manufacturing and real estate activities. In terms of loan type, the lowest share of Covid-related loans is seen among loans for working capital, at 18%, while just over 25% of loans for investment purposes are classed as such.

Figure 2.3: Share of Covid-related corporate loans by sector

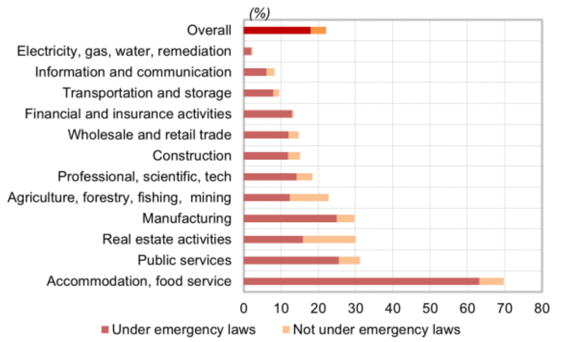
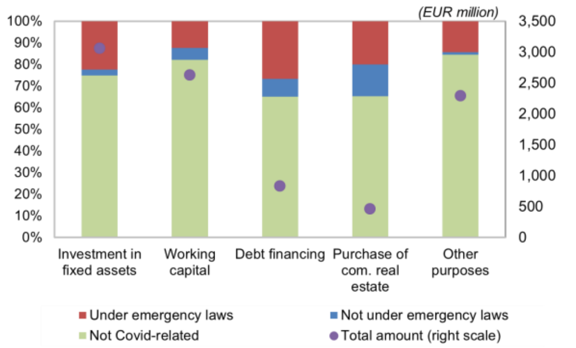


Figure 2.4: Breakdown of corporate loans by purpose based on relation to Covid



Note: Only loans approved for bridging liquidity difficulties caused by the Covid-19 epidemic are included among Covid-related loans, whether under the emergency laws or not. The majority of loans under the emergency laws consist of loan moratoria, while the majority of loans not under the emergency laws consist of liquidity loans.

Source: Bank of Slovenia

Box: Analysis of firms that have claimed a moratorium on repayments to banks because of the Covid-19 crisis

Of the measures to alleviate the impact of the Covid-19 crisis,[4] the possibility of claiming a moratorium on repayments to banks has had a profound impact on firms and on banks. To asses the systemic risk to financial stability that might come from

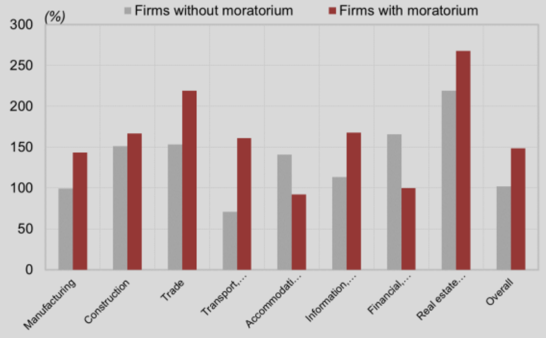
[3] These are qualitative assessments by banks in Slovenia that take part in the Bank Lending Survey (BLS), whose total market share in September on an individual book-figure basis was 60% in terms of the balance sheet total.
[4] Emergency Deferral of Borrowers' Liabilities Act (ZIUOPOK).

moratoria claimed by firms, it is important to understand what sort of firms have been approved for moratoria by the banks.

The general conclusion (see Figure 2.5) is that firms who had moratoria on repayments to banks approved are in a weaker liquidity position than other firms. The liquidity position of firms who had moratoria approved (as measured by the ratio of cash to total assets in 2019) was weaker than that of firms who did not apply for moratoria, particularly in the sectors of accommodation and food service activities, construction and manufacturing. It is evident that some firms also applied for moratoria because of their weaker liquidity positions even before the crisis, which subsequently had a harder impact on sectors where personal contact is essential.

Figure 2.5: Ratio of cash to total assets at firms with bank debt according to whether they have claimed a moratorium, by sector

Figure 2.6: Leverage[5] (debt-to-equity) at firms with bank debt according to whether they have claimed a moratorium, by sector



Note: The data for loan moratoria has been obtained from the credit register. The indicators are computed solely for firms that held bank debt in 2019 according to the AJPES data (in Slovenia and/or in the rest of the world). The AJPES data relates to 2019, while the data on moratoria from the credit register relates to August 2020.

Sources: AJPES, Bank of Slovenia, Bank of Slovenia calculations

Firms that claimed moratoria on repayments to banks are more indebted overall than other firms (see Figure 2.6). Leverage at firms that claimed moratoria stood at 150%, compared with 102% at firms that did not claim moratoria. Firms have intensively deleveraged in recent years: leverage stood at 94% in the corporate sector overall in 2019, although leverage at firms with bank debt was higher, at 109%. It is mainly firms in real estate activities and in wholesale and retail trade that are responsible for the high leverage at firms that have claimed a moratorium on repayments to banks. Only in accommodation and food service activities, where the share of firms claiming moratoria was highest, and in financial and insurance activities was the indebtedness of firms that claimed moratoria lower than at firms that did not. The ratio of net financial debt to EBITDA[6] (see Figure 2.7) shows that firms in real estate activities, wholesale and retail trade, and financial and insurance activities are finding it harder to repay their liabilities. This might suggest that after the moratoria expire these firms could have more problems in resuming their debt repayments to banks.

[5] Leverage is measured as the ratio of debt to equity.
[6] The net financial debt to EBITDA indicator is measured as the ratio of financial liabilities, less cash and cash equivalents, to cash flows from operating activities, and indicates a firm's capacity to regularly service debt (interest and principal). The indicator shows how many years of cash flow the firm needs to repay its debt (assuming no change in net debt and EBITDA). The lower the ratio, the lower is the risk in the repayment of the firm's liabilities.

Figure 2.7: Ratio of net financial debt to EBITDA at firms with bank debt according to whether they have claimed a moratorium, by sector

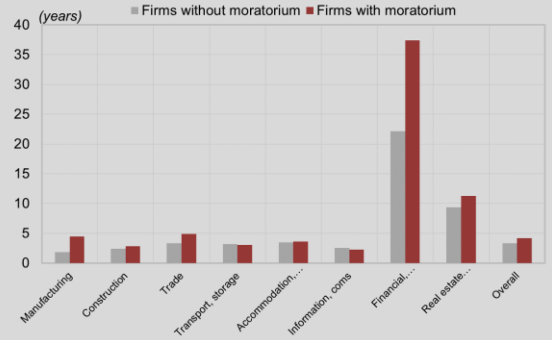
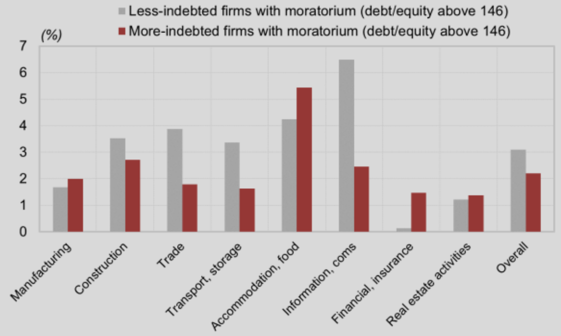


Figure 2.8: Ratio of cash to total assets at firms that have claimed a moratorium on repayments to banks according to indebtedness, by sector



Note: The data for loan moratoria has been obtained from the credit register. The indicators are computed solely for firms that held bank debt in 2019 according to the AJPES data (in Slovenia and/or in the rest of the world). The AJPES data relates to 2019, while the data on moratoria from the credit register relates to August 2020.

Sources: AJPES, Bank of Slovenia, Bank of Slovenia calculations

Leverage is less than 100% at only a quarter of firms in terms of the total amount of debt covered by moratorium and in terms of the number of firms with a moratorium. A review of the more-indebted firms (defined as firms with leverage above the median of 146%) that claimed a moratorium shows that they also had lower ratios of cash to total assets than the less-indebted firms (see Figure 2.8). This is evident in the sectors of information and communication, wholesale and retail trade, construction, and transportation and storage. Half of the firms that claimed a moratorium were in a weaker liquidity position (a ratio of cash to total assets of no more than 1%), and they were also relatively heavily indebted (leverage of more than 154%). Among the firms that claimed a moratorium there was a higher level of firms that can be defined as less-liquid and more-indebted than among the firms that did not claim a moratorium, and a lower level of firms than can be defined as more-liquid and less-indebted (see Figures 2.9 and 2.10).

Figure 2.9: Breakdown of firms that have claimed a moratorium on repayments to banks according to indebtedness and liquidity

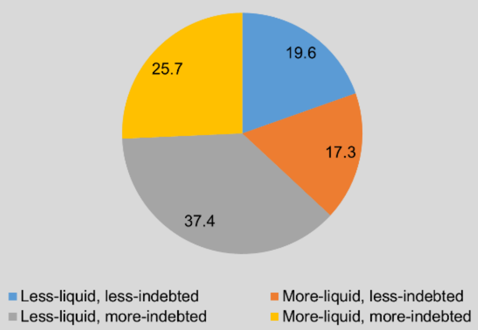
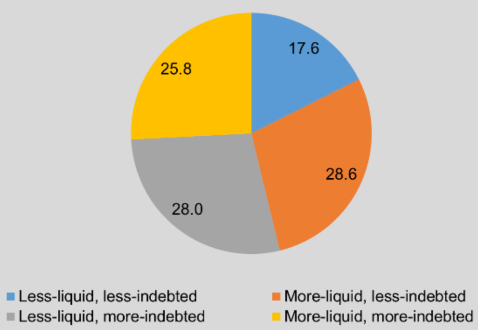


Figure 2.10: Breakdown of firms that have not claimed a moratorium on repayments to banks according to indebtedness and liquidity



Note: The data for loan moratoria has been obtained from the credit register. The indicators are computed solely for firms that held bank debt in 2019 according to the AJPES data (in Slovenia and/or in the rest of the world). The AJPES data relates to 2019, while the data on moratoria from the credit register relates to August 2020. The liquidity of a firm is defined by its ratio of cash to total assets, where less-liquid firms are those whose indicator is equal to or below the median (of 2%), while more-liquid firms are those whose indicator is above that value. The indebtedness of a firm is defined by its ratio of debt to equity, where less-indebted firms are those whose indicator is equal to or below the median (of 146%), while more-indebted firms are those whose indicator is above that value.

Sources: AJPES, Bank of Slovenia, Bank of Slovenia calculations

3. Quality of bank assets

The effects of the crisis also started to be seen for the first time in the NPE ratio when it rose in October. The favourable effects of the government mitigation measures and the flexibility afforded in the treatment of credit risk at banks during these extraordinary conditions[7] had prevented a rise in NPEs, which in the absence of such measures would have occurred with a large numbers of customers. The NPE ratio increased in October for the first time since the outbreak of the pandemic, by 0.1 percentage points to 1.9%.[8] The increase was driven by the corporate portfolio, which was hit hardest by reduced operations and shutdowns. The NPE ratio in the corporate portfolio increased by 0.1 percentage points in October to 3.8%, as the accommodation and food service activities sector recorded notable increases in the stock of NPEs and the NPE ratio (by EUR 13 million and 2.3 percentage points respectively). Increases in NPEs were also seen in other sectors severely affected by the crisis (by 0.2 percentage points in manufacturing, and by 0.5 percentage points in public services),[9] while there was also a minimal increase in transport. The household portfolio also saw a small increase in the stock of NPEs, although the NPE ratios have remained unchanged since June for all loan types (2.7% for consumer loans, and 1.7% for housing loans).

The increase in credit risk since the very outbreak of the crisis has been reflected in customers being reclassified as exposures with increased credit risk that are not yet in default status. The share of the total bank portfolio[10] accounted for by these Stage 2 exposures under IFRS 9 has increased by 1.5 percentage points since the outbreak of the crisis to 5.9%, while in the corporate portfolio it has increased by 4.7 percentage points to 11.5%. The aforementioned sectors are prominent in terms of this indicator too: for example, the figure in accommodation and food service activities stood at 36.6% in October. The further reclassification of these exposures as NPEs is for now being mitigated by the measures put in place and by the guidance issued by regulatory and supervisory institutions. Given the persistence of the epidemic and the resulting reimposition of containment measures, there is expectation of an increase in exposure that banks judge will not be regularly repaid after their moratoria expire, as the debtors will not be able to remain in business and repay their debts. In these cases exposures could transition to NPE status even before the end of the moratorium periods.

Figure 3.1: NPE ratio by economic sector

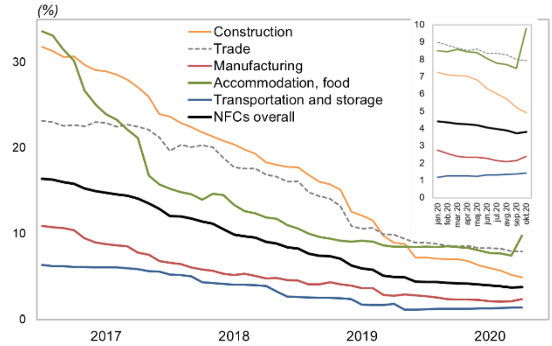
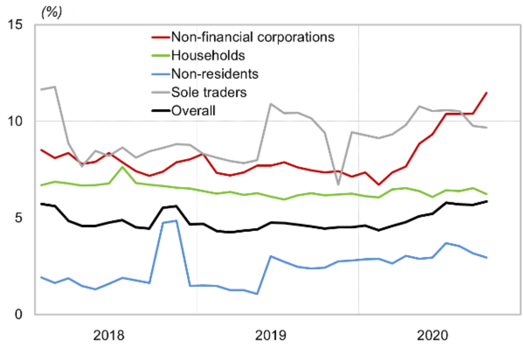


Figure 3.2: Share of exposures classified as Stage 2



Source: Bank of Slovenia

[7] In early December the EBA extended the Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis. Bank of Slovenia thus adopted a new regulation on 14 December to apply the guidelines to banks under its supervision.
[8] Part of the increase derives from the disclosure of interest on credit-impaired financial assets (see note on page 20).
[9] The components of public services registered under S.11 Non-financial corporations.
[10] In the part classified into credit risk stages.

Coverage by impairments has been increasing since the very beginning of the economic downturn, in both the performing and non-performing segments of the portfolio. Coverage of performing exposures by impairments increased most rapidly in the corporate and consumer loans portfolios, and more slowly in the non-residents and housing loans portfolios, albeit with a rising trend. Growth in coverage of NPEs by impairments has also picked up pace slightly this year, the figure reaching 52% in August, compared with just under 50% before the outbreak of the pandemic. Coverage of NPEs declined again over the next two months. Amid the write-off and sale of legacy NPEs, their corresponding impairments being removed from the portfolio are also at an above-average level. Given the increased pace of exposures being reclassified to stages with increased credit risk, additional creation of impairments for these exposures can also be expected.

4. Bank profitability

Income risk in the banking system is elevated and increasing, as banks face increasingly difficult business conditions amid the pandemic. The increasingly bad conditions for generating income caused by the decline in lending in connection with the struggling economy, and the increase in impairment and provisioning costs, moderate for now, are gradually reducing bank profitability. The banking system's pre-tax profit amounted to EUR 454 million over the first ten months of this year, down 17% on the same period last year. ROE amounted to 11.1%,[11] compared with 13.7% in the same period last year. The relatively small decline in profit at system level compared with the same period last year is attributable to a one-off effect from the merger of two banks, which was reflected in an increase in non-interest income (negative goodwill in the amount of EUR 202 million), with a direct impact on profit. The conditions for generating income have deteriorated, while the net creation of impairments and provisions is now the dominant factor again among banks, and will remain the key factor in bank profitability over the short to medium term. Net non-interest income at system level is up a quarter on last year, but would have been 16% down on last year in the absence of the aforementioned one-off effect. Net fees and commission, the most important component of non-interest income, have also declined this year (by 2.2%), while the net commission margin has declined further as the balance sheet total has increased, to stand at just 0.77% over the first ten months of the year, its lowest level since the beginning of 2014.[12]

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

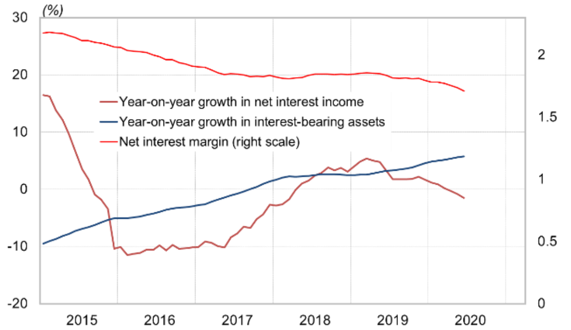
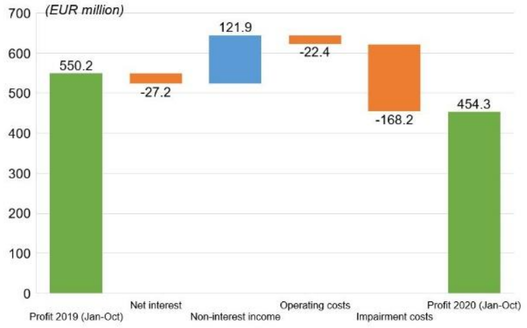


Figure 4.2: Change in components of profit, Jan-Oct 2019 to Jan-Oct 2020



Note: The increase in net interest income at system level in 2020 was driven by a one-off effect from the merger of two banks in September (negative goodwill in the amount of EUR 202 million), which increased non-interest income in the banking system.

Source: Bank of Slovenia

[11] The current (median) figure for pre-tax ROE in the banking system reveals a decline of a quarter this year. Median ROE stood at 9.9% at the end of 2019, but 7.5% in October 2020.

[12] Non-interest income is highlighted, because it generated the majority of the banks' gross income in 2019 and the first ten months of 2020, although normally net interest income takes precedence over non-interest income. The long-term average breakdown of gross income between 2001 and 2019 shows net interest income at 63% and non-interest income at 37%.

Net interest income is declining: the year-on-year decline began in April, and reached 4.8% in October. It was driven by this year's decline in lending growth and diminishing returns on bank assets. The net interest margin over the preceding 12 months has undergone a long trend of decline, and had declined to 1.63% by the end of October.[13] The main factor in the decline in net interest is the decline in interest income, which over the first ten months of the year was down 3.3% in year-on-year terms. This decline was largely driven by a large decline in interest income from securities, while interest income from loans was unchanged from the same period last year. The majority (more than three-quarters) of the decline in net interest income originated on the asset side (the income side), most notably as a result of high growth in the liquid assets, which are low-yielding. Due to the loan moratoria allowed under the ZIUOPOK, the decline in interest income has not been too large for now. Growth in loans can also be expected to decline in the future, which will further reduce interest income.

The banks have relatively good control of operating costs. Growth in operating costs has been declining in recent months, the year-on-year rate reaching 3.9% in October; in fact the increase in operating costs is mainly the result of a methodological effect,[14] otherwise they would be down on last year. Due to the extraordinary increase in non-interest income and gross income, the CIR improved to 51%. The ratio of operating costs to the balance sheet total is also declining.

After three years of net release of impairments and provisions, the banking system is again seeing positive net impairment and provisioning costs, which can only be expected to increase further in the future. The proportion of the generated gross income accounted for by impairment and provisioning costs remains relatively small, at less than a tenth (9.4%), thanks for now to the moratoria. Given the uncertain epidemiological and economic situation, impairment and provisioning costs are expected to increase in the future,[15] not least as a result of the requirements of the international financial reporting standards. This will also reduce bank profitability, amid the less-favourable developments in income.

Figure 4.3: Growth in operating costs and labour costs, and ratio of operating costs to balance sheet total

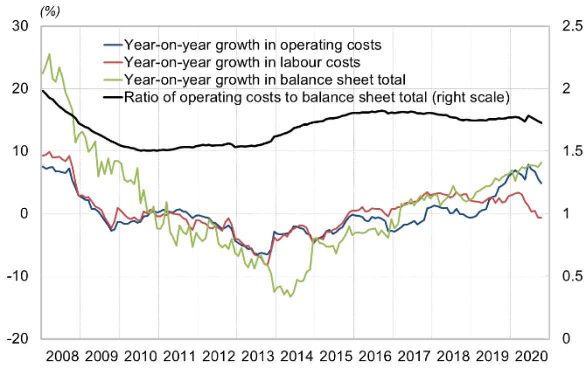
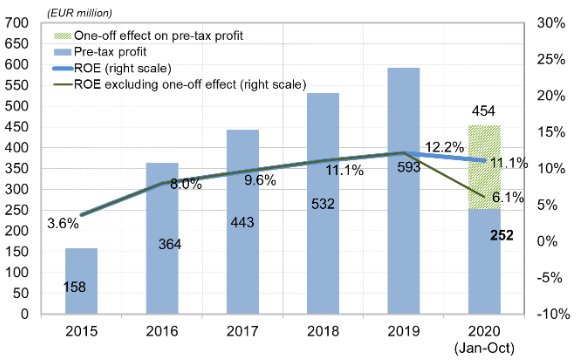


Figure 4.4: Pre-tax profit and ROE (before tax)



Source: Bank of Slovenia

[13] Computations for three-month periods show the net interest margin over the shorter term to have approached 1.5% during the summer.
[14] Change in the classification of costs in connection with contributions to the deposit guarantee fund.
[15] Positive net impairment and provisioning costs were recorded by 14 of the 16 credit institutions (banks and savings banks) over the first ten months of 2020. As stated in previous reports, the deterioration in the economy might well be reflected in a higher default rate and a rapid increase in expected credit losses on account of transitions to Stage 3. The nature of IFRS 9 means that the additional creation of impairments and provisions is also expected in Stages 1 in 2.

5. Capital adequacy and liquidity at banks

The banking system remained well-capitalised, despite the economic downturn. The total capital ratio on a consolidated basis had increased to 20.0% by September of this year, and the common equity Tier 1 capital ratio to 18.2%, both above their euro area averages. This year banks have increased their common equity Tier 1 capital via profits brought forward from the previous financial year, which were retained in full in line with the Bank of Slovenia macroprudential measure. Retained earnings accounted for 8.6% of the increase in common equity Tier 1 capital at system level. Alongside common equity Tier 1 capital, subordinated debt instruments have also driven an increase in Tier 2 capital, although despite the increase it still only accounts for 8.8% of total regulatory capital, a quarter less than the euro area average. Risk-weighted assets are declining, driven primarily by the reduced lending to non-financial corporations and the slowdown in growth in household loans. Almost all of the banks have improved their capital adequacy this year, although there remain considerable differences between them. Amid the anticipated deterioration in the quality of the credit portfolio and the decline in bank profitability, the capital position at the banks is also expected to worsen. Banks with lower capital surpluses and banks with a large exposure to the sectors hit hardest in the crisis (transportation, accommodation and food service activities, other service activities) will find it harder to deal with the consequences of the economic shock.

Figure 5.1: Common equity Tier 1 capital ratio on an individual basis versus exposure to firms in the worst-hit sectors at individual banks, Q3 2020

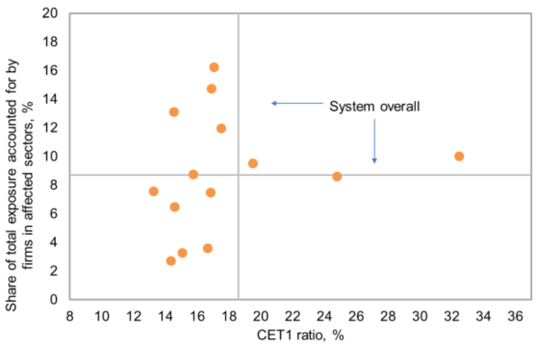
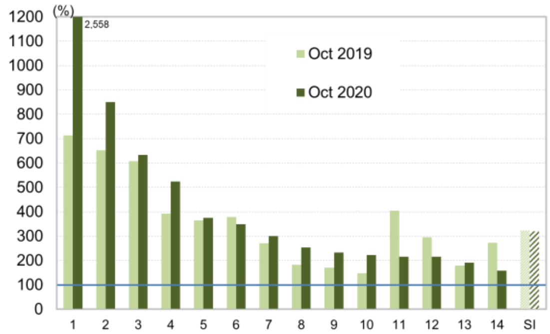


Figure 5.2: Liquidity coverage ratio (LCR) at individual banks



Note: The left chart includes exposures to firms in the following sectors: transportation; accommodation and food service activities; professional, scientific and technical activities; administrative and support service activities; arts. In the right chart the blue line denotes the minimum requirement for the LCR (100%) in accordance with the CRR.

Sources: Bank of Slovenia, ECB (SDW)

The banking system continued to strengthen its liquidity even after the economic shock caused by the Covid-19 pandemic. Primary liquidity[16] increased sharply by EUR 2.3 billion over the first ten months of the year to EUR 8 billion, thus reaching a record high in terms of its ratio to the balance sheet total, at 18.4%. The growth in the most liquid forms of asset is a consequence of the pronounced increase in deposits by the non-banking sector and the decline in lending activity, particularly after the declaration of the Covid-19 pandemic. The level of secondary liquidity[17] remained stable, at 18% of the balance sheet total. The LCR has remained high at system level: it stood at 319% in October, more than three times higher than the regulatory requirement (100%). This means that the Slovenian banking system has high capacity to cover net liquidity outflows over a short-term stress period, and

[16] Primary liquidity comprises cash on hand, balances at the central bank and other sight deposits.
[17] Secondary liquidity is based on liquidity ladder data, and consists of Slovenian government securities and foreign marketable securities rated BBB or higher.

ranks Slovenia fourth-highest among EU countries in terms of the LCR.[18] There remain considerable differences in the LCR at individual banks, but all meet the regulatory minimum requirement. The proportion of the pool of eligible collateral at the Eurosystem that is free declined slightly, after certain banks participated in June's TLTRO III. It fluctuated around 65% during the third quarter, which gives the banks scope to obtain additional funding in ECB operations in the event of liquidity needs. Amid the worsening epidemiological and economic situation, the banking system's current good liquidity position could weaken in the future, which would mainly be more difficult for banks with low liquidity surpluses.

6. Bank funding

Deposits by the non-banking sector have remained a stable source of funding, even after the declaration of the Covid-19 pandemic. Deposits by the non-banking sector were up 10.5% in year-on-year terms in October, driven primarily by increases in household and corporate deposits. After remaining unchanged in the third quarter, household deposits increased by EUR 125 million in October to EUR 21.8 billion, up 10.2% on October of last year. With the reimposition of the lockdown, and the reduced opportunities to spend on goods and services, household deposits can be expected to increase again over the final months of this year. This is also likely to be driven in part by cautious consumer behaviour amid the uncertain evolution of the epidemiological and economic situation. The trend of increase in sight deposits, which allow savers immediate access to their savings in case of need, can be expected to continue in particular. The proportion of sight deposits stood at 77.3% of total deposits by the non-banking sector and 82% of total household deposits in October. The proportion of household sight deposits also increased in other euro area countries amid this year's aggravated situation, but the figure in Slovenia remains among the highest. Corporate deposits were up 13.3% in year-on-year terms in October, although the monthly changes remain volatile. Firms will most likely gradually reduce their holdings of bank deposits, which amounted to EUR 7.7 billion in October, particularly those firms being hit hardest by the current situation. The banking system remains less dependent on other sources of funding. Wholesale funding accounted for 6.4% of the balance sheet total in October, while liabilities to the Eurosystem accounted for just 3.2%.

Figure 6.1: Growth in deposits by sector

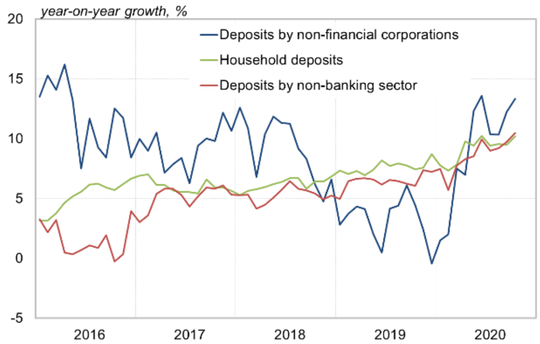
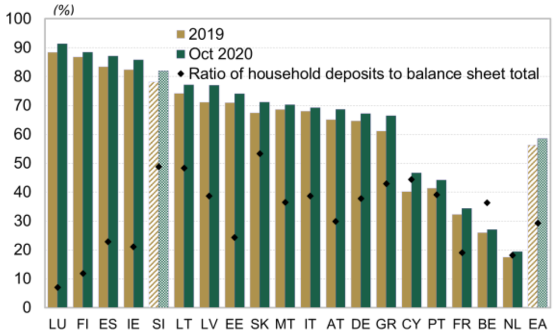


Figure 6.2: Proportion of household deposits accounted for by sight deposits by euro area country



Note: In the right chart the latest available figure for the balance sheet total in euro area countries is for June 2020.

Sources: Bank of Slovenia, ECB (SDW), euro area statistics, Bank of Slovenia calculations

7. Capital markets and mutual funds

The recovery in stock indices on European exchanges and the rise in US stock indices continued in the third quarter, and on into October and November. Required yields on

[18] Takes account of the latest data on a consolidated basis: from June 2020 for euro area countries, and October 2020 for Slovenia.

government bonds remain at record lows. By the end of November the major European stock indices, such as Germany's DAX and France's CAC, were down just 3% and 8% respectively on their pre-crisis highs, while the S&P 500 in the US was up fully 7% on its pre-crisis high. The US presidential election and the encouraging results from the pharmaceutical firms developing vaccines against Covid-19 have further fuelled the rising stock indices in the US. Share price volatility diminished virtually to its long-term average in the third quarter, but rose again in October and November, as a number of European countries began reimposing lockdowns to contain the new wave of cases. This has not yet had a major impact on the bond markets, where required yields and spreads on 10-year government bonds in November remained at the record low levels seen in the third quarter and in the pre-pandemic period.

Figure 7.1: Recovery of selected stock market indices

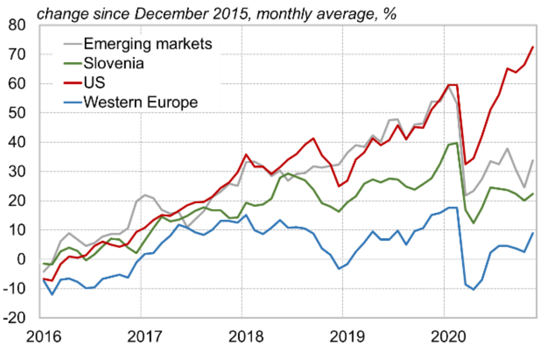
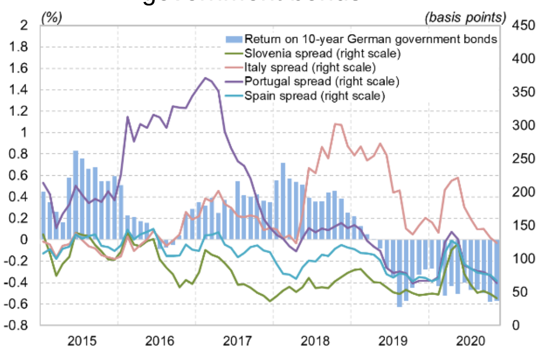


Figure 7.2: Average yield and spreads on government bonds



Sources: Bloomberg, Bank of Slovenia

By the end of third quarter, the recovery in the domestic equity market was slightly stronger than the European average. At the end of September the SBI TOP (Slovenia's leading share index) remained down 14% on its high from before the declaration of the pandemic, while the representative share index for western Europe was down 16%. The rise in the domestic stock market was slower than the European average in October and November. The volume of trading in shares on the domestic stock market amounted to EUR 69 million in the third quarter, similar to the third quarter of 2019, while the total volume over the first nine months of the year was up 46% on the same period last year. October's volume was up 5% in year-on-year terms, but nevertheless remained below the monthly average in 2020. The largest volume in 2020 came in the first quarter: volume in March alone was almost as large as the total volume in the third quarter.

Figure 7.3: Market capitalisation on the Ljubljana Stock Exchange

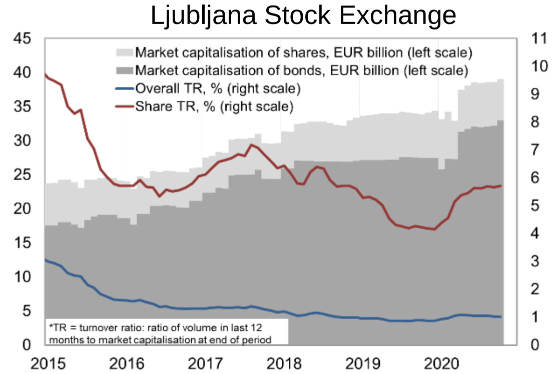
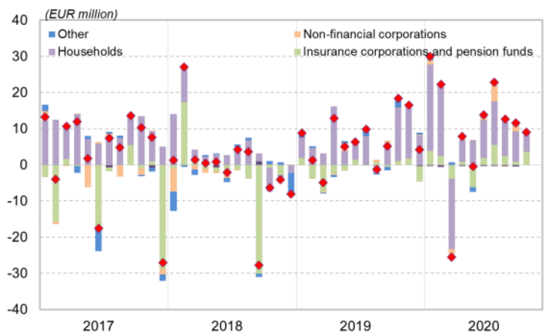


Figure 7.4: Net investments in domestic mutual funds



Sources: Bloomberg, Bank of Slovenia

Domestic mutual funds reported increased net inflows in the third quarter. Net inflows were more than triple those in the same quarter of last year, at EUR 47 million. Households, insurance corporations and pension funds remain the largest net investors in funds. They recorded net inflows of EUR 40 million in the third quarter, the majority of which went into equity funds. Non-financial corporations have also shown slightly increased appetite for investing in mutual funds this year, having mainly made net withdrawals in recent years. Although they remain low in absolute terms, non-financial corporations' net investments were notable in the third quarter (at almost EUR 7 million), when they directed the majority of their money into money-market funds and bond funds. Net investments also remained positive in October, when the second wave of the epidemic began to spread across Europe.

8. Leasing company performance

Leasing companies[19] reported a year-on-year decline in new business in the third quarter as well, which exacerbated the year-on-year decline in total profit. Despite a rise in the number of reporting entities,[20] new leasing business in the third quarter was down 1.7% in year-on-year terms, while new business over the first nine months of the year was down fully 18.6% in year-on-year terms. The trend of decline in new business with firms was only strengthened by this year's pandemic, and households remain the main source of new business. Leasing business with households in the third quarter was up 10.9% in year-on-year terms (or 5.5% if the new reporting entities are not taken into account).

Figure 8.1: New leasing business

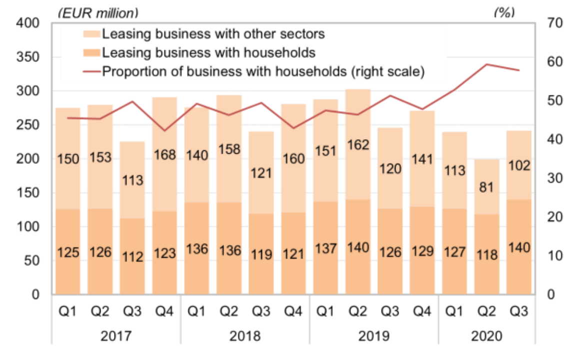
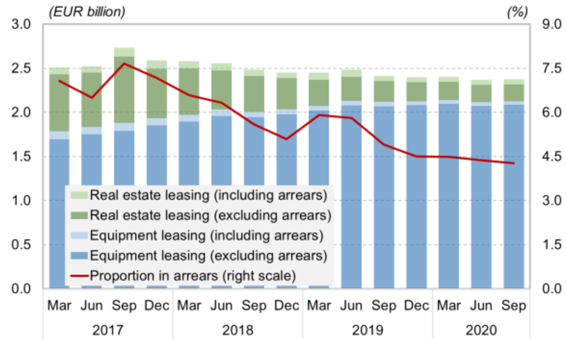


Figure 8.2: Stock of leasing business and arrears of more than 90 days



Source: Bank of Slovenia

Arrears of more than 90 days declined further in year-on-year terms in September, and accounted for 4.3% of the total stock of leasing business. The total stock of leasing business had declined by 1.1%. This year's slowdown in the contraction in the stock of leasing business was attributable to the completion of leasing companies' withdrawal from real estate leasing, which was particularly pronounced in 2018 and the first half of 2019. The inclusion of three new reporting entities also had a positive impact on the stock of leasing business this year.[21] Total assets and equity on a comparable basis[22] declined by 1.1% and 0.5% respectively over the same period, while total profit declined by 42.2% as a result of the fall in new business.

[19] Includes companies that report to Bank of Slovenia under the Regulation on reporting by institutions pursuing leasing activities.
[20] Three leasing companies were added to the reporting population in 2020, one of which will replace a company in liquidation. They accounted for 6% of new leasing business in the first nine months of 2020.
[21] The stock of leasing business was down 3.8% in year-on-year terms on a comparable basis, while the companies included in 2020 accounted for 2.8% of the stock of leasing business.
[22] The exclusion of one leasing company from the reporting population in 2020 had a significant impact on the year-on-year comparison of financial data. Without the removal of the excluded company from the figures for 2019, total assets and equity would have declined by 8.8% and 21.1% respectively over the same period, while total profit would be down 55.1%.

Figure 8.3: Banks' new finance leasing business

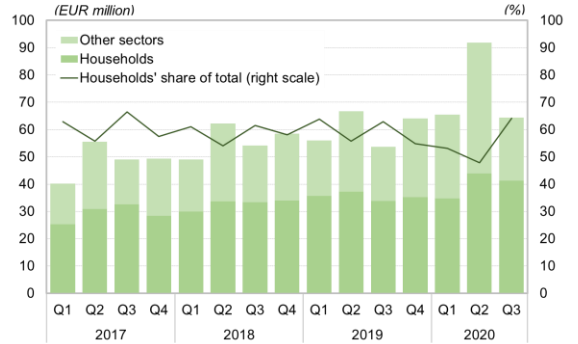
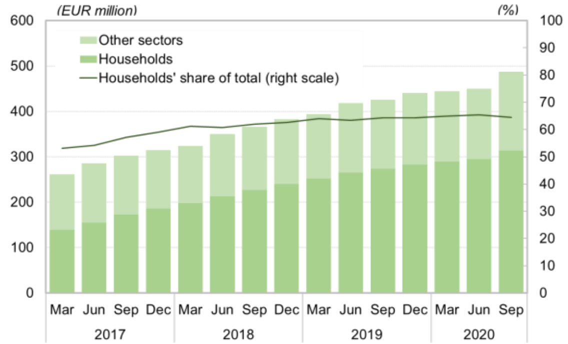


Figure 8.4: Stock of banks' finance leasing business



Source: Bank of Slovenia

Banks also recorded a year-on-year increase in their finance leasing business in the third quarter of 2020. The trend of a growing bank presence in finance leasing[23] has been intensifying since 2016, when the banks began absorbing the operations of their subsidiaries that had previously engaged in finance leasing. Year-on-year growth in new business strengthened again in the third quarter, when new bank finance leasing business increased by 20%, leaving the stock of leasing business of this type up 14.5% in year-on-year terms in September. The large amount of new business in the second quarter could be indicative of anadvantage of bank leasing, which was unconstrained in making new business,, despite the constraints imposed on the economy. Leasing business with firms increased markedly. The growth in business is also making banks more important in this segment.

9. Bank Lending Survey (BLS)

According to the Bank Lending Survey,[24] credit standards have been tightened on corporate loans and household loans in Slovenia this year. After credit standards were tightened sharply on household loans in the final quarter of 2019 in response to the introduction of macroprudential measures, credit standards continued to be tightened at reporting banks in the first half of the year, before the process came to an end in the third quarter as optimism in the economy temporarily improved. By contrast, credit standards on corporate loans were tightened at the reporting banks over all of the first three quarters of the year, most markedly in the third quarter, despite the improved optimism.

Figure 9.1: Credit standards for corporate loans and factors affecting credit standards in Slovenia

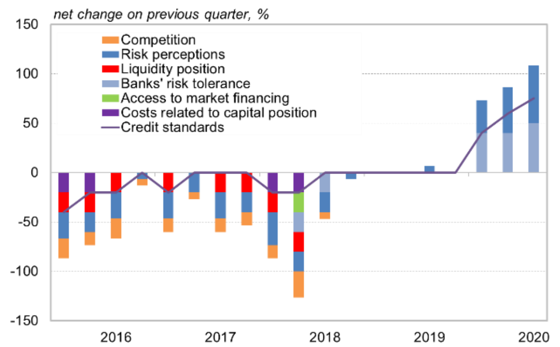
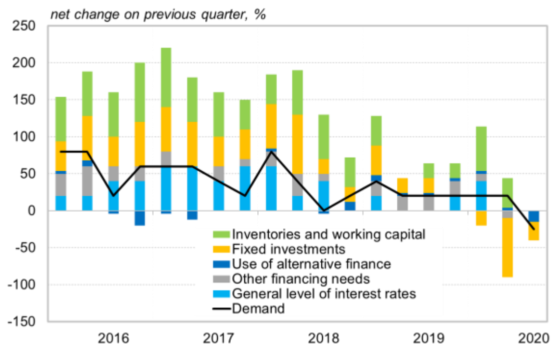


Figure 9.2: Corporate demand for loans and factors affecting demand in Slovenia



Sources: ECB, Bank of Slovenia

[23] Takes account of banks that report to Bank of Slovenia under the Regulation on reporting by institutions pursuing leasing activities.

[24] 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. The BLS data from September and October covers just four banks.

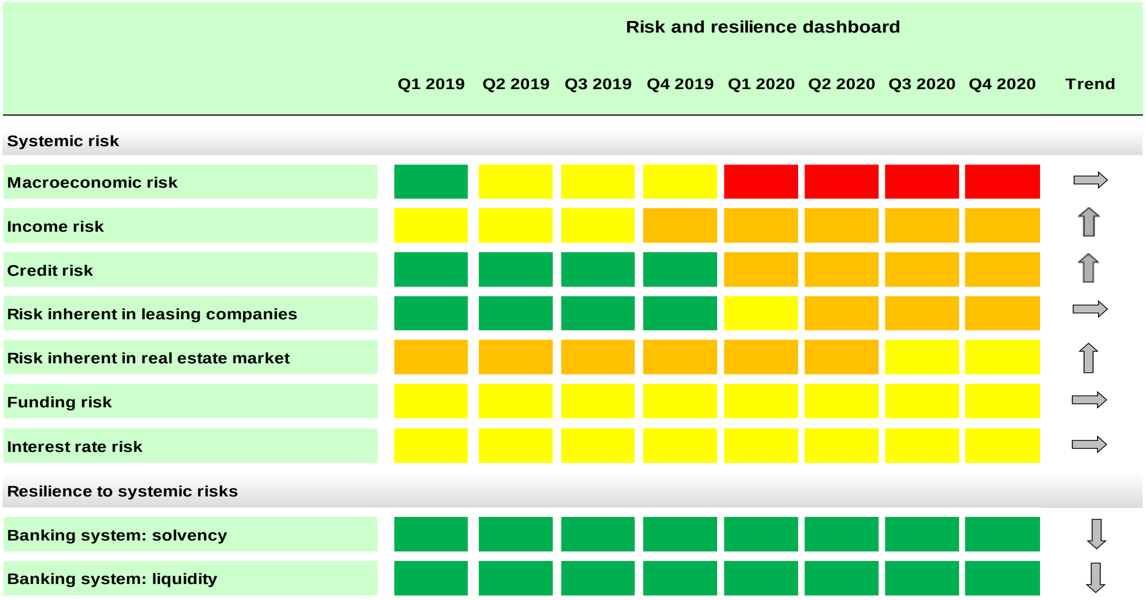
Demand for household loans is typically more volatile than demand for corporate loans. Corporate demand for loans at reporting banks in Slovenia increased slightly over the first two quarters of the year, but declined in the third. The economic downturn, the adverse outlook, and the partial shutdown of the economy in the first half of the year brought a very sharp decline in household demand for housing loans and consumer loans. Reporting banks in Slovenia were expecting a pronounced increase in corporate demand for bank loans in the second and third quarters, but it never came. In their latest reporting from October, the reporting banks were not planning to make changes to their credit standards in the final quarter, and just one of the four banks was expecting an increase in demand for housing loans. The reporting banks were anticipating no changes with regard to consumer loans. Here it should be noted that the banks' assessments and expectations might in fact be more pessimistic in the current situation, as the survey was conducted before the severe deterioration in the epidemiological situation.

October's BLS in the euro area shows a moderate tightening of credit standards for corporate loans and a significant tightening for household loans. Credit standards for corporate loans were tightened as a result of increased perception of risk by the banks, while other factors did not have a major impact. Banks are expecting credit standards for corporate loans to be further tightened in the final quarter, citing the setback in the economic recovery caused by the second wave of the pandemic and uncertainty with regard to the extension of the fiscal measures to alleviate the impact of the pandemic as the main reasons. The arguments for the sharper tightening of credit standards for housing loans and consumer loans include the worsening economic forecasts and the deterioration in the creditworthiness of employees in sectors more exposed to the Covid-19 pandemic.

The assessment of banks in Slovenia and across the euro area is that the ECB monetary policy measures are having a positive impact on bank liquidity and the market financing conditions, and are alleviating the pandemic's impact on the banks' business conditions. At the same time they say that asset purchases, which are putting downward pressure on yields and interest rates, and the negative interest rate on the deposit facility are reducing (net) interest income, and thus bank profitability. By contrast the two-tier remuneration of the reserve requirement is acting to improve bank profitability.

10. Risk and resilience dashboard

Table 10.1: Risk and resilience dashboard



Colour code:

Risk	low	moderate	elevated	high
Resilience	high	medium	low	very low

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

Source: Bank of Slovenia

11. Real-time early warning model: probability of a financial crisis in Slovenia over the year ahead

The macroeconomic developments amid the outbreak of Covid-19 in April implied a sharp increase in the probability of a financial crisis[25] in the euro area and in Slovenia. Once control of the epidemiological situation had been established, the estimated probability of a crisis in Slovenia declined from May, and fell below the signalling threshold.[26] Since mid-September the estimated probability has again risen above the signalling threshold. The crisis probability as estimated by the model was close to 13% in early December, compared with a median value of 21% in a sample of European countries. Since the outbreak of Covid-19, the probability of a crisis in Slovenia has mostly remained below the average probability in the sample.

The estimated crisis probability is lower than in 2008 at the outbreak of the global financial crisis, and the level seen at the outbreak of the euro area debt crisis in 2011. In contrast to the two aforementioned systemic crises, the DSTI and the government bond spread are not major risk factors. Except for a brief shock in early April, the equity markets are also showing no sign of a significant increase in risks. The contribution to risk from the gradient of the yield curve and consumer confidence indicators has increased.

Figure 11.1: Probability of a financial crisis in Slovenia, with contributing factors

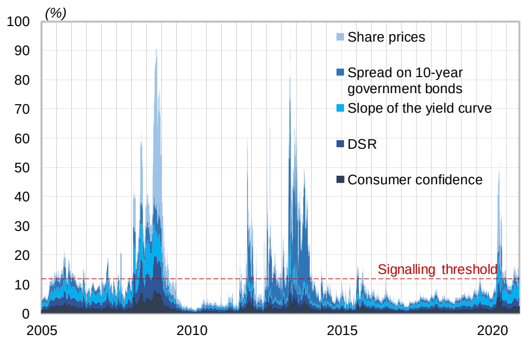
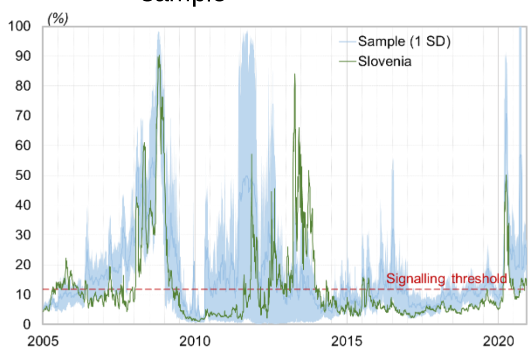


Figure 11.2: Probability of a financial crisis in Slovenia and in countries in the sample



Note: The left chart illustrates the probability of a crisis for Slovenia through the entire sampling period, with a decomposition of the contribution factors. In the right figure the light blue area presents the probabilities across the sample countries that fall within the one standard deviation interval around the median (almost two-thirds of the sample). Latest data: 2 December 2020.

Source: Bank of Slovenia

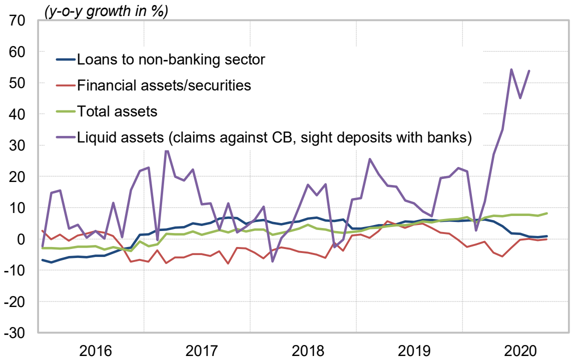
∗ The bank performance data in this publication is based on the banks' own book figures, which differ in methodological terms from the published statistics. The data on loans also differs because the data in this publication includes loans to non-residents, applies the net principle (amounts are minus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

[25] The early warning model follows the ECB's approach from June 2020. The model variables include: non-financial private sector debt service ratio (annual change, with a two-quarter lag due to delays in publication), consumer confidence indicator (European Commission survey, with a one-month lag), government bond spreads (interest rate spread on 10-year government bonds relative to the euro area average), annual growth in share prices, realised volatility in share prices over the last month, the risk-free yield curve slope. Equity price growth and the volatility are combined into the category of "share prices" in the presentation of results. Data on share prices, the gradient of the curve of risk-free return, and government bond spreads are on a daily basis. The sample includes 18 euro area countries plus Denmark, Sweden and the UK. The sample covers the period of January 2004 to December 2020. The identification and dating of systemic financial crises are based on the ECB/ESRB crises databases as described in Lo Duca et al. (2017).

[26] The threshold considers the trade off between false crisis flags and missed true crisis events and assigns a much higher weight on avoiding missing a true crisis event.

1. KEY TRENDS IN THE BANKING SECTOR

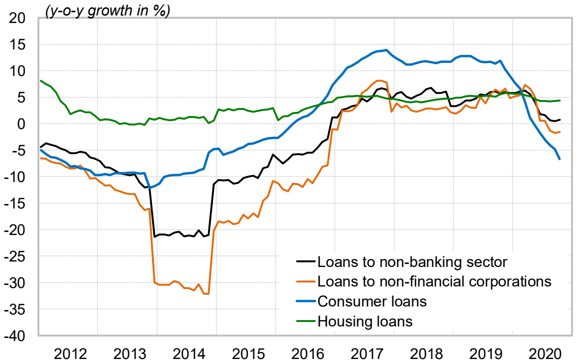
Figure1.1: Growth in bank investments



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

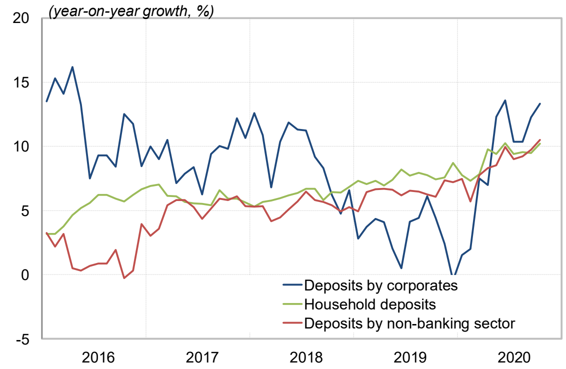
Source: Bank of Slovenia.

Figure1.2: Loans by sector and loan type



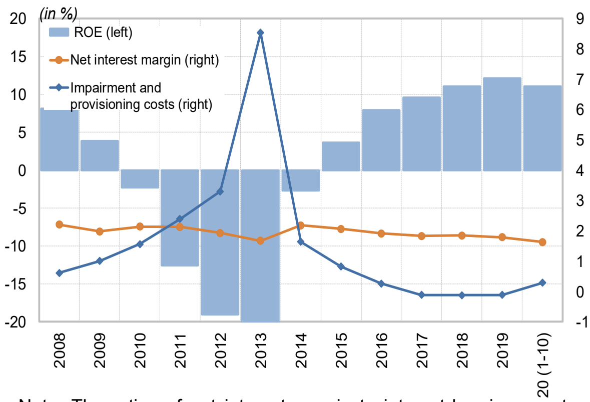
Source: Bank of Slovenia.

Figure 1.3: Deposits by sector



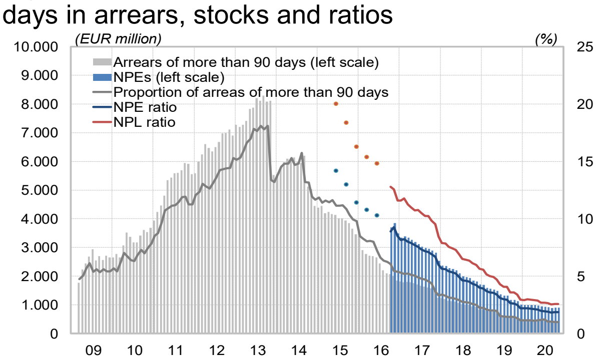
Source: Bank of Slovenia.

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



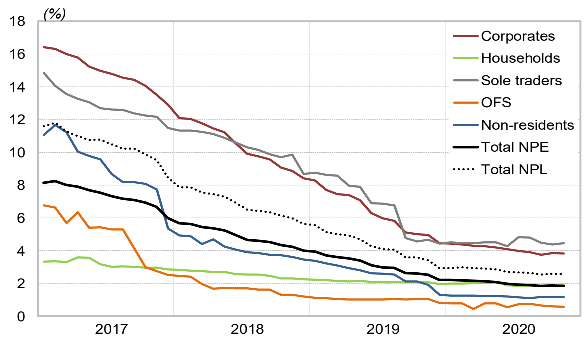
Note: The ratios of net interest margin to interest-bearing assets and net impairment and provisioning costs to total assets are always calculated for the preceding 12 months. Pre-tax ROE is calculated during the year on a cumulative basis up to the most recent data available (September 2020).
Source: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

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



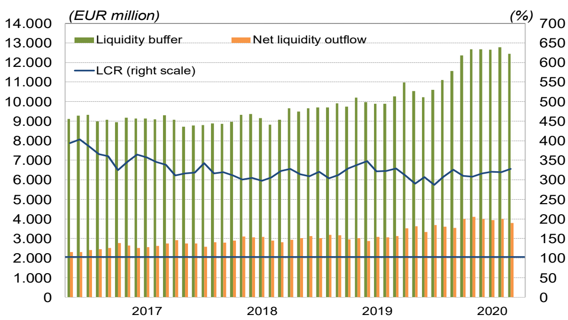
Source: Bank of Slovenia.

Figure1.6: NPE ratio by client segment



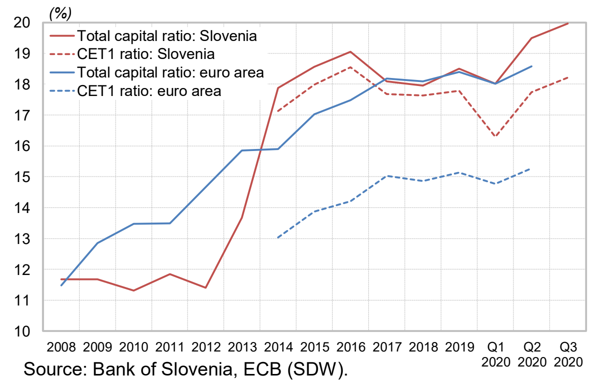
Source: Bank of Slovenia.

Figure1.7: Liquidity coverage ratio (LCR)



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

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



Source: Bank of Slovenia, ECB (SDW).

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

Table 2.1: Banking system's assets and liabilities, as at 31 October 2020

EUR million unless stated, growth rates in %	Stock 31.12.2008	Breakdown (%)	Stock 31.12.2019	Breakdown (%)	Stock 31.10.2020	Breakdown (%)	Increase in October 20	Increase in 2020	Growth in October 20, % monthly	Growth in October 20, % year-on-year
Assets	**47,948**	**100.0**	**41,213**	**100.0**	**43,888**	**100.0**	**368.8**	**2,674.9**	**0.8**	**8.1**
Cash in hand, balances at central bank and sight deposits at banks*	**1,250**	**2.6**	**5,783**	**14.0**	**8,082**	**18.4**	**228.5**	**2,298.7**	**2.9**	**68.4**
Loans to banks at amortised cost (including central bank)	**4,101**	**8.6**	**1,592**	**3.9**	**1,673**	**3.8**	**10.8**	**81.5**	**0.7**	**-2.3**
domestic banks	2,673	5.6	758	1.8	630	1.4	-9.1	-128.6	-1.4	-18.3
foreign banks	1,428	3.0	834	2.0	1,044	2.4	19.9	210.1	1.9	10.9
short-term loans to banks	2,056	4.3	563	1.4	445	1.0	-2.4	-117.6	-0.5	-36.2
long-term loans to banks	2,046	4.3	1,029	2.5	1,228	2.8	13.2	199.1	1.1	21.1
Loans to non-banking sector*	**33,718**	**70.3**	**23,520**	**57.1**	**23,695**	**54.0**	**139.8**	**175.3**	**0.6**	**0.8**
of which non-financial corporations	20,260	42.3	8,877	21.5	8,945	20.4	27.8	68.0	0.3	-1.5
households	7,558	15.8	10,703	26.0	10,751	24.5	54.7	47.8	0.5	0.8
of which residential			6,493	15.8	6,714	15.3	51.0	220.6	0.8	4.4
consumer			2,809	6.8	2,657	6.1	-4.5	-152.4	-0.2	-6.6
government	506	1.1	1,634	4.0	1,532	3.5	-3.6	-101.8	-0.2	-6.2
other financial institutions	2,829	5.9	1,239	3.0	1,236	2.8	-2.7	-3.7	-0.2	16.8
non-residents	2,515	5.2	1,036	2.5	1,202	2.7	63.1	166.4	5.5	15.0
Other financial assets classed as loans and receivables (at amortised cost)	**0**	**0.0**	**148**	**0.4**	**134**	**0.3**	**18.4**	**-13.6**	**15.9**	**-34.6**
Securities / financial assets**	**7,323**	**15.3**	**8,838**	**21.4**	**8,980**	**20.5**	**-26.9**	**141.9**	**-0.3**	**-0.2**
a) Financial assets held for trading	**1,177**	**2.5**	**63**	**0.2**	**62**	**0.1**	**-1.3**	**-1.3**	**-2.1**	**-47.8**
of which debt securities held for trading	571	1.2	8	0.0	2	0.0	2.2	-5.5	0.0	-96.0
... government debt securities held for trading	56	0.1	8	0.0	2	0.0	2.2	-5.5	0.0	-96.0
b) Financial assets measured at fair value through P&L not held for trading	**0**	**0.0**	**52**	**0.1**	**74**	**0.2**	**6.0**	**22.6**	**8.8**	**16.4**
of which debt securities measured at fair value through P&L not held for trading	0	0.0	0	0.0	0	0.0	0.0	0.0	0.0	0.0
c) Financial assets designated for measurement at fair value through P&L	**179**	**0.4**	**6**	**0.0**	**6**	**0.0**	**0.0**	**0.0**	**-0.1**	**0.9**
of which debt securities designated for measurement at fair value through P&L	163	0.3	6	0.0	6	0.0	0.0	0.0	-0.1	0.9
... 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**	**5,012**	**12.2**	**5,874**	**13.4**	**-32.7**	**862.7**	**-0.6**	**18.2**
of which debt securities measured at fair value through other comprehensive income	4,318	9.0	4,807	11.7	5,680	12.9	-26.7	872.7	-0.5	19.5
... government debt securities measured at fair value through other comprehensive income	2,875	6.0	3,385	8.2	3,884	8.8	-6.1	499.2	-0.2	18.7
e) Debt securities at amortised cost	**1,415**	**3.0**	**3,706**	**9.0**	**2,964**	**6.8**	**1.1**	**-742.1**	**0.0**	**-22.9**
of which government debt securities at amortised cost	1,182	2.5	2,862	6.9	2,305	5.3	-10.6	-556.7	-0.5	-24.2
Investments in subsidiaries, joint ventures and associates	**627**	**1.3**	**509**	**1.2**	**517**	**1.2**	**0.0**	**7.9**	**0.0**	**1.0**
Other assets	**928**	**1.9**	**823**	**2.0**	**806**	**1.8**	**-1.8**	**-16.8**	**-0.2**	**-3.7**
Equity and liabilities	**47,948**	**100.0**	**41,213**	**100.0**	**43,888**	**100.0**	**368.8**	**2,674.9**	**0.8**	**8.1**
Financial liabilities measured at amortised cost (deposits)	**41,895**	**87.4**	**35,803**	**86.9**	**38,663**	**88.1**	**320.0**	**2,860.4**	**0.8**	**10.0**
a) Financial liabilities to central bank (Eurosystem)	**1,229**	**2.6**	**983**	**2.4**	**1,383**	**3.2**	**-0.5**	**399.5**	**0.0**	**42.5**
b) Liabilities to banks	**18,168**	**37.9**	**2,821**	**6.8**	**2,555**	**5.8**	**93.1**	**-266.2**	**3.8**	**-17.3**
of which to domestic banks	2,065	4.3	856	2.1	795	1.8	-3.4	-61.4	-0.4	-7.3
of which to foreign banks	16,098	33.6	1,965	4.8	1,760	4.0	96.5	-204.8	5.8	-21.2
c) Liabilities to non-banking sector (deposits by NBS)	**20,883**	**43.6**	**31,069**	**75.4**	**33,292**	**75.9**	**217.9**	**2,222.9**	**0.7**	**10.5**
of which to non-financial corporations	3,728	7.8	6,758	16.4	7,675	17.5	22.8	917.9	0.3	13.3
households	13,407	28.0	20,365	49.4	21,773	49.6	124.6	1,408.4	0.6	10.2
government	1,879	3.9	1,037	2.5	956	2.2	16.1	-80.9	1.7	-9.9
other financial institutions	1,065	2.2	1,243	3.0	1,230	2.8	39.2	-12.9	3.3	-6.3
non-residents	475	1.0	1,228	3.0	1,206	2.7	19.7	-22.0	1.7	49.2
d) Debt securities	**1,276**	**2.7**	**600**	**1.5**	**1,063**	**2.4**	**-1.7**	**462.6**	**-0.2**	**120.0**
e) Other financial liabilities measured at amortised cost***	**1,568**	**3.3**	**329**	**0.8**	**371**	**0.8**	**11.2**	**41.6**	**3.1**	**-23.1**
Provisions	**176**	**0.4**	**187**	**0.5**	**177**	**0.4**	**-5.7**	**-10.2**	**-3.1**	**-4.5**
Shareholder equity	**4,010**	**8.4**	**4,963**	**12.0**	**4,778**	**10.9**	**50.3**	**-185.1**	**1.1**	**-3.3**
Other liabilities	**1,867**	**3.9**	**260**	**0.6**	**269**	**0.6**	**4.2**	**9.7**	**1.6**	**-10.9**
BALANCE SHEET TOTAL	**47,948**	**100.0**	**41,213**	**100.0**	**43,888**	**100.0**	**368.8**	**2,674.9**	**0.8**	**8.1**

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

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

*** 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.

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

Source: Bank of Slovenia.

Table 2.2: Income statement for 2018, 2019 and 2020

	2018	Breakdown	2019	Breakdown	2019	Breakdown	2020	Breakdown	Annual growth, %
(EUR million unless stated)		(%)		(%)	Jan.-Oct	(%)	Jan.-Oct	v %	Jan.- Oct 20/ Jan.- Oct.19
Interest income	775.3		790.0		653.2		631.7		-3.3
Interest expenses	103.6		107.3		89.4		95.2		6.5
Net interest	**671.7**	**58.2**	**682.7**	**54.4**	**563.8**	**53.2**	**536.5**	**46.5**	**-4.8**
Non-interest income	**481.6**	**41.8**	**573.4**	**45.6**	**495.8**	**46.8**	**617.7**	**53.5**	**24.6**
of which net fees and commission	315.4	27.3	333.8	26.6	279.1	26.3	273.0	23.7	-2.2
of which net gains/losses on financial assets and liabilities held for trading	13.0	1.1	12.1	1.0	11.5	1.1	12.2	1.1	5.8
Gross income	**1,153.3**	**100.0**	**1,256.1**	**100.0**	**1,059.6**	**100.0**	**1,154.2**	**100.0**	**8.9**
Operating costs	**-669.5**	**-58.0**	**-709.3**	**-56.5**	**-568.9**	**-53.7**	**-591.4**	**-51.2**	**3.9**
Net income	**483.8**	**42.0**	**546.8**	**43.5**	**490.7**	**46.3**	**562.9**	**48.8**	**14.7**
Net impairments and provisions	**47.1**	**4.1**	**45.7**	**3.6**	**59.6**	**5.6**	**-108.6**	**-9.4**	**-282.3**
Pre-tax profit	**530.9**	**46.0**	**592.5**	**47.2**	**550.2**	**51.9**	**454.3**	**39.4**	**-17.4**
Taxes	-35.7		-62.0		-61.1		-25.5		-58.2
Net profit	495.2		530.5		489.2		428.8		-12.3

Source: Bank of Slovenia.

Table 2.3: Selected performance indicators

							2019	2020	Oct-19	Oct-20
in %	2014	2015	2016	2017	2018	2019	Jan.-Oct.	Jan.-Oct.	(last 12 mon.)	(last 12 mon.)
Profitability										
Financial intermediation margin*	3.10	3.05	3.05	2.88	3.01	3.13	3.20	3.25	3.19	3.18
ROA	-0.27	0.42	0.99	1.19	1.39	1.48	1.66	1.28	1.59	1.17
ROE	-2.69	3.63	7.96	9.58	11.07	12.16	13.75	11.10	13.02	10.02
Interest margin on interest-bearing assets	2.18	2.06	1.91	1.83	1.84	1.79	1.79	1.60	1.81	1.63
Net non-interest income / operating costs	58.05	60.05	68.53	62.67	71.93	80.84	87.15	104.45	83.73	95.01
Operating costs										
Labour costs / average assets	0.92	0.97	1.01	1.02	1.02	1.00	0.98	0.90	1.00	0.93
Other costs / average assets	0.81	0.84	0.80	0.78	0.73	0.77	0.73	0.76	0.76	0.80
Asset quality										
Impairments of financial assets at amortised cost / gross assets	8.98	7.84	5.38	4.09	2.64	1.53	1.84	1.44	/	/

** 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 1)			
		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
Jan-19	0.00	1.6	1.9	5.3	4.5	2.0	2.3	1.2	1.5	0.3	0.2	0.5	0.5
Feb-19	0.00	1.6	1.9	5.3	4.5	2.0	2.3	1.2	1.6	0.3	0.2	0.5	0.5
Mar-19	0.00	1.6	2.0	5.4	4.6	2.0	2.2	1.2	1.6	0.3	0.2	0.6	0.5
Apr-19	0.00	1.6	1.9	5.6	4.5	2.0	2.4	1.2	1.7	0.3	0.2	0.6	0.4
May-19	0.00	1.6	1.9	5.6	4.5	2.0	2.3	1.1	1.8	0.3	0.2	0.6	0.4
Jun-19	0.00	1.5	1.9	5.4	4.5	1.9	2.2	1.1	1.3	0.3	0.2	0.6	0.4
Jul-19	0.00	1.5	1.9	5.7	4.6	2.0	2.2	1.2	1.8	0.3	0.2	0.6	0.4
Aug-19	0.00	1.5	1.9	6.2	4.6	1.9	2.3	1.1	1.8	0.3	0.2	0.5	0.4
Sep-19	0.00	1.5	1.8	5.6	4.6	1.9	2.2	1.1	1.3	0.3	0.2	0.6	0.4
Oct-19	0.00	1.4	1.8	5.9	4.7	1.9	2.3	1.2	1.8	0.2	0.2	0.6	0.4
Nov-19	0.00	1.4	1.8	5.4	4.6	1.9	2.3	1.2	1.4	0.2	0.2	0.5	0.4
Dec-19	0.00	1.5	1.8	5.4	4.6	1.9	2.2	1.2	1.4	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	5.6	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	5.6	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	3.7	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	4.2	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	4.5	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	4.8	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	5.5	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		1.7		4.6		2.3		1.6		0.1		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[1]							
	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
Jan-19	1.9	2.9	5.8	6.2	2.0	3.3	1.6	0.9
Feb-19	1.9	2.9	5.7	6.2	2.0	3.5	1.6	1.5
Mar-19	1.8	2.9	5.6	6.2	2.0	4.0	1.6	2.6
Apr-19	1.8	2.9	5.6	6.1	2.0	3.6	1.4	1.5
May-19	1.7	2.9	5.8	6.2	2.0	4.0	1.5	1.1
Jun-19	1.7	2.9	5.7	6.2	1.9	3.8	1.4	1.6
Jul-19	1.6	2.9	5.7	6.2	1.9	3.2	1.4	1.3
Aug-19	1.5	2.8	5.8	6.1	1.9	4.2	1.4	3.7
Sep-19	1.5	2.8	5.6	6.1	1.8	3.2	1.3	1.4
Oct-19	1.4	2.7	5.6	6.2	1.8	3.6	1.3	1.2
Nov-19	1.5	2.7	5.5	6.2	1.8	3.7	1.3	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

Source: Bank of Slovenia, ECB.

4. CREDIT PORTFOLIO QUALITY[2]

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

	Exposures						Non-performing exposures (NPEs)					
	amount, EUR million			breakdown, %			amount, EUR million			ratio, %		
	Dec.19	Sep.20	Oct.20	Dec.19	Sep.20	Oct.20	Dec.19	Sep.20	Oct.20	Dec.19	Sep.20	Oct.20
NFCs	14,272	14,426	14,420	31.3	30.0	29.8	636	539	554	4.5	3.7	3.8
OFIs	1,372	1,379	1,367	3.0	2.9	2.8	11	9	8	0.8	0.7	0.6
Households	11,794	11,868	11,935	25.9	24.7	24.7	247	233	236	2.1	2.0	2.0
sole traders	691	686	688	1.5	1.4	1.4	28	28	28	4.0	4.1	4.1
individuals	11,104	11,182	11,247	24.4	23.3	23.3	219	205	208	2.0	1.8	1.8
Non-residents	7,587	7,881	7,914	16.6	16.4	16.4	99	93	93	1.3	1.2	1.2
Government	5,176	5,329	5,337	11.4	11.1	11.0	12	12	12	0.2	0.2	0.2
Banks and savings banks	897	853	856	2.0	1.8	1.8	0	0	0	0.0	0.0	0.0
Central bank	4,440	6,350	6,523	9.7	13.2	13.5	0	0	0	0.0	0.0	0.0
Total	45,592	48,086	48,352	100.0	100.0	100.0	1,006	886	903	2.2	1.8	1.9

Table 4.2: Classified claims more than 90 days in arrears by client segment

	Classified claims						Claims more than 90 days in arrears					
	amount, EUR million			breakdown, %			amount, EUR million			ratio, %		
	Dec.19	Sep.20	Oct.20	Dec.19	Sep.20	Oct.20	Dec.19	Sep.20	Oct.20	Dec.19	Sep.20	Oct.20
NFCs	14,041	14,206	14,214	34.6	33.7	33.5	201	193	178	1.4	1.4	1.3
OFIs	1,369	1,378	1,366	3.4	3.3	3.2	5	3	3	0.3	0.2	0.2
Households	11,794	11,867	11,934	29.1	28.1	28.1	214	189	197	1.8	1.6	1.7
sole traders	691	686	688	1.7	1.6	1.6	20	18	18	2.9	2.6	2.6
individuals	11,103	11,181	11,246	27.4	26.5	26.5	194	171	179	1.8	1.5	1.6
Non-residents	4,846	4,507	4,571	11.9	10.7	10.8	41	44	42	0.8	1.0	0.9
Government	3,175	3,087	3,077	7.8	7.3	7.2	6	5	5	0.2	0.2	0.2
Banks and savings banks	916	794	798	2.3	1.9	1.9	0	0	0	0.0	0.0	0.0
Central bank	4,440	6,350	6,523	10.9	15.1	15.4	0	0	0	0.0	0.0	0.0
Total	40,581	42,190	42,482	100.0	100.0	100.0	466	433	426	1.1	1.0	1.0

Table 4.3:[1] Non-performing exposures to non-financial corporations by sector

	Exposures			Non-performing exposures (NPEs)			NPE ratio		
	(EUR million)			(EUR million)			(%)		
	Dec.19	Sep.20	Oct.20	Dec.19	Sep.20	Oct.20	Dec.19	Sep.20	Oct.20
Agriculture, forestry, fishing, mining	128	129	128	3	3	2	2.0	2.0	1.9
Manufacturing	4,019	4,047	4,030	114	87	96	2.8	2.2	2.4
Electricity, gas, water, remediation	1,297	1,411	1,413	8	9	9	0.6	0.6	0.6
Construction	1,159	1,222	1,219	84	64	60	7.3	5.2	4.9
Wholesale and retail trade	2,558	2,549	2,550	229	204	203	9.0	8.0	7.9
Transportation and storage	1,751	1,667	1,668	20	23	24	1.2	1.4	1.4
Accommodation and food service	475	538	541	40	40	53	8.4	7.5	9.8
Information and communication	654	633	639	6	5	5	0.9	0.8	0.8
Financial and insurance activities	61	66	65	0	0	0	0.7	0.0	0.0
Real estate activities	585	589	579	46	36	33	7.9	6.2	5.8
Professional, scientific and technical	1,327	1,327	1,342	65	49	49	4.9	3.7	3.6
Public services	257	247	247	20	18	20	7.9	7.4	7.9
Total	14,272	14,426	14,420	636	539	554	4.5	3.7	3.8

Source: Bank of Slovenia.

[2] In 2020 banks are 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/. As a result of the changeover the gross exposure increased by EUR 7.6 million as at 31 October 2020, the accumulated impairment allowances by EUR 6.3 million and adjustments to fair value due to credit risk by EUR 1.3 million.

Table 4.4: Classified claims against non-financial corporations more than 90 days in arrears

	Classified claims (EUR million)			Classified claims more than 90 days in arrears (EUR million)			Proportion of classified claims more than 90 days in arrears (%)		
	Dec.19	Sep.20	Oct.20	Dec.19	Sep.20	Oct.20	Dec.19	Sep.20	Oct.20
Agriculture, forestry, fishing, mining	128	129	128	1	1	1	0.7	0.7	0.7
Manufacturing	4,009	4,038	4,021	42	35	35	1.1	0.9	0.9
Electricity, gas, water, remediation	1,290	1,405	1,406	4	5	5	0.3	0.4	0.4
Construction	1,157	1,220	1,218	58	38	36	5.0	3.1	3.0
Wholesale and retail trade	2,434	2,437	2,436	36	44	33	1.5	1.8	1.4
Transportation and storage	1,721	1,636	1,653	5	7	7	0.3	0.4	0.4
Accommodation and food service	471	535	537	18	20	19	3.9	3.7	3.6
Information and communication	633	605	612	1	1	1	0.1	0.1	0.1
Financial and insurance activities	61	66	65	0	0	0	0.0	0.0	0.0
Real estate activities	582	586	575	5	10	8	0.9	1.8	1.4
Professional, scientific and technical	1,298	1,302	1,317	31	31	31	2.4	2.4	2.4
Public services	257	247	247	1	1	1	0.3	0.4	0.4
Total	14,041	14,206	14,214	201	193	178	1.4	1.4	1.3

Source: Bank of Slovenia.

5. LEASING COMPANY PERFORMANCE

Table 5.1: New leasing business by type of leasing and institutional sector

		Real estate leasing					Equipment leasing				
		NFCs	Households	Other sectors	Rest of world	Total	NFCs	Households	Other sectors	Rest of world	Total
2013		152.6	9.6	2.6	1.0	165.9	346.4	373.7	1.2	3.6	724.9
2014		213.8	4.4	22.2	0.4	240.8	356.5	416.7	2.3	3.4	779.0
2015		39.5	3.9	1.3	0.3	45.0	407.2	444.1	1.8	5.8	858.9
2016		49.4	4.4	2.4	0.0	56.2	472.4	440.3	1.1	6.3	920.0
2017		39.5	2.8	10.8	2.9	56.0	520.5	477.8	9.6	6.3	1,014.2
2018		9.2	0.3	0.9	0.0	10.5	567.3	510.4	1.3	0.7	1,079.7
2019		5.3	0.1	1.0	0.0	6.4	558.8	531.7	2.2	7.2	1,099.9
2019	mar.	3.3	0.0	1.0	0.0	4.4	139.6	136.6	0.7	6.5	283.4
	jun.	0.8		0.0		0.8	160.6	140.0	0.4	0.3	301.4
	sep.	0.2	0.0			0.2	118.9	125.9	0.6	0.2	245.6
	dec.	0.9	0.1	0.0		1.0	139.7	129.1	0.5	0.2	269.6
2020	mar.	1.3	0.1	0.1		1.5	111.6	126.5	0.1	0.1	238.4
	jun.	0.9	0.0	0.2		1.1	78.1	118.1	1.7	0.2	198.0
	sep.	2.1	0.1			2.2	99.0	139.6	0.6	0.3	239.5

Table 5.2: Stock of leasing business by type of leasing and institutional sector

		Real estate leasing					Equipment leasing				
		NFCs	Households	Other sectors	Rest of world	Total	NFCs	Households	Other sectors	Rest of world	Total
2013		1,342.9	120.0	158.2	1.7	1,622.9	781.9	936.7	10.7	55.0	1,784.3
2014		1,087.3	97.6	118.7	1.7	1,305.5	745.2	945.1	7.2	47.8	1,745.3
2015		899.4	79.2	96.7	2.0	1,077.3	712.7	963.8	5.6	50.0	1,732.0
2016		556.5	59.9	52.5	3.2	672.2	710.6	933.4	3.7	23.7	1,671.3
2017		468.8	49.2	44.0	2.0	564.0	816.5	1,018.8	12.5	4.4	1,852.2
2018		286.3	35.8	29.7	1.3	353.1	888.4	1,074.2	14.5	2.6	1,979.7
2019		165.3	27.9	21.8	0.7	215.8	909.1	1,151.0	13.3	7.5	2,080.9
2019	mar.	231.4	32.2	29.4	1.2	294.1	897.2	1,099.8	13.9	8.2	2,019.2
	jun.	210.2	30.9	28.7	1.0	270.8	926.0	1,129.0	13.6	8.3	2,076.8
	sep.	176.4	29.0	25.6	1.0	232.1	916.6	1,131.9	13.3	8.1	2,069.8
	dec.	165.3	27.9	21.8	0.7	215.8	909.1	1,151.0	13.3	7.5	2,080.9
2020	mar.	161.7	26.7	17.3	0.6	206.3	904.1	1,171.2	12.6	7.2	2,095.1
	jun.	152.2	25.8	18.1	0.4	196.5	877.5	1,178.9	12.8	5.7	2,075.0
	sep.	149.9	25.5	15.5	0.3	191.1	865.0	1,202.3	12.7	5.7	2,085.7

Source: Bank of Slovenia.

Table 5.3: Leasing business by type of leasing and maturity

New leasing business by maturity, EUR million	Up to 1 year		1 to 5 years		5 to 10 years		Over 10 years		Total		
	Equipment	Real estate	Equipment	Real estate	Equipment	Real estate	Equipment	Real estate	Equipment	Real estate	All leasing
2013	125.7	100.4	296.8	12.3	299.6	15.8	2.8	37.4	724.9	165.9	890.8
2014	124.9	50.0	339.0	77.1	314.6	74.9	0.6	38.8	779.0	240.8	1,019.8
2015	151.1	13.7	350.3	9.6	353.3	12.0	4.3	9.7	858.9	45.0	903.9
2016	178.2	31.5	352.8	8.1	385.5	11.8	3.6	4.7	920.0	56.2	976.2
2017	210.8	34.0	368.7	3.8	434.2	2.0	0.4	16.2	1,014.2	56.0	1,070.2
2018	211.7	0.3	371.4	0.5	496.3	2.5	0.4	7.2	1,079.7	10.5	1,090.2
2019	226.9	1.5	371.7	0.3	501.1	1.5	0.3	3.1	1,099.9	6.4	1,106.3
2019 mar.	60.9	1.2	100.8	0.1	121.4	0.6	0.2	2.5	283.4	4.4	287.8
jun.	68.4	0.2	91.8	0.2	141.1		0.1	0.4	301.4	0.8	302.2
sep.	46.4	0.0	84.4	0.0	114.7	0.2		0.0	245.6	0.2	245.8
dec.	51.1	0.0	94.7	0.1	123.8	0.7		0.2	269.6	1.0	270.5
2020 mar.	42.2	0.1	84.9	0.3	110.8	0.0	0.4	1.1	238.4	1.5	239.8
jun.	18.2	0.0	75.8	0.0	104.0			1.1	198.0	1.1	199.1
sep.	34.7	0.1	84.6	0.0	120.1	0.0	0.1	2.1	239.5	2.2	241.7

Stock of leasing business by maturity, EUR million	Up to 1 year		1 to 5 years		5 to 10 years		Over 10 years		Total		
	Equipment	Real estate	Equipment	Real estate	Equipment	Real estate	Equipment	Real estate	Equipment	Real estate	All leasing
2013	353.2	358.2	1,124.7	471.0	268.8	476.1	37.6	317.5	1,784.3	1,622.9	3,407.2
2014	316.3	215.2	1,125.7	519.8	288.5	365.8	14.8	204.7	1,745.3	1,305.5	3,050.7
2015	305.0	172.3	1,099.0	504.2	315.7	295.7	12.3	105.1	1,732.0	1,077.3	2,809.3
2016	228.2	164.0	1,113.8	290.3	322.9	155.5	6.4	62.3	1,671.3	672.2	2,343.5
2017	251.1	161.4	1,243.3	189.6	353.0	157.5	4.8	55.5	1,852.2	564.0	2,416.2
2018	226.6	106.1	1.332.9	109.2	419.6	102.6	0.7	35.3	1.979.7	353.1	2.332.9
2019	232.8	73.4	1,390.8	59.3	456.6	61.2	0.7	21.8	2,080.9	215.8	2,296.7
2019 mar.	235.8	104.9	1,355.5	71.5	427.7	84.6	0.8	33.1	2,019.7	294.1	2,313.8
jun.	252.0	96.0	1,376.9	65.9	447.1	78.8	0.7	30.0	2,076.8	270.8	2,347.6
sep.	247.3	72.5	1,374.8	62.3	447.0	74.7	0.7	22.5	2,069.8	232.1	2,301.9
dec.	232.8	73.4	1,390.8	59.3	456.6	61.2	0.7	21.8	2,080.9	215.8	2,296.7
2020 mar.	218.7	72.3	1,418.0	58.6	457.5	53.1	0.9	22.4	2,095.1	206.3	2,301.4
jun.	197.8	72.6	1,411.7	56.4	464.8	46.3	0.6	21.2	2,075.0	196.5	2,271.5
sep.	192.9	70.8	1,424.1	49.8	468.1	50.0	0.6	20.6	2,085.7	191.1	2,276.9

Source: Bank of Slovenia.

Table 5.4: Stock of leasing business with non-financial corporations by type of leasing and sector

Real estate leasing business, EUR million	Agri, mining	Manuf	Elec, gas, water	Construct	Trade	Trans, storage	Acco, food	Info, comms	Fin, insur	Real estate	PSTAs, ASSAs	Public services	Total
2013	6.2	53.5	6.5	106.7	637.2	14.0	56.2	8.8	3.5	344.6	64.8	41.0	1,342.9
2014	5.6	39.3	2.8	102.3	462.6	13.5	40.5	7.5	6.3	308.7	60.7	37.6	1,087.3
2015	5.5	33.8	7.4	86.1	399.7	11.2	35.7	7.2	1.8	242.2	43.3	25.6	899.4
2016	5.5	27.2	0.9	21.1	204.2	7.3	22.7	7.2	2.8	213.9	18.6	22.3	553.7
2017	0.1	30.0	1.1	25.2	135.9	10.5	19.3	7.1	4.8	158.9	41.3	33.6	467.9
2018		15.0	0.9	8.8	110.0	6.3	12.3	5.1	3.2	66.9	33.4	24.3	286.3
2019		11.4	0.5	4.6	74.7	5.0	8.4	3.1	2.2	13.1	28.5	13.8	165.3
2019 mar.		13.0	0.8	7.9	88.6	6.0	12.2	3.9	2.5	40.0	34.8	21.8	231.4
jun.		12.7	0.5	5.9	76.0	5.7	11.5	3.4	2.4	37.4	31.9	22.8	210.2
sep.		12.3	0.5	5.4	78.3	5.3	10.1	3.3	2.3	13.3	30.7	14.9	176.4
dec.		11.4	0.5	4.6	74.7	5.0	8.4	3.1	2.2	13.1	28.5	13.8	165.3
2020 mar.	0.0	11.2	0.8	4.4	73.4	4.7	8.1	2.9	2.2	12.6	28.0	13.4	161.7
jun.		11.0	0.7	4.3	67.6	4.4	8.0	2.8	2.1	12.6	27.0	11.8	152.2
sep.		10.7	0.6	4.4	66.5	6.0	6.2	2.6	2.0	12.1	26.5	12.3	149.9

Equipment leasing business, EUR million	Agri, mining	Manuf	Elec, gas, water	Construct	Trade	Trans, storage	Acco, food	Info, comms	Fin, insur	Real estate	PSTAs, ASSAs	Public services	Total
2013	9.4	148.4	51.6	77.8	153.8	152.3	29.9	20.9	6.0	9.9	77.1	44.7	781.8
2014	10.1	132.4	41.9	75.5	146.0	163.5	34.4	22.9	3.6	9.4	68.0	37.6	745.2
2015	9.5	113.2	38.8	71.0	145.9	162.8	43.4	13.4	3.6	6.2	70.5	34.4	712.7
2016	11.9	96.7	27.2	65.7	139.1	196.4	52.5	12.3	4.4	4.9	66.4	33.1	710.6
2017	8.6	107.1	28.4	73.0	163.4	237.0	46.6	27.5	5.5	4.8	76.0	38.6	816.5
2018	9.4	129.2	17.6	92.8	167.7	289.9	26.3	24.2	4.9	5.6	87.1	33.7	888.4
2019 mar.	9.7	129.2	17.6	94.7	181.6	291.3	23.1	21.6	5.0	6.2	83.2	33.7	897.1
jun.	10.3	132.0	17.3	99.7	183.8	295.5	22.4	22.4	5.4	5.4	99.3	32.3	925.9
sep.	10.7	131.5	17.7	100.0	182.9	288.6	21.5	22.0	5.4	5.8	99.6	30.9	916.5
dec.	11.4	134.0	18.0	98.3	183.3	285.3	21.6	23.1	5.3	5.8	92.0	30.8	909.1
2020 mar.	12.6	127.9	18.0	99.2	175.1	275.9	19.6	18.8	5.1	6.2	116.1	29.5	904.0
jun.	11.9	126.3	18.0	102.0	163.4	265.7	18.5	18.1	5.0	6.0	113.2	29.3	877.5
sep.	11.6	124.9	17.6	100.4	164.3	255.7	17.8	18.5	4.5	6.6	114.0	28.9	865.0

Source: Bank of Slovenia.

Table 5.5: Arrears in leasing business with non-financial corporations by type of leasing and sector

	Real estate leasing business, %													Overall (all leasing)
	Agri, mining	Manuf	Elec, gas, water	Construct	Trade	Trans, storage	Acco, food	Info, comms	Fin, insur	Real estate	PSTAs, ASSAs	Public services	Overall	
2013	85.3	10.3	0.0	15.7	2.8	0.4	15.7	4.3	9.2	2.2	13.3	6.0	5.5	9.5
2014	93.7	17.2	0.0	42.9	5.2	3.5	21.2	4.9	5.3	4.2	20.4	7.4	10.8	13.1
2015	95.2	14.5	4.3	45.8	5.5	7.1	23.9	5.6	3.9	8.9	23.1	13.5	13.0	13.5
2016	96.6	4.3	0.5	38.7	8.1	1.1	14.2	0.2	4.6	6.3	14.1	12.3	9.6	9.1
2017	63.6	6.3	0.0	41.0	13.9	27.6	23.1	0.2	36.0	6.6	48.3	7.4	15.6	10.6
2018		9.6	1.0	47.9	14.7	2.1	22.4	0.0	1.4	8.4	51.2	5.5	17.1	7.7
2019		11.6	0.0	21.5	21.5	2.3	27.6	0.0	2.2	32.8	74.0	1.1	28.0	7.5
2019 mar.		14.0	0.0	48.1	18.2	1.9	27.8	0.1	2.0	69.5	46.7	1.3	30.1	9.9
jun.		14.8	0.0	23.5	21.2	2.4	25.8	0.0	2.1	68.3	69.6	0.8	33.5	9.8
sep.		15.3	0.0	23.9	20.6	2.3	27.6	0.0	2.1	36.1	72.4	1.2	28.0	8.2
dec.		11.6	0.0	21.5	21.5	2.3	27.6	0.0	2.2	32.8	74.0	1.1	28.0	7.5
2020 mar.	0.0	11.7	0.0	22.4	22.0	2.6	26.9	0.0	2.0	33.1	75.3	1.3	28.6	7.6
jun.		12.1	0.0	23.0	23.9	2.8	27.7	0.0	2.0	33.9	76.0	1.5	30.1	7.7
sep.		12.6	0.0	27.7	23.0	1.5	35.4	0.0	2.1	34.6	77.3	0.2	29.9	7.7

	Equipment leasing business, %													Overall (all leasing)
	Agri, mining	Manuf	Elec, gas, water	Construct	Trade	Trans, storage	Acco, food	Info, comms	Fin, insur	Real estate	PSTAs, ASSAs	Public services	Overall	
2013	18.6	11.7	12.4	46.7	11.9	9.9	21.3	3.0	13.2	26.6	19.5	17.9	16.5	9.5
2014	15.0	13.8	15.8	43.6	12.4	7.5	21.4	2.3	31.1	33.4	23.7	9.7	16.3	13.1
2015	15.0	10.7	13.4	39.0	11.6	5.3	18.4	7.2	32.6	42.2	19.2	9.5	14.3	13.5
2016	13.3	7.9	15.8	26.7	6.9	2.0	10.3	9.0	20.7	20.9	8.5	7.8	8.6	9.1
2017	7.8	8.1	13.7	15.8	5.8	5.6	5.4	3.9	8.8	13.5	6.2	15.4	7.7	10.6
2018	5.4	5.6	6.7	10.9	3.0	4.4	2.4	4.4	0.9	3.5	1.8	4.1	4.7	7.7
2019	4.6	5.3	6.0	4.2	2.4	4.4	1.9	4.6	0.5	1.5	1.4	4.4	3.8	7.5
2019 mar.	5.0	5.5	6.5	10.7	2.8	4.5	2.6	4.8	0.9	1.4	1.6	4.1	4.6	9.9
jun.	5.0	5.4	6.5	10.2	2.7	4.3	1.9	4.7	0.7	1.7	1.3	4.3	4.4	9.8
sep.	4.8	5.4	6.6	10.1	2.4	4.5	2.0	4.8	0.7	1.5	1.3	4.4	4.4	8.2
dec.	4.6	5.3	6.0	4.2	2.4	4.4	1.9	4.6	0.5	1.5	1.4	4.4	3.8	7.5
2020 mar.	4.2	5.6	6.0	4.2	2.6	4.8	2.1	5.6	0.4	1.4	0.7	4.6	3.8	7.6
jun.	4.3	5.3	6.0	3.9	2.7	5.0	2.3	5.9	0.5	1.4	0.7	4.6	3.8	7.7
sep.	4.4	5.2	6.2	4.0	2.7	5.1	2.8	5.7	0.5	1.3	0.7	4.7	3.8	7.7

Source: Bank of Slovenia.

Table 5.6: Leasing companies' performance and funding

							Growth, %					
	2015	2016	2017	2018	2019	Q3 2020	2015	2016	2017	2018	2019	Q3 2020
Total assets, EUR million	2,869	2,675	2,809	2,711	2,548	2,428	-17.1	-6.7	5.0	-3.5	-6.0	-8.8
Shareholder equity, EUR million	260	400	479	527	551	436	-9.7	53.9	19.7	10.0	4.6	-21.1
Net profit, EUR million	24	51	82	88	124	39	-52.4	111.9	62.1	6.8	41.4	-55.1
ROA, %	0.7	1.8	3.0	3.1	4.6	3.0						
ROE, %	9.6	16.9	19.8	17.2	22.3	15.4						
Financial and operating liabilities, EUR million	2,518	2,189	2,259	2,133	1,947	1,943	-17.7	-13.1	3.2	-5.6	-8.7	-5.3
liabilities to banks and undertakings in group / total assets, %	88	82	80	79	76	80						
Investment property	629	567	389	362	69	43	-23.5	-9.8	-31.5	-7.0	-80.8	-84.0
investment property / assets, %	22	21	14	13	3	2						
Finance expenses from impairments and write-offs, EUR million	118	61	54	43	34	27	4.8	-48.0	-11.4	-21.4	-20.2	6.2

Source: Bank of Slovenia.