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Ratings

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Nova Ljubljanska Banka D.D.

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Ratings Score Snapshot

Global Scale Ratings
Issuer Credit Rating
BBB/Stable/A-2
Resolution Counterparty Rating
BBB+/--/A-2

SACP: bbb- → **Support: +1** → **Additional factors: 0**

Anchor	bbb-	
Business position	Adequate	0
Capital and earnings	Adequate	0
Risk position	Adequate	0
Funding	Adequate	0
Liquidity	Strong	
CRA adjustment		0

ALAC support	+1
GRE support	0
Group support	0
Sovereign support	0

Issuer credit rating
BBB/Stable/A-2
Resolution counterparty rating
BBB+/A-2

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Overview

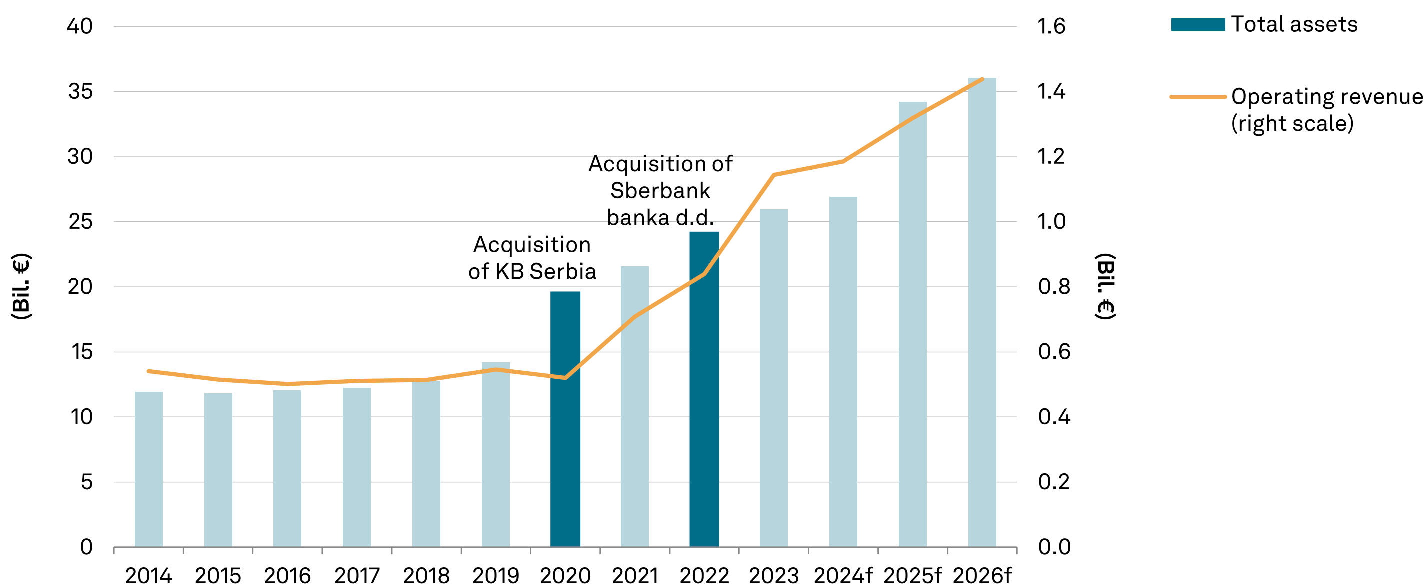
Key strengths	Key risks
Market-leading position in Slovenia and Southeastern European (SEE) countries.	Credit quality tail risks, particularly in SEE markets, where asset quality is generally weaker than in Slovenia.
Solid profitability thanks to enhanced revenue sources and sound risk performance.	Spillover risks from the war in Ukraine to core operating countries.
Well-defined resolution framework across the group's entities underpinned by sound additional loss-absorbing capacity (ALAC) buffers.	Pressure on capitalization and operational risks from growth plans and potential acquisitions.

S&P Global Ratings expects Nova Ljubljanska Banka D.D. (NLB) to remain highly profitable despite mild asset quality deterioration until 2026. NLB is benefiting from higher interest rates across its regions, with net interest margins reaching 4.5% as of June 30, 2024. Taking into account expected policy rate cuts by central banks in NLB's six core operating countries, we forecast NLB's net interest margin to decline to 3.75%-4.00% by year-end 2026, which is still a high level, contributing to solid revenue. We project the cost of risk to normalize at about 30-40 basis points (bps) over the next 12-24 months, which is still relatively low considering the higher economic risks in SEE. We expect the bank's risk-adjusted capital (RAC) ratio to remain close to 9.5% in the next two years, but we note downside risks to our projection because of NLB's growth plans.

In our view, NLB will continue to benefit from its solid business model. We think the bank's mergers and acquisitions (M&A) strategy is positively contributing to its franchise and growth (see chart 1), both in terms of market shares in affected countries and diversification by revenue and exposures, but we note execution risks in fully integrating newly acquired banks. Its recent attempt to acquire Austria-based Addiko Bank in an all-cash public takeover was not successful after a majority of Addiko Bank's shareholders did not accept the purchase offer. We think NLB will continue to pursue M&A opportunities in the SEE region to grow and diversify its business model from a geographic and product perspective. The bank has sufficient excess capital and liquidity reserves to approach target banks in the region, in our view.

Chart 1

NLB has grown into a more resilient and profitable bank over the past 10 years



f--Forecast. Source: S&P Global Ratings.

NLB is effectively operating under a multiple point of entry (MPE) resolution framework. We assess that the group has material loss-absorbing capacity, which provides protection to senior creditors of the Slovenian resolution group in a resolution scenario. The ALAC ratio was 4.2% as of end-2023. We project that the Slovenian subgroup's ALAC over S&P Global Ratings' risk-weighted assets (RWAs) will be close to 4.5% by year-end 2027. This is well above our relevant rating uplift threshold of 3.5%, after taking into account the high maturity concentrations of eligible ALAC debt over our projection horizon.

Outlook

The stable outlook reflects our expectation that NLB will keep its solid earnings and asset quality performance over the next 12-24 months, strengthened by the bank's robust risk management standards, business diversity in Slovenia, and operations in SEE. We expect NLB will create value from its bank acquisitions on the back of successful integrations and targeted synergies.

The outlook also reflects our view that NLB will maintain sound capital and ALAC buffers. We expect the bank to preserve a solid balance sheet and financial performance despite potential spillover effects from the Russia-Ukraine war and risks from the economic slowdown in Europe.

Downside scenario

We could lower the ratings over the next 12-24 months if the bank reported a lower level of ALAC-eligible bonds or RWAs increased more aggressively than anticipated, and the ALAC ratio of NLB's Slovenian resolution group subsequently dropped below 3.5%.

We could also lower the ratings if we saw a greater, longer-lasting deterioration in NLB's core markets or the emergence of intensified competition in Slovenia that led to a more significant setback in profitability and asset quality.

Upside scenario

We could take a positive rating action if NLB further diversified its geographical and product business model, leading to a more robust franchise and resiliency against challenging operating conditions in some of its key markets. NLB's ability to control and maintain current risks and governance standards across newly acquired banks is an important upside factor.

A precondition for an upgrade is NLB's ability to maintain solid capitalization, cost efficiency, profitability, and risk metrics across the group. A recovery of global economic conditions and robust economic growth in Slovenia and its main markets in SEE are supportive factors.

Key Metrics

Nova Ljubljanska Banka D.D.--Key ratios and forecasts

	--Fiscal year ended Dec. 31 --				
(%)	**2022a**	**2023a**	**2024f**	**2025f**	**2026f**
Growth in operating revenue	18.5	36.3	3.3-4.0	3.3-4.0	3.7-4.5
Growth in customer loans	22.9	4.9	6.8-8.3	8.1-9.9	8.1-9.9
Growth in total assets	12.0	7.4	3.4-4.1	8.1-9.9	7.0-8.6
Net interest income/average earning assets (NIM)	2.9	4.3	4.0-4.4	3.8-4.2	3.6-3.9
Cost to income ratio	59.9	47.3	48.9-51.5	51.0-53.6	52.9-55.6

Nova Ljubljanska Banka D.D.--Key ratios and forecasts (cont.)					
	--Fiscal year ended Dec. 31 --				
(%)	**2022a**	**2023a**	**2024f**	**2025f**	**2026f**
Return on average common equity	20.5	21.7	16.1-17.8	14.4-16.0	12.9-14.2
Return on assets	2.0	2.3	1.7-2.0	1.5-1.8	1.3-1.6
New loan loss provisions/average customer loans	0.3	0.1	0.2-0.3	0.3-0.4	0.4-0.5
Gross nonperforming assets/customer loans	2.9	2.3	2.3-2.5	2.2-2.5	2.1-2.3
Net charge-offs/average customer loans	0.1	0.1	0.2-0.3	0.2-0.3	0.2-0.3
Risk-adjusted capital ratio	8.9	9.5	9.5-9.9	9.4-9.9	9.3-9.8

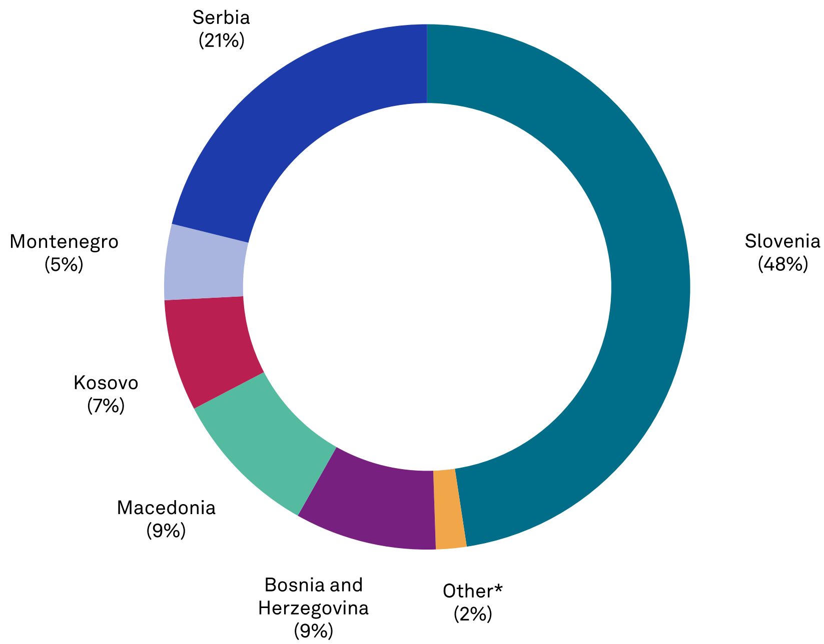
All figures are S&P Global Ratings-adjusted. a--Actual. f--Forecast. NIM--Net interest margin.

Anchor: 'bbb-', Reflecting Economic Risk In NLB's Countries Of Operation And Slovenia's Industry Risk

We use our Banking Industry Country Risk Assessment to determine a bank's anchor, the starting point in assigning an issuer credit rating. Our economic risk score for Slovenia is '4' on a scale of '1' to '10' ('1' being the lowest risk). However, the weighted average of economic risks for countries in which NLB operates, based on the geographical distribution of its exposures at default, is '6'. We think the group will maintain its higher-risk profile compared with purely domestic banks, because of its strong presence in SEE. We expect no material shift in the geographical split of the bank's exposure in the next two years and think further acquisitions will most likely happen in the SEE region. The industry risk score of '4' for NLB is based solely on its home market of Slovenia.

Chart 2

Strategic foreign markets make up a large part of NLB's lending book
Credit portfolio by geography (as of June 30, 2024)



*Mainly EU member states. Source: NLB

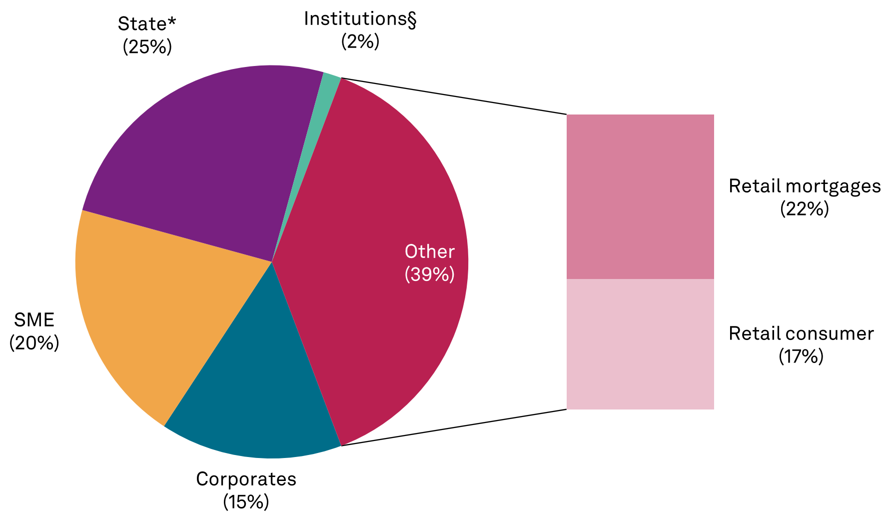
Business Position: A Strong Franchise In Slovenia And SEE

NLB's business franchise benefits from its leading position in Slovenia and solid presence in SEE, where its diversified loan portfolio has remained resilient to economic shocks in recent years (see chart 3). The bank's privatization in 2018 and the effective implementation of a bail-in framework in recent years underpin its successful transformation under current management, in our view. We expect the bank to build its franchise by expanding organically and through further acquisitions. Although NLB has successfully integrated its largest acquisition--Komercijalna Banka a.d. in Serbia--we note execution and integration risks that could dilute the bank's operating efficiency if it opts for further large acquisitions.

Chart 3

NLB's credit portfolio is well-diversified with substantial retail exposure

Credit portfolio by segment (as of June 30, 2024)



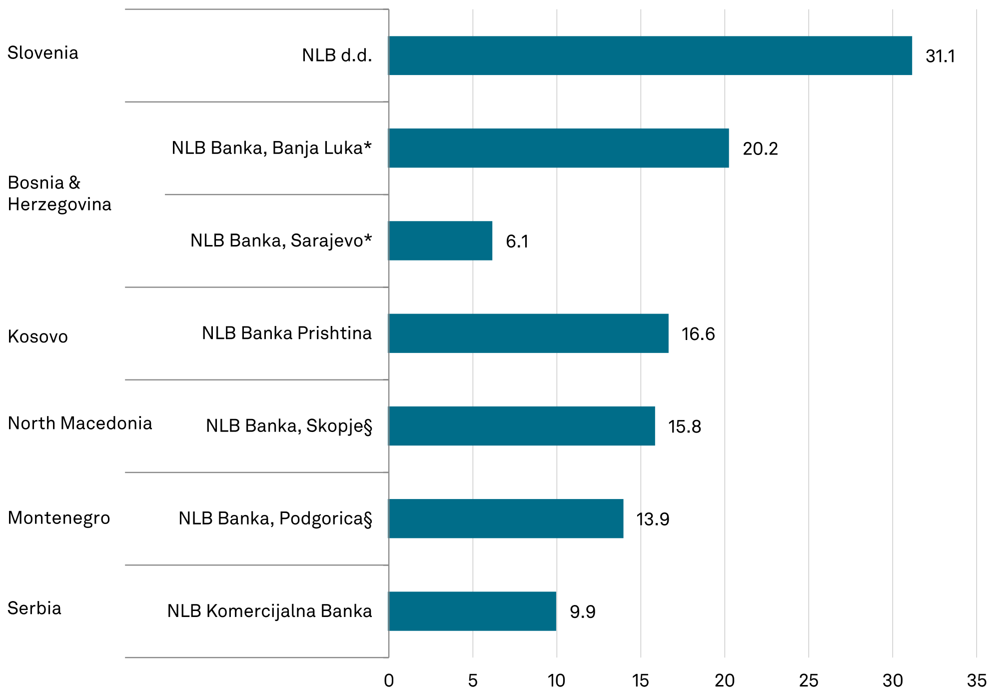
*Includes exposures to central banks. §Deposit-taking corporations except central banks and financial auxiliaries. SME--Small and midsize enterprise. Source: NLB.

NLB is the largest bank in Slovenia, with consolidated group assets of €26.6 billion at June 30, 2024, and 410 branches in its operating countries. The bank is the market leader in Slovenia, with a market share of about 37% of retail customer deposits. NLB's six foreign banking subsidiaries in North Macedonia, Bosnia and Herzegovina, Montenegro, Kosovo, and Serbia also have significant market shares and are among the largest banks in those countries (see chart 4). We think these geographical locations carry higher economic risk than Slovenia and result in more volatile revenue, which somewhat offsets the positive effect of the diversification.

Chart 4

NLB is a leading bank in its core markets

Market share by total assets (%) as of June 30, 2024



*As of March 2023. §As of March 2024. Source: NLB.

In May 2024, NLB announced its Strategy 2030 vision to reinforce management targets by expanding in its home region organically and through acquisitions. The bank defined key performance indicators for 2030 related to its balance sheet size, operating revenue, and net profits. We think the bank will expand prudently and continue its cautious risk appetite in the retail and corporate lending business. Positively, NLB has further shaped its digitalization strategy by committing to significant investments of €170 million-€200 million until 2030 to upgrade to what it calls a "digital-first operating model". We acknowledge management's focus on digital solutions and plans to simplify and automate internal processes to achieve further cost efficiencies and compete with challenger companies.

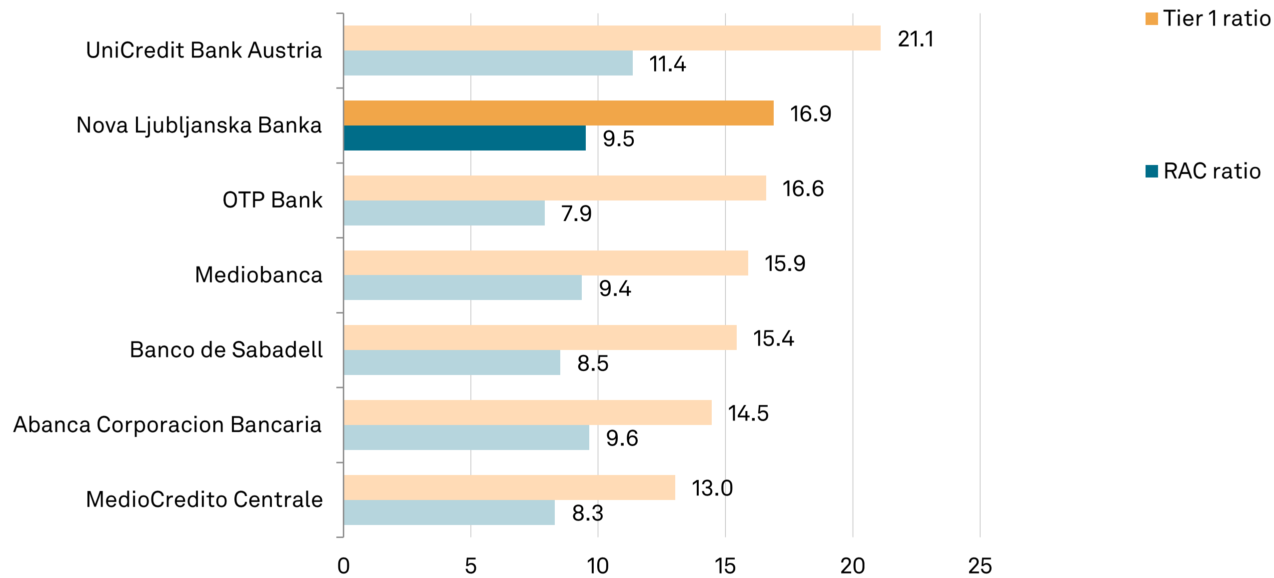
Capital And Earnings: Sound Capital Cushion

We expect NLB will continue to adequately cover the risks it takes by capital, as indicated by our forecast of a RAC ratio at close to 9.5% by 2026. NLB's capital ratios have been improving in recent years on the back of strong financial performance and high retained earnings. Its RAC ratio increased to 9.5% at Dec. 31, 2023, compared with 8.6% in 2020. The RAC and Tier 1 capital ratio compare well to those of European peer banks (see chart 5).

Chart 5

NLB's capitalization compares well to peer banks'

S&P Global Ratings risk-adjusted capital versus Tier 1 ratios (%)



As of December 2023. Source: S&P Global Ratings.

Our RAC forecast assumptions for the next 12-24 months include:

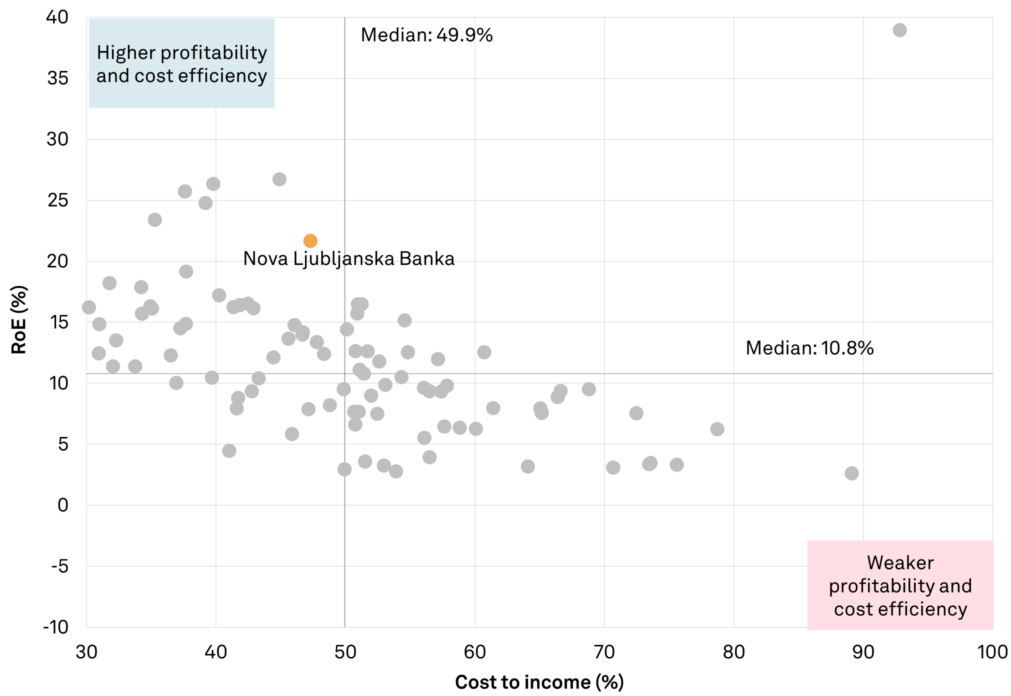
- Organic loan growth of 8% annually in 2024-2026, not considering potential M&A activities that could materialize;
- Operating revenue increasing moderately by 4% annually in 2024-2026;
- Operating expenses remaining stable at about 8%-10% over 2024-2026 considering costs from acquisitions and expenses for the upgrade of the digital infrastructure;
- Credit loss normalization toward 30-40 bps over the next 12-24 months, considering higher economic risk in the SEE region and a more challenging economic environment;
- Annual dividend payout of 40%-50% until 2026, in line with management's guidance; and
- Growth of S&P Global Ratings' credit RWAs of about 8% annually between 2024 and 2026, which largely follows the loan book growth.

NLB's cost-to-income ratio has substantially improved over recent years, mainly thanks to higher net interest margins. Its profitability in 2023 was better than the average of European banks and peers operating in countries with similar economic risk (see chart 6). We project that the bank's return on average common equity will normalize toward 14%-15% by 2026, but is likely to remain at the higher end of the peer group. We forecast that NLB's earnings buffer, which measures the capacity for a bank's earnings to cover its normalized credit losses, will remain adequate at close to 0.75%-1.00% of its S&P Global Ratings RWAs until 2026, from 1.30% in 2023.

Chart 6

NLB's profitability is stronger than most European banks

RoE and cost-to-income ratios for the top 100 European banks as of Dec. 31, 2023



RoE--Return on equity. Source: S&P Global Ratings.

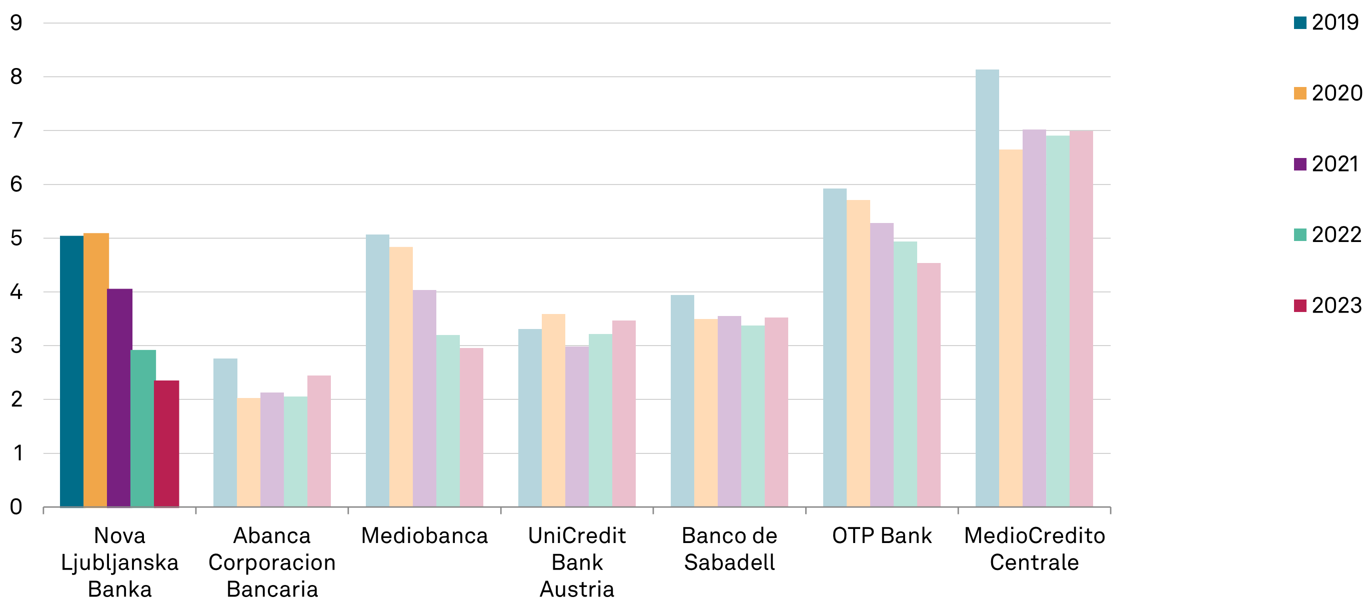
Risk Position: Materially Reduced NPAs And Sound Lending Standards Should Keep Risk Costs Moderate

NLB's SEE operations weigh on its risk profile because of what we see as higher-risk exposures in these countries through a full economic cycle. That said, we think NLB's significantly improved risk management practices, underwriting policies, and governance standards across group members will keep risk costs at bay. The successful turnaround of the bank brings asset quality indicators closer to those of peer banks operating in other European countries with a similar economic risk environment (see chart 7).

Chart 7

NLB's asset quality has improved in recent years and compares well to other peer banks'

Nonperforming asset ratio* (%)



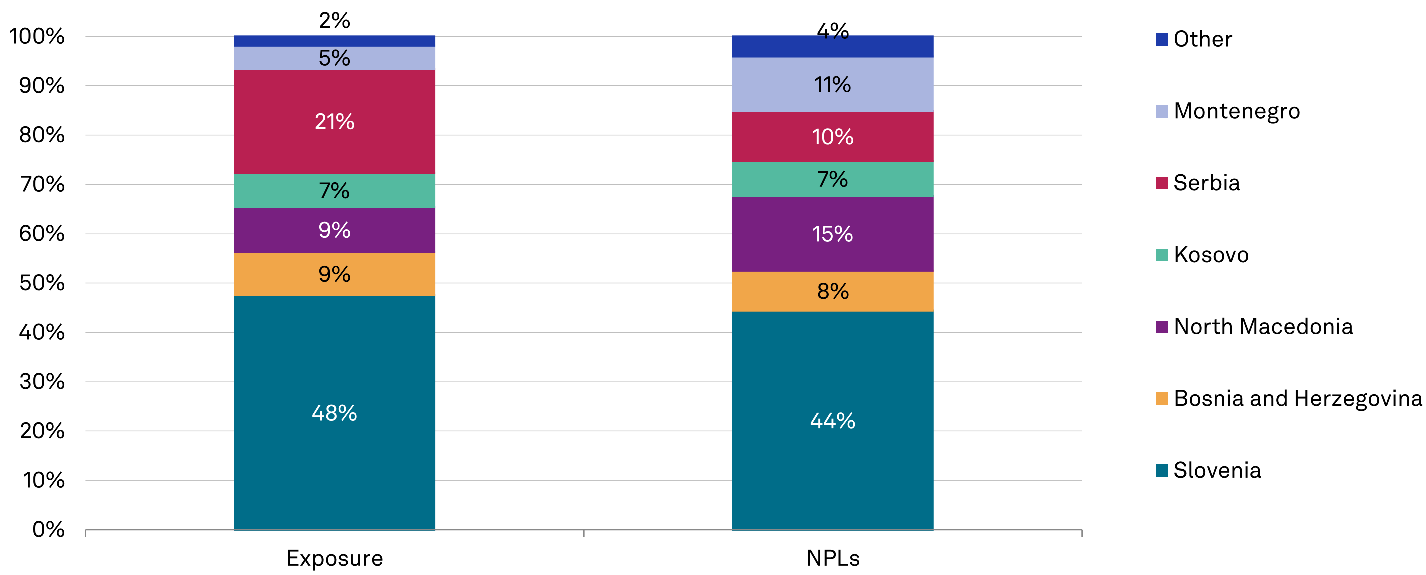
*Adjusted nonperforming assets/customer loans plus other real estate owned. Source: S&P Global Ratings.

The bank's NPA ratio declined moderately to 2.2% at June 30, 2024, from 2.3% at year-end 2023. We note that NLB has a disproportionately high share of NPAs in more economically volatile regions, particularly outside Slovenia, such as Montenegro and North Macedonia (see chart 8). At the same time, the group's gross NPA coverage ratio was a sound 99% at mid-year 2024. We forecast a moderate increase in gross NPAs and risk costs over the next 12-24 months (see chart 9) because of the challenging economic environment and some normalization of risk parameters in the bank portfolio.

Chart 8

NLB Group's portfolio is well diversified

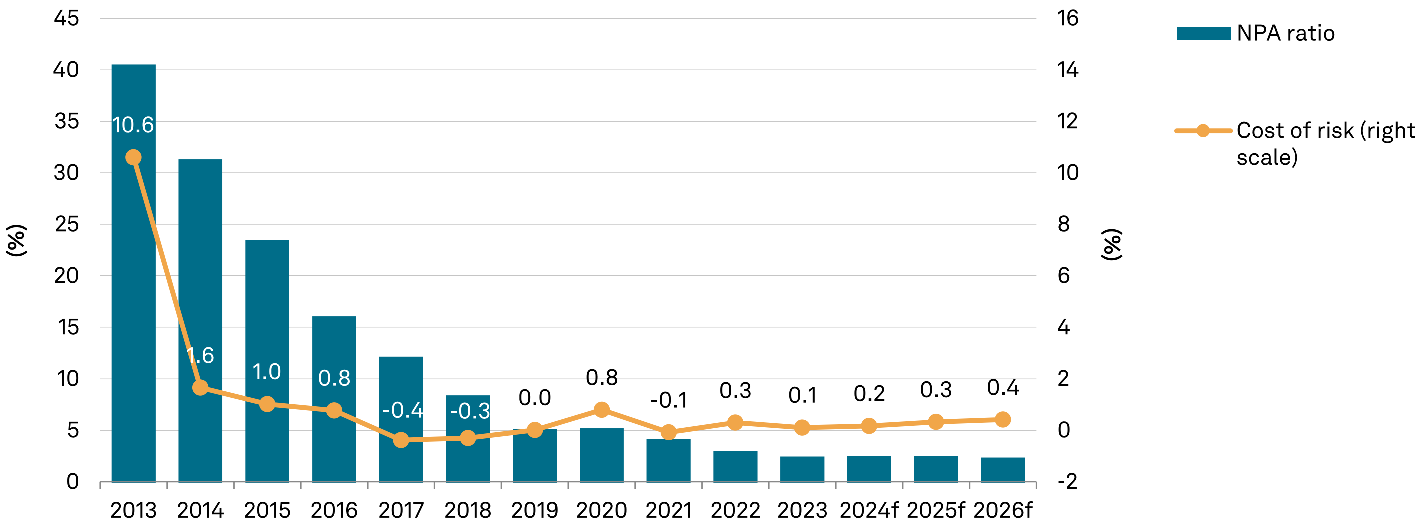
Credit portfolio and NPLs by geography as of June 30, 2024



"Other" primarily comprises Croatia. NPL--Nonperforming loan. Source: NLB.

Chart 9

We expect moderate credit losses until 2026



f--Forecast. NPA--Nonperforming asset. Source: S&P Global Ratings.

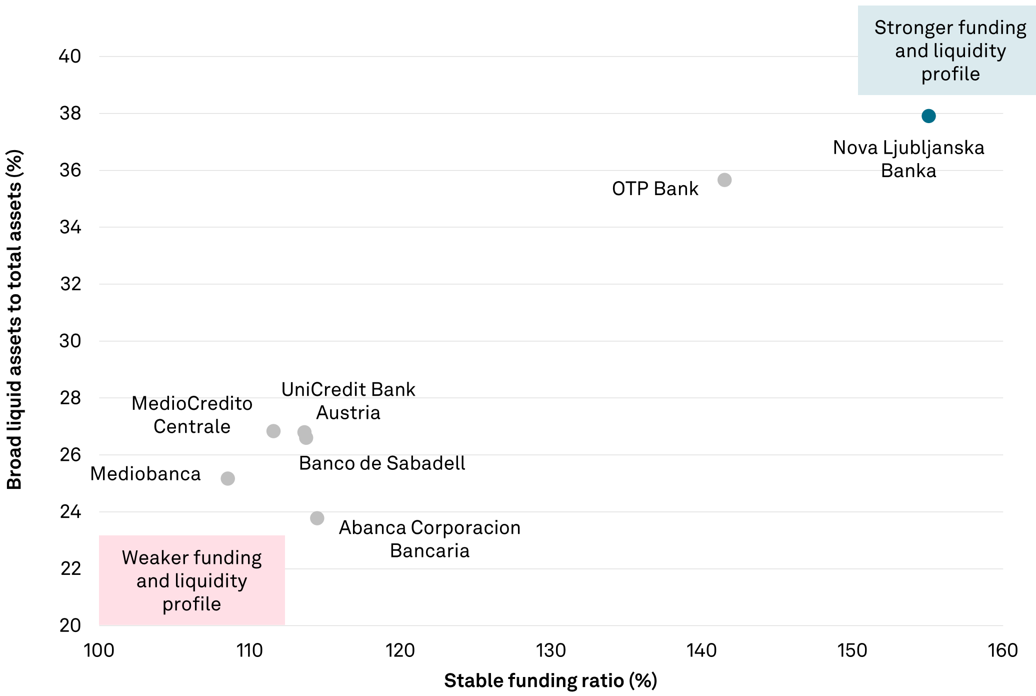
Funding And Liquidity: Resilient Customer Deposits And Ample Liquidity Buffers

NLB's funding profile is in line with its domestic peers', but we see the bank's substantially higher liquidity buffers than European peers as credit positive (see chart 10). Foreign group bank subsidiaries fully fund their lending operations with local deposits. We understand that strict liquidity rules in SEE markets require banks to hold excess liquid reserves as protection against larger liquidity outflows.

Chart 10

NLB has a sound funding and liquidity profile in the peer context

NLB's funding and liquidity metrics relative to rated peer banks



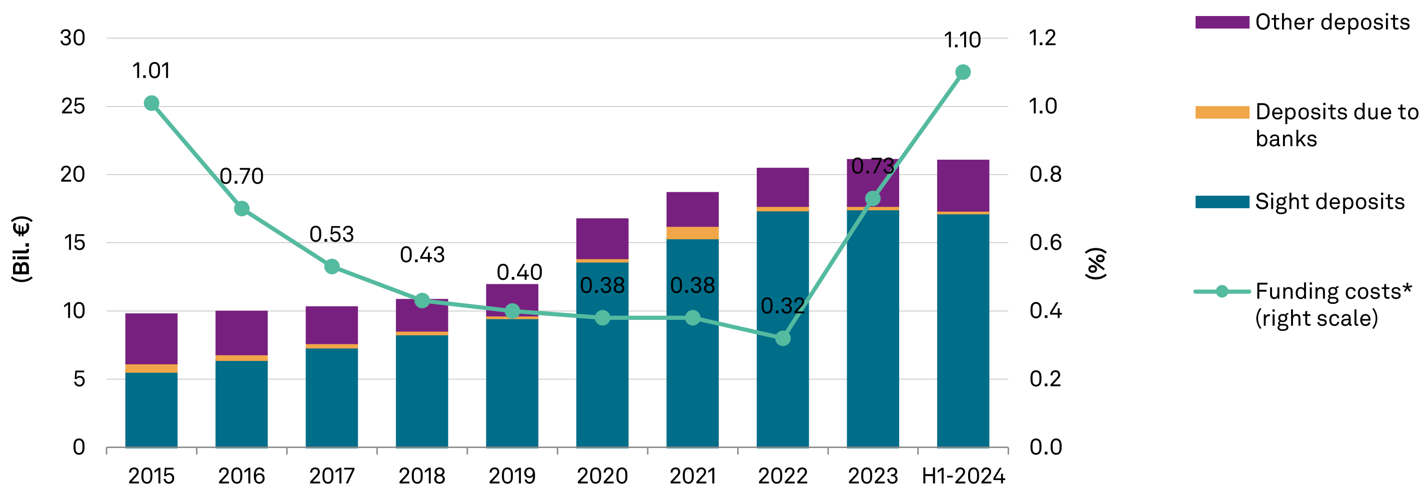
As of December 2023. Source: S&P Global Ratings.

The bank's domestic retail franchise enables a stable and diversified retail deposit base, with a substantial share of sight deposits (about 82%; see chart 11). About 68% of the group's total deposits were insured by the deposit protection schemes in the countries where NLB operates at June 30, 2024 (81% for retail deposits). Like other banks in Slovenia, NLB experienced strong inflows of new customer deposits in recent years, but we expect deposit growth to normalize over the next 12-24 months.

Chart 11

NLB has a high share of sight deposits

Composition of customer deposits and total funding costs



*Calculated as interest expense as percentage of average funding base. H1--First half. Source: S&P Global Ratings.

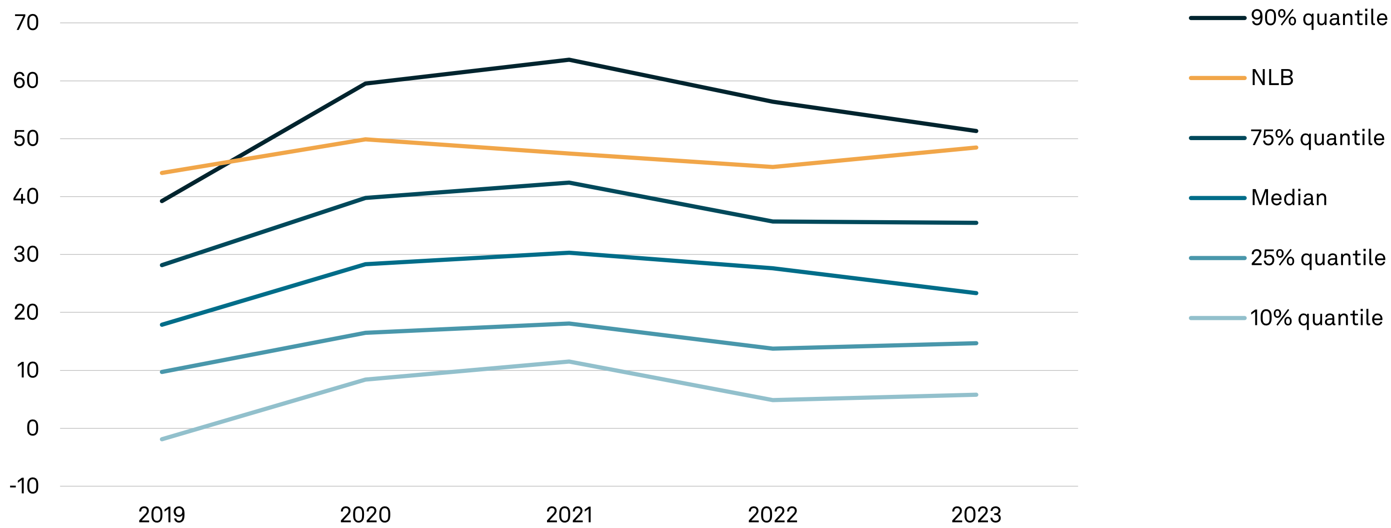
The group's loan-to-deposit ratio was a low 69% at mid-year 2024, and our stable funding ratio remained solid at 143%. Although this ratio is stronger than many peer banks in Europe, we do not think NLB is a positive outlier among Slovenian banks. NLB's top-20 customer deposits made up only 3% of total deposits at Dec. 31, 2023, and do not show any concentration risks. Recent issuances of Tier 2 and senior unsecured instruments add to NLB's funding base, but funding diversity remains a relative weakness in comparison to other European banks.

We view NLB's liquidity as a particular rating strength, thanks to the bank's reduced reliance on confidence-sensitive, short-term wholesale funding and its high liquidity buffer, which mainly comprises cash and well-diversified liquid debt securities. A large part of the liquidity buffer is unencumbered and the bank is eligible to raise liquidity with the European Central Bank. Given the low proportion of wholesale funding, our main liquidity measure--broad liquid assets to short-term wholesale funding--has somewhat limited value for the assessment. It reached a strong 38x at mid-year 2024. More importantly, the bank's net broad liquid assets to short-term customer deposits was 43% at the same date, which is among the strongest in Europe (see chart 12).

Chart 12

NLB's liquidity buffers are higher than most rated European banks

Net broad liquid assets-to-short-term customer deposits of top 100 European banks (%)



Source: S&P Global Ratings.

Support: ALAC Uplift Despite Maturity Concentrations Of Eligible Instruments

The long-term rating on NLB is one notch higher than the stand-alone credit profile (SACP), reflecting our view that the bank is operating under an effective MPE resolution framework and that it has sufficient ALAC buffers to protect senior obligations in the unlikely event of nonviability. We look at NLB's resolution group in Slovenia for ALAC uplift.

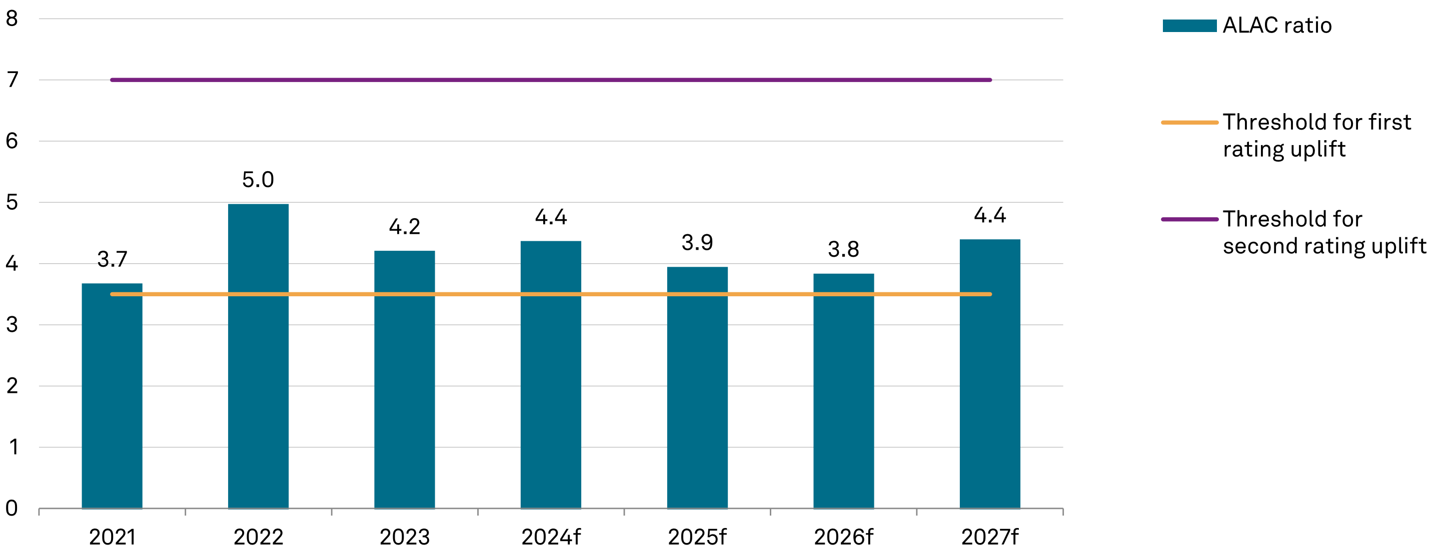
Although we continue to think that some countries in SEE will need a transition period until national authorities have established an effective and binding resolution regime, we view positively the readiness and effectiveness of NLB's MPE resolution concept. We understand that most of the subsidiaries have accumulated sufficient loss-absorbing buffers, and that the Slovenian resolution group is already resolvable with sufficient bail-in-able debt, meeting the minimum requirements for own funds and eligible liabilities (MREL) under the Bank Recovery and Resolution Directive II.

We think the capital optimization measures in 2024 have reduced NLB's short-term rollover risks of bail-in-eligible wholesale instruments. Over recent years, NLB has successfully placed wholesale instruments for its MREL requirements. We include all of the Slovenian resolution group's senior nonpreferred and subordinated instruments in our ALAC measure. We project the ALAC ratio will be 4.0%-4.5% until 2027 considering loan growth in Slovenia and the bank's funding plan. This is well above the relevant 3.5% threshold for one notch of rating uplift.

Chart 13

We expect NLB's ALAC ratio to move between 4.0%-4.5% until 2027

ALAC-eligible debt-to-S&P Global Ratings RWAs (%)



Calculation only considers NLB's Slovenian resolution group, the entry-point of the legal entity in Slovenia.
ALAC--Additional loss-absorbing capacity. RWAs--Risk weighted assets. f--Forecast. Source: S&P Global Ratings.

Environmental, Social, And Governance

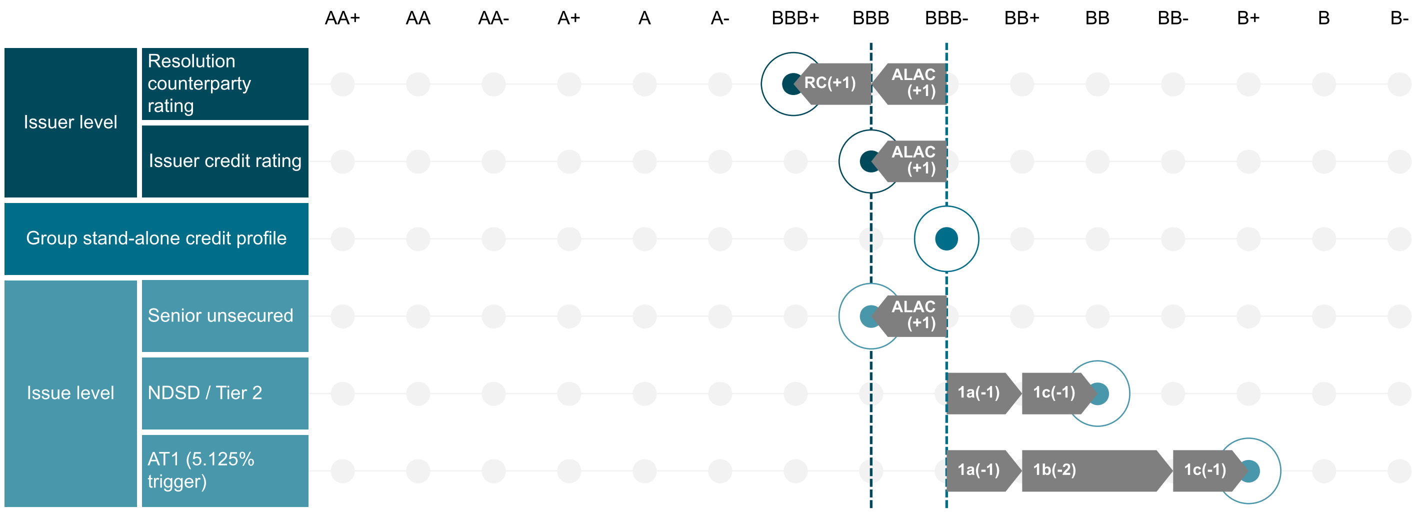
ESG factors have no material influence on our credit rating analysis of NLB. We understand that the ESG efforts of subsidiaries in SEE are aligned with those at the parent level in Slovenia.

In our view, risk roles and responsibilities are adequately defined across the group while risk monitoring and control practices, including know-your-customer processes and sanction controls in its operating markets, are well advanced. Nevertheless, as a multinational bank, we consider NLB to be exposed to tail governance risks in light of its business activities in higher-risk countries in SEE.

Social and environmental factors are also in line with peers in Europe and not a rating differentiator. Although we note the high complexity of reporting adequate data to track environmental and social risks in credit lending activities, particularly in SEE, NLB has defined adequate ESG frameworks and roles in its organization. Furthermore, the bank introduced significant financial support and relief measures for people and clients affected by the severe floods in Slovenia during August 2023. In our view, this underpins NLB's commitment to social values that the bank has defined as part of its ESG strategy.

Hybrids

Nova Ljubljanska Banka D.D.: Notching



Key to notching

---- Issuer credit rating

----- Group stand-alone credit profile

RC Resolution counterparty liabilities (senior secured debt)

ALAC Additional loss-absorbing capacity buffer

1a Contractual subordination

1b Discretionary or mandatory nonpayment clause and whether the regulator classifies it as regulatory capital

1c Mandatory contingent capital clause or equivalent

Note: The number-letter labels in the table above are in reference to the notching steps we apply to hybrid capital instruments, as detailed in table 2 of our "Hybrid Capital: Methodology And Assumptions" criteria, published on March 2, 2022.
AT1--Additional Tier 1. NDSD--Non-deferrable subordinated debt. NVCC--nonviability contingent capital.

Key Statistics

Table 1

Nova Ljubljanska Banka D.D.--Key figures

	--Year ended Dec. 31--				
(Mil. €)	**2024***	**2023**	**2022**	**2021**	**2020**
Adjusted assets	26,548.8	25,879.9	24,102.0	21,518.4	19,504.2
Customer loans (gross)	14,726.4	14,063.2	13,404.3	10,903.1	9,992.1
Adjusted common equity	2,809.0	2,629.1	2,300.3	2,030.7	1,915.1
Operating revenues	633.8	1,143.4	838.9	708.0	519.8
Noninterest expenses	304.0	540.9	502.4	456.1	315.9
Core earnings	299.8	573.0	291.6	247.1	130.1

*Data as of June 30.

Table 2

Nova Ljubljanska Banka D.D.--Business position

	--Year ended Dec. 31--				
(%)	**2024***	**2023**	**2022**	**2021**	**2020**
Loan market share in country of domicile	30.3	30.2	26.6	26.9	26.4
Deposit market share in country of domicile	37.0	36.9	34.7	33.9	35.6
Total revenues from business line (currency in millions)	635.0	1,149.7	1,015.2	709.0	668.7
Commercial banking/total revenues from business line	14.0	13.0	10.4	14.3	11.2
Retail banking/total revenues from business line	33.2	31.9	20.8	24.1	25.5
Commercial & retail banking/total revenues from business line	47.3	44.9	31.2	38.4	36.7
Other revenues/total revenues from business line	52.7	55.1	68.8	61.6	63.3
Return on average common equity	20.1	21.7	20.5	11.7	14.8

*Data as of June 30.

Table 3

Nova Ljubljanska Banka D.D.--Capital and earnings

	--Year ended Dec. 31--				
(%)	**2024***	**2023**	**2022**	**2021**	**2020**
Tier 1 capital ratio	16.3	16.9	15.1	15.5	14.2
S&P Global Ratings' RAC ratio before diversification	N/A	9.5	8.9	8.7	8.6
S&P Global Ratings' RAC ratio after diversification	N/A	7.5	6.9	6.7	6.3
Adjusted common equity/total adjusted capital	97.2	97.0	96.6	100.0	100.0
Net interest income/operating revenues	72.6	72.9	60.2	57.8	57.6
Fee income/operating revenues	23.7	24.3	32.6	33.5	32.8
Market-sensitive income/operating revenues	2.2	3.1	5.1	5.1	7.2
Cost to income ratio	48.0	47.3	59.9	64.4	60.8
Preprovision operating income/average assets	2.5	2.4	1.5	1.2	1.2
Core earnings/average managed assets	2.3	2.3	1.3	1.2	0.8

*Data as of June 30. N/A--Not applicable. RAC--Risk-adjusted capital.

Table 4

Nova Ljubljanska Banka D.D.--Risk-adjusted capital framework data

(€ 000s)	**Exposure***	**Basel III RWA**	**Average Basel III RW(%)**	**Standard & Poor's RWA**	**Average Standard & Poor's RW (%)**
Credit risk					
Government & central banks	10,411,990.3	1,016,437.8	9.8	3,831,831.4	36.8
Of which regional governments and local authorities	234,945.7	114,124.1	48.6	144,490.9	61.5
Institutions and CCPs	1,413,260.0	397,801.1	28.1	481,840.9	34.1
Corporate	4,625,136.4	3,859,401.6	83.4	6,077,691.6	131.4
Retail	10,281,324.0	6,445,970.6	62.7	11,129,238.5	108.2
Of which mortgage	3,291,827.4	1,552,779.6	47.2	2,142,054.0	65.1
Securitization§	0.0	0.0	0.0	0.0	0.0
Other assets†	1,049,389.7	448,509.9	42.7	2,612,365.4	248.9
Total credit risk	27,781,100.4	12,168,121.0	43.8	24,132,967.8	86.9

Table 4

Nova Ljubljanska Banka D.D.--Risk-adjusted capital framework data (cont.)

	Exposure	Basel III RWA	Average Basel II RW (%)	S&P Global Ratings RWA	% of S&P Global Ratings RWA
Credit valuation adjustment					
Total credit valuation adjustment	--	14,200.0	--	0.0	--
Market Risk					
Equity in the banking book	0.0	0.0	0.0	0.0	0.0
Trading book market risk	--	1,447,712.5	--	2,171,568.8	--
Total market risk	--	1,447,712.5	--	2,171,568.8	--
Operational risk					
Total operational risk	--	1,707,127.5	--	2,179,198.1	--
	Exposure	**Basel III RWA**	**Average Basel II RW (%)**	**S&P Global Ratings RWA**	**% of S&P Global Ratings RWA**
Diversification adjustments					
RWA before diversification	--	15,337,161.0	--	28,483,734.7	100.0
Total Diversification/ Concentration Adjustments	--	--	--	7,473,786.3	26.2
RWA after diversification	--	15,337,161.0	--	35,957,521.0	126.2
		Tier 1 capital	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global Ratings RAC ratio (%)**
Capital ratio					
Capital ratio before adjustments		2,597,818.0	16.9	2,711,078.0	9.5
Capital ratio after adjustments‡		2,597,818.0	16.9	2,711,078.0	7.5

*Exposure at default. §Securitization Exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. Sources: Company data as of Dec. 31 2023, S&P Global Ratings.

Table 5

Nova Ljubljanska Banka D.D.--Risk position

	--Year ended Dec. 31--				
(%)	**2024***	**2023**	**2022**	**2021**	**2020**
Growth in customer loans	9.4	4.9	22.9	9.1	26.3
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	26.2	28.3	30.6	37.2
Total managed assets/adjusted common equity (x)	9.5	9.9	10.5	10.6	10.2
New loan loss provisions/average customer loans	(0.1)	0.1	0.3	(0.1)	0.8
Net charge-offs/average customer loans	0.1	0.1	0.1	0.3	0.4
Gross nonperforming assets/customer loans + other real estate owned	2.2	2.3	2.9	4.0	5.1
Loan loss reserves/gross nonperforming assets	98.9	99.9	84.7	71.3	72.9

*Data as of June 30. N/A--Not applicable. RWA--Risk-weighted asset(s).

Table 6

Nova Ljubljanska Banka D.D.--Funding and liquidity

	--Year ended Dec. 31--				
(%)	**2024***	**2023**	**2022**	**2021**	**2020**
Core deposits/funding base	90.7	92.8	94.6	93.4	96.8

Table 6

Nova Ljubljanska Banka D.D.--Funding and liquidity (cont.)					
	--Year ended Dec. 31--				
(%)	**2024***	**2023**	**2022**	**2021**	**2020**
Customer loans (net)/customer deposits	69.2	65.9	65.0	59.8	58.3
Long-term funding ratio	99.1	99.2	99.5	96.1	99.5
Stable funding ratio	143.5	155.1	152.1	158.3	161.6
Short-term wholesale funding/funding base	1.0	0.9	0.6	4.3	0.6
Regulatory net stable funding ratio	181.4	187.3	183.0	185.2	N/A
Broad liquid assets/short-term wholesale funding (x)	38.1	49.0	73.7	10.8	75.9
Broad liquid assets/total assets	32.9	37.9	36.4	41.0	40.2
Broad liquid assets/customer deposits	42.1	47.2	43.7	49.9	47.7
Net broad liquid assets/short-term customer deposits	43.0	48.5	45.1	47.4	49.9
Regulatory liquidity coverage ratio (LCR) (%)	256.1	245.7	220.3	252.6	N/A
Short-term wholesale funding/total wholesale funding	10.4	11.9	9.7	66.0	19.0
Narrow liquid assets/3-month wholesale funding (x)	102.4	111.9	89.2	141.1	99.0

*Data as of June 30. N/A--Not applicable.

Nova Ljubljanska Banka d.d.--Rating component scores	
Issuer Credit Rating	**BBB/Stable/A-2**
SACP	bbb-
Anchor	bbb-
Economic risk	6
Industry risk	4
Business position	Adequate
Capital and earnings	Adequate
Risk position	Adequate
Funding	Adequate
Liquidity	Strong
Comparable ratings analysis	0
Support	+1
ALAC support	+1
GRE support	0
Group support	0
Sovereign support	0
Additional factors	0

ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

Related Criteria

- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, April 30, 2024
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022

- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Nova Ljubljanska Banka Affirmed At 'BBB/A-2' After Intention To Acquire Addiko Bank; Outlook Stable, June 18, 2024
- Banking Industry Country Risk Assessment: Slovenia, June 17, 2024
- Slovenia, Full Analysis, June 10, 2024
- Slovenian Banks Can Handle New Bank Tax, Sep. 06, 2023

Ratings Detail (As Of September 4, 2024)*	
Nova Ljubljanska Banka D.D.	
Issuer Credit Rating	BBB/Stable/A-2
Resolution Counterparty Rating	BBB+/--/A-2
Junior Subordinated	B+
Senior Unsecured	BBB
Subordinated	BB
Issuer Credit Ratings History	
11-May-2022	BBB/Stable/A-2
26-May-2021	BBB-/Stable/A-3
26-May-2020	BBB-/Negative/A-3
Sovereign Rating	
Slovenia	AA-/Stable/A-1+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.