S&P Global
Ratings

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Nova Ljubljanska Banka D.D.

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Nova Ljubljanska Banka D.D.

Rating 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**

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

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

Additional factors: 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.

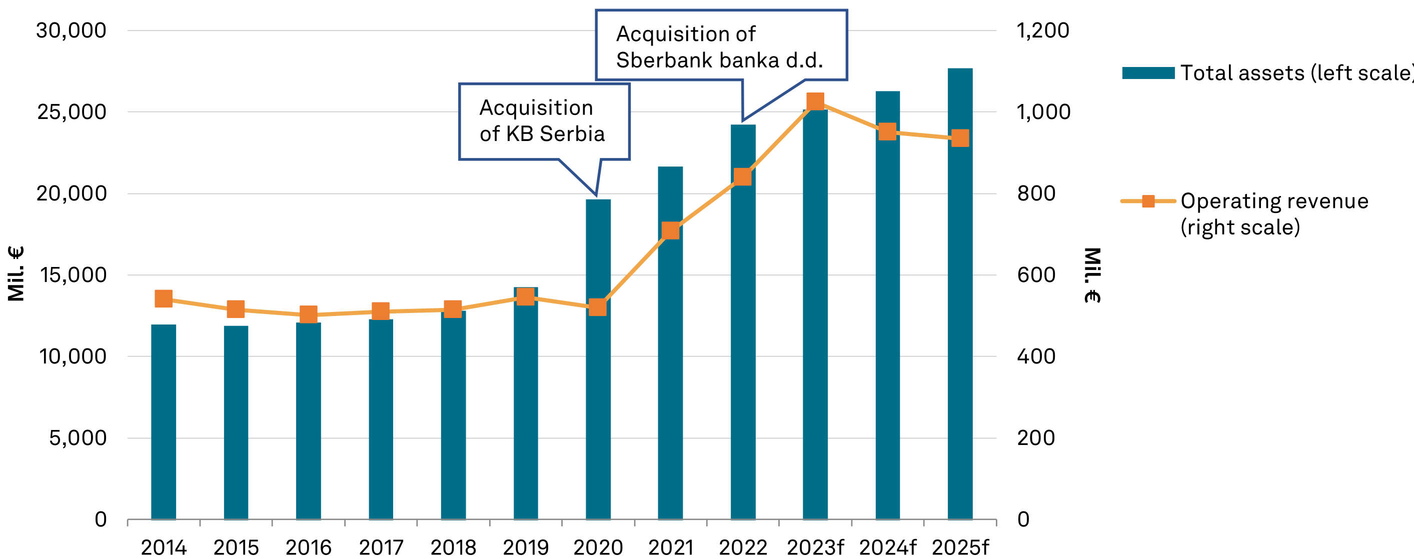
Credit Highlights

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 coupled with de-risking of balance sheet in recent years.	Spillover risks from the war in Ukraine to core regions and elevated uncertainties from a generally weaker economic environment with high inflation.
Well-defined resolution framework across the group's entities underpinned by sound additional loss-absorbing capacity (ALAC) buffers.	Pressure on capitalization and costs from growth plans and potential acquisitions.

S&P Global Ratings expects Nova Ljubljanska Banka D.D. (NLB) to withstand uncertainties from the war in Ukraine and current economic challenges in its core operating regions. We believe that NLB will continue to show robust business and earnings performance thanks to its leading positions in its core markets and solid business model. The bank's sound risk management and business diversity in its home market and SEE, as well as management's proven expertise, have strengthened NLB's resilience and profitability since the banking crisis in Slovenia during 2011-2013 (see chart 1). We believe NLB's recent acquisitions are positively contributing to its portfolio, both in terms of market shares in affected countries and diversification by revenue and exposures, but we note execution risks in fully integrating them.

Chart 1

NLB has successfully expanded to become to a more resilient and profitable bank since the bail-out in 2013
Total assets and operating revenue between 2014 and 2025f



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

We expect NLB will continue to adequately cover the risks it takes by capital, as indicated by our forecast of about a 9.5% risk-adjusted capital (RAC) ratio by 2025. Internal capital accumulation is backed by the bank's solid performance. NLB reported strong results for first-half 2023 on the back substantially higher net interest margins and the release of impairments and provisions in its credit book. Its reported return on equity (RoE) after taxes of 19.4% at mid-year 2023 is well above the medium-term target of 14%, but we expect a gradual normalization by 2025. Asset quality indicators have also improved significantly in recent years, and we expect a stable development in the next 12 months despite current economic uncertainties and NLB's exposure to higher-risk countries in SEE. Tail risks to our forecast remain high because of economic uncertainties and remaining integration risks related to N Banka (formerly Sberbank banka d.d.).

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. Based on year-end 2022 data, the ALAC ratio was 5.0%. We project that the Slovenian subgroup's ALAC over S&P Global Ratings' risk-weighted assets (RWAs) will be close to 7.5% by year-end 2026. This is well above our relevant rating uplift threshold of 4.0%, 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 stick to its issuance plans, thereby strengthening its ALAC buffers. It also reflects our view that NLB will preserve a solid balance sheet and financial performance despite potential spillover effects from the war in Ukraine and risks from the economic slowdown in Europe over the next 12-24 months.

We project resilient earnings and asset quality performance in our baseline scenario, fostered by the bank's robust risk management standards and business diversity in Slovenia and its operations in SEE. We expect NLB will create value from its bank acquisitions on the back of successful integrations and targeted synergies.

Downside scenario

We could lower the ratings over the next 12-24 months if the bank issued lower bail-in-able buffers than we anticipate, and the ALAC ratio of the Slovenian subgroup subsequently dropped below 4%.

We could also lower the rating if we saw a greater, longer-lasting deterioration in the operating environment or the emergence of intensified domestic competition that led to a more significant setback in profitability and asset quality. Similarly, we could see pressure if the group showed more aggressive growth or capital depletion strategies in its weaker areas of operation outside Slovenia.

Upside scenario

We could take a positive rating action if NLB achieved higher-than-expected capitalization or loss-absorbing capacity. This could occur, for example, if its RAC ratio improved well above 10% or the ALAC ratio for the Slovenian resolution group was sustainably higher than 8%.

Improvements in global economic conditions, combined with a rebound to positive economic risk trends in Slovenia and its main SEE markets, could also lead to a positive rating action. An upgrade might also occur if NLB maintained solid capitalization and further improved its cost efficiency, profitability, and risk metrics.

Key Metrics

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

	--Fiscal year ended Dec. 31--				
(%)	**2021a**	**2022a**	**2023f**	**2024f**	**2025f**
Growth in operating revenue	36.2	18.5	19.9-24.3	(6.4)-(7.9)	(1.6)-(1.9)
Growth in customer loans	9.1	22.9	3.6-4.4	4.5-5.5	6.3-7.7
Growth in total assets	10.3	12.0	3.4-4.2	4.0-4.9	4.9-6.0
Net interest income/average earning assets (NIM)	2.5	2.9	3.6-3.9	3.1-3.4	2.9-3.2

Nova Ljubljanska Banka D.D.--Key ratios and forecasts (cont.)					
	--Fiscal year ended Dec. 31--				
(%)	**2021a**	**2022a**	**2023f**	**2024f**	**2025f**
Cost to income ratio	64.4	59.9	51.2-53.8	57.9-60.8	61.3-64.4
Return on average common equity	11.7	20.5	16.3-18.0	11.4-12.6	9.1-10.1
Return on assets	1.2	2.0	1.5-1.9	1.1-1.4	0.9-1.1
New loan loss provisions/average customer loans	(0.1)	0.3	0.2-0.2	0.3-0.3	0.3-0.3
Gross nonperforming assets/customer loans	4.0	2.9	2.3-2.6	2.3-2.6	2.2-2.5
Net charge-offs/average customer loans	0.3	0.1	0.2-0.2	0.3-0.3	0.2-0.2
Risk-adjusted capital ratio	8.7	8.9	9.3-9.8	9.5-10.0	9.3-9.8

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

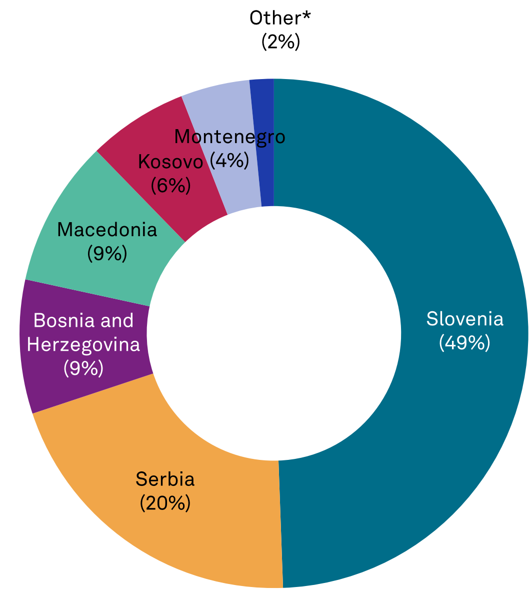
Anchor: 'bbb-', Reflecting Economic Risk In NLB's Countries Of Operation And Slovenia's Industry Risk

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 believe 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, if any.

Chart 2

Strategic foreign markets make up a large part of NLB's lending book

Credit portfolio by geography (as of June 30, 2023)



*Mainly EU member states. Source: NLB.

Slovenian banks benefit from the relatively wealthy economy and substantially improved asset quality thanks to strong deleveraging in the private sector and banks' intensive workout of impaired assets. Like most peers, government measures have helped the country's private sector remain resilient so far, despite the European energy crisis, while nonperforming assets (NPAs) remain low. Slovenia has the highest GDP per capita across Central and Eastern European (CEE) countries with sound economic growth prospects. That said, tail economic risks remain elevated due to the Russia-Ukraine war and potential knock-on effects to global trade, a slowdown in domestic economic growth, high inflation, and supply chain issues.

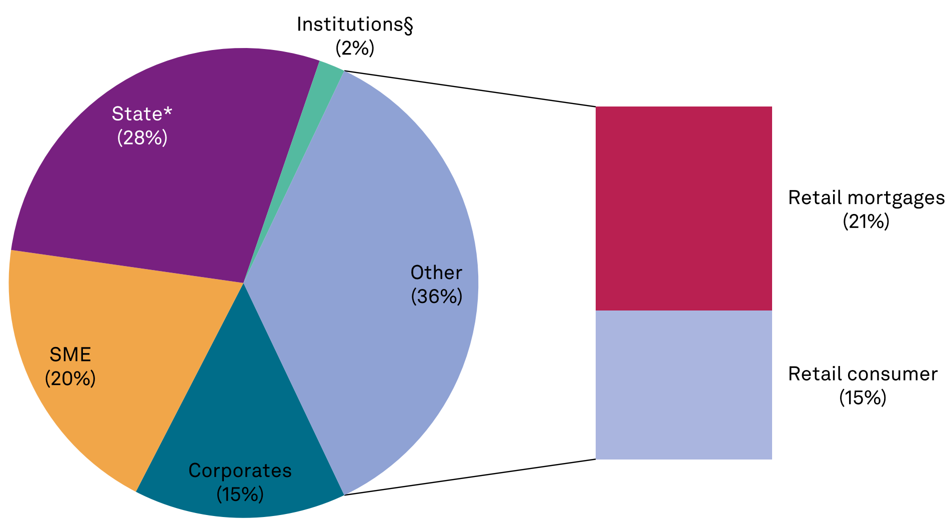
The privatization of the country's largest banks over recent years was key to the current consolidation that we view as positive for governance, cost efficiency, and profitability. Improved lending and governance standards to the level of most eurozone countries--and the solid capitalization of the banking sector--should mitigate the impacts of adverse scenarios on banks from current economic fragilities. Banks are self-funded with a high level of stable core deposits, which somewhat balances the banking sector's limited funding diversity and shallow domestic debt capital markets. The slow up-pricing of these deposits, against a fast repricing of loans, have substantially contributed to Slovenian banks' profitability since the European Central Bank (ECB) hiked its policy rates. We expect some pressure on net interest margins from higher funding costs within the next 12-24 months.

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). We acknowledge NLB's sound corporate and retail banking franchise in is core markets and the progress it has made in adapting its business model and risk management practices since the bail-out by the Slovenian government in 2013. 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. While NLB has successfully integrated its, so-far, largest acquisition in Serbia--Komercijalna Banka a.d.--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, 2023)



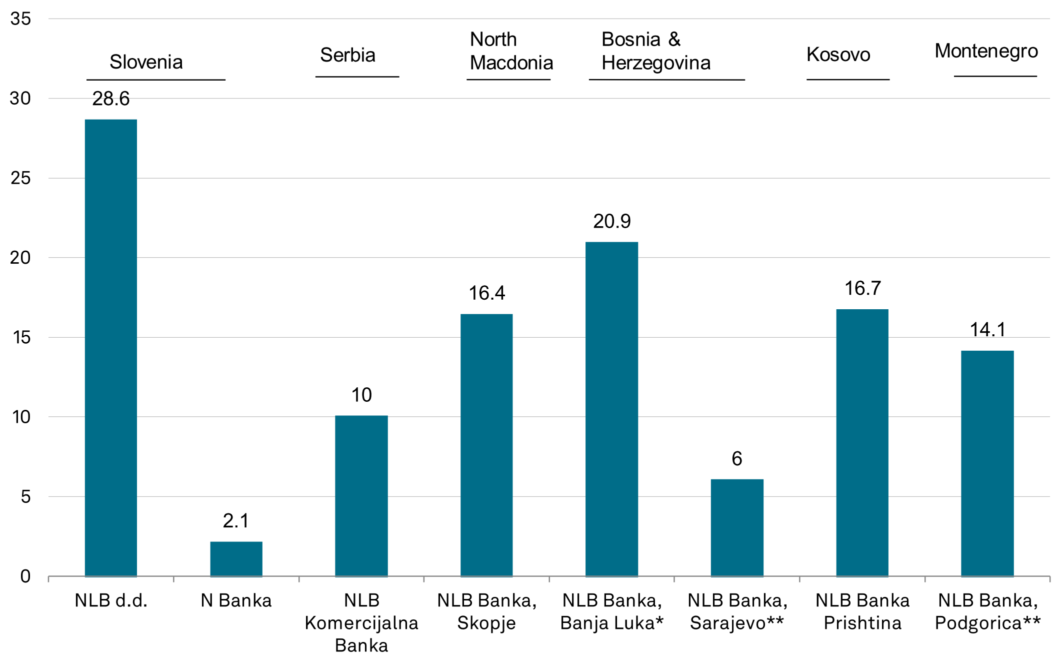
*Includes exposures to central banks. §Deposit-taking corporations except central banks and financial auxiliaries. SME--Small and midsize enterprise. Source: NLB.

NLB is the largest bank in Slovenia, with consolidated group assets of €24.7 billion at June 30, 2023, and 428 branches in its operating countries. The bank is the market leader in Slovenia, with a market share of about 36% of retail customer deposits. NLB's six foreign banking subsidiaries in Macedonia, Bosnia and Herzegovina, Montenegro, and Kosovo also have significant market shares and are among the largest banks in those countries (see chart 4). We think that these geographical locations carry higher economic risk than Slovenia and result in more volatile revenue, which somewhat offsets the positive effect of the diversification. 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.

Chart 4

NLB is a leading bank in its core markets

Market share by total assets (%) as of June 30, 2023



*As of Dec. 31, 2022. §As of March 31, 2023. Source: NLB

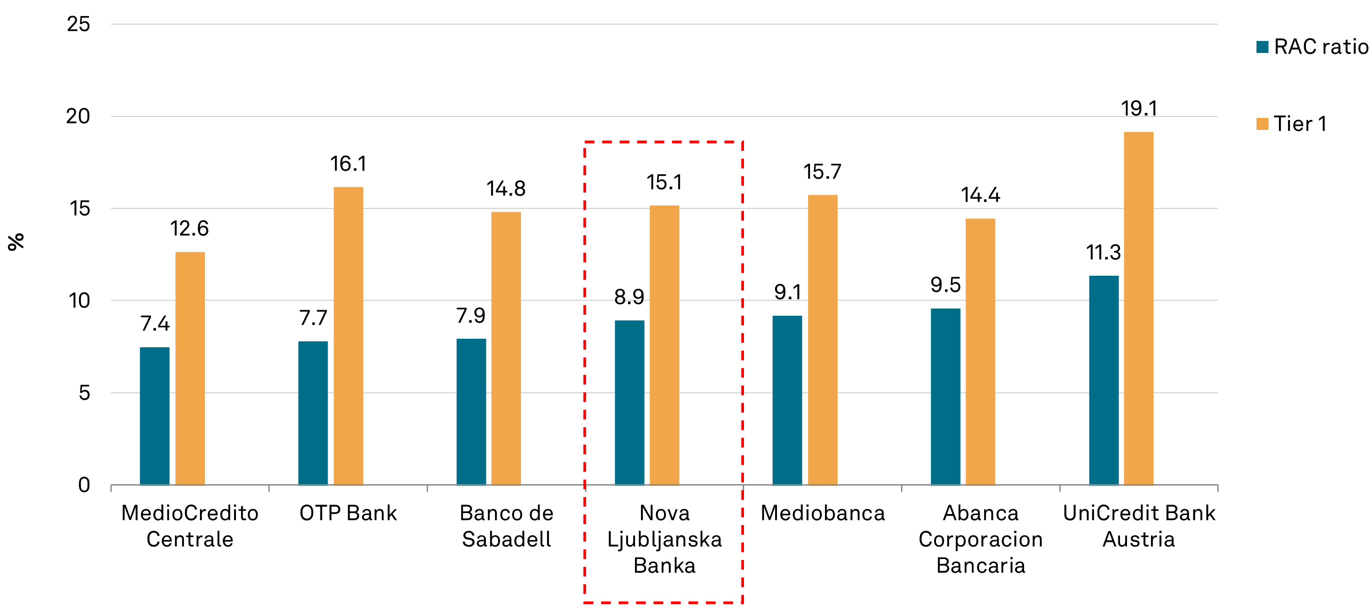
Capital And Earnings: Sound Capital Cushions Against An Economic Slowdown

NLB's capital ratios have been somewhat declining in recent years on the back of organic balance sheet growth and acquisitions that have absorbed capital. Its RAC ratio, for example, was 8.9% at Dec. 31, 2022, compared with 9.7% in 2019. We expect the RAC ratio to increase in the next 12-24 months, reaching 9.5% by 2025. 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 peers banks' and is not a positive outlier

S&P Global Ratings risk-adjusted capital (RAC) versus Tier 1 ratios at Dec. 31, 2022



Source: S&P Global Ratings.

Our RAC forecast assumptions for 2023-2025 include:

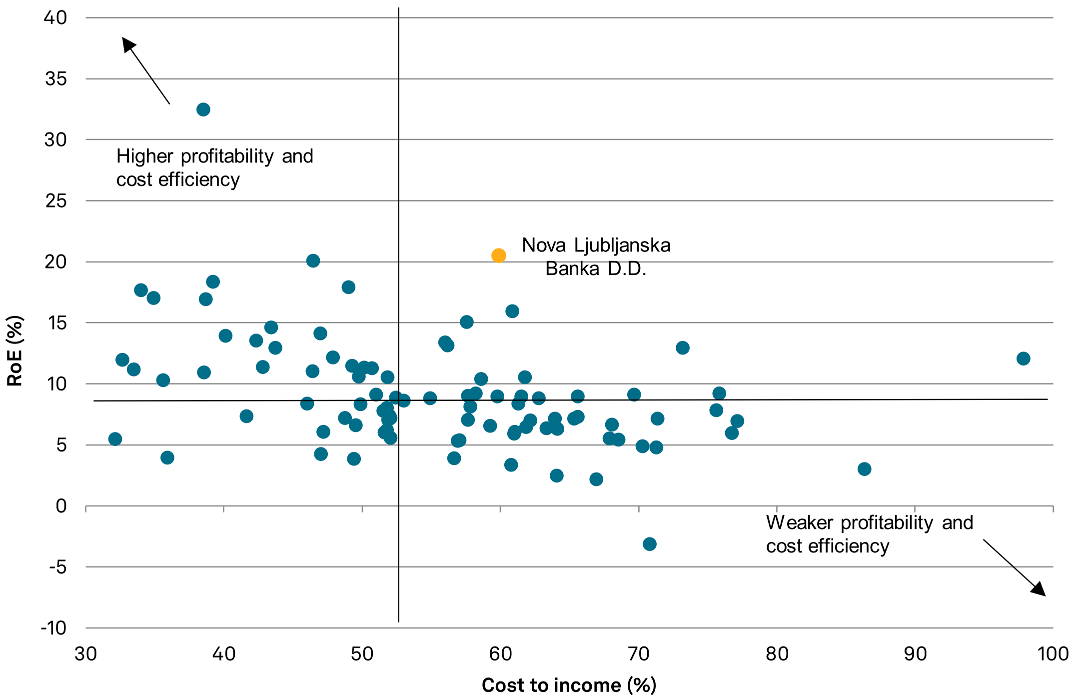
- Operating revenue increasing a substantial 22% in 2023, followed by a decline in 2024 and 2025, mainly because of pressure from funding costs on currently high net interest margins;
- Operating expenses rising 7% in 2023 followed by 4%-5% growth between 2024 and 2025 due to wage inflation and further investments in digital offerings;
- Stability of credit losses, at about 22 basis points (bps) in 2023, and moving toward 30 bps-35 bps in 2024-2025 amid deteriorating macroeconomic parameters that will likely lead to new loan loss provisions;
- An annual dividend payout of €110 million in 2023 and increasing toward €130 million annually until 2025, in line with management's guidance; and
- Growth of S&P Global Ratings' credit RWAs of about 3%-5%, in line with loan book growth.

NLB's cost-to-income ratio has substantially improved over recent years. Its profitability is better than the average of European banks and peers operating in countries with similar economic risk (see chart 6). We forecast that NLB's earnings buffer, which measures the capacity for a bank's earnings to cover its normalized credit losses, will remain moderate at close to 50 bps of its S&P Global Ratings RWAs until 2025, after 86 bps in 2022.

Chart 6

NLB's profitability is stronger than most European banks

RoE and cost-to-income ratios for top 100 European banks at Dec. 31, 2022



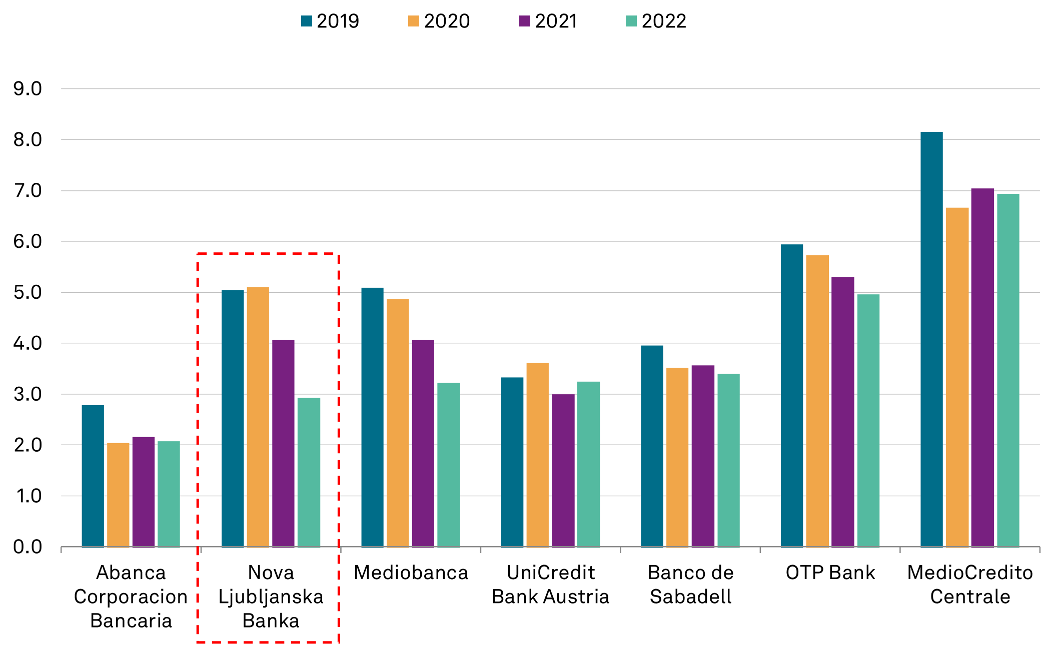
RoE--Return on equity. Source: S&P Global Ratings.

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 believe 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 assets* (%)

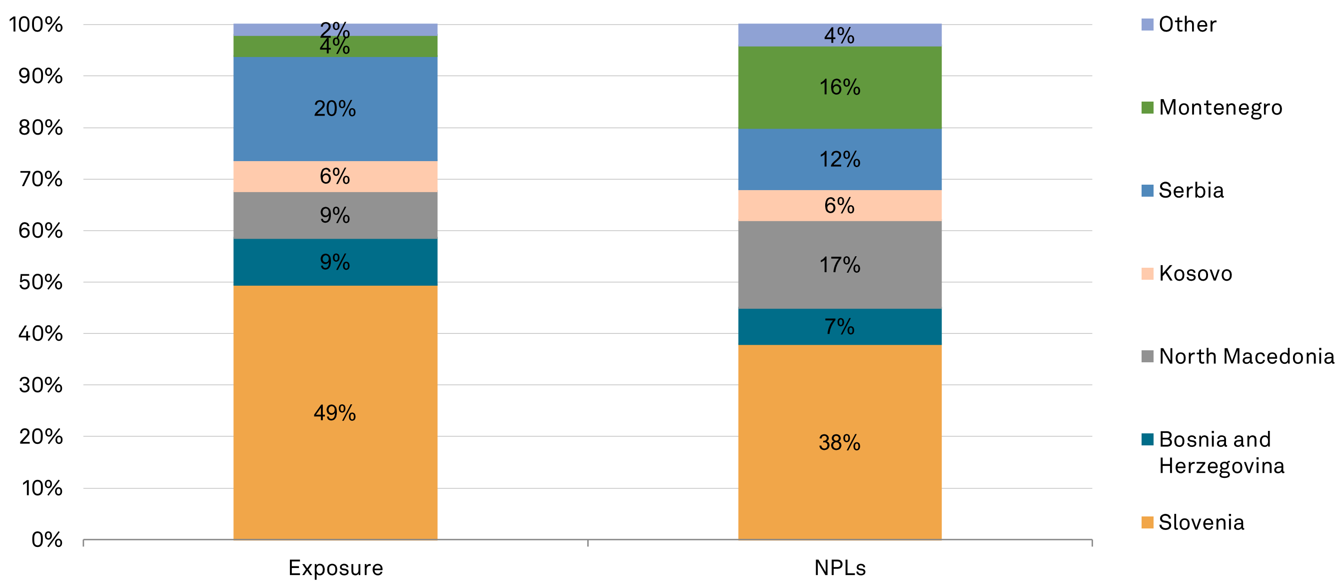


*Adjusted nonperforming assets/customer loans plus other real estate owned. Source: S&P Global Ratings.

NLB continued to de-risk its portfolio by reducing gross NPAs to 2.5% of total loans at June 30, 2023, from 2.9% at year-end 2022. We also note that NLB has a disproportionately high share of NPAs in more difficult economic regions, particularly outside Slovenia, Montenegro, and Serbia (see chart 8). At the same time, the group's gross nonperforming loan (NPL) coverage ratio was a sound 91% at mid-year 2023. NLB's ongoing workout efforts and the historically active market for NPL sales could lead to a positive surprise for the NPA portfolio--something we have seen regularly in recent years.

Chart 8

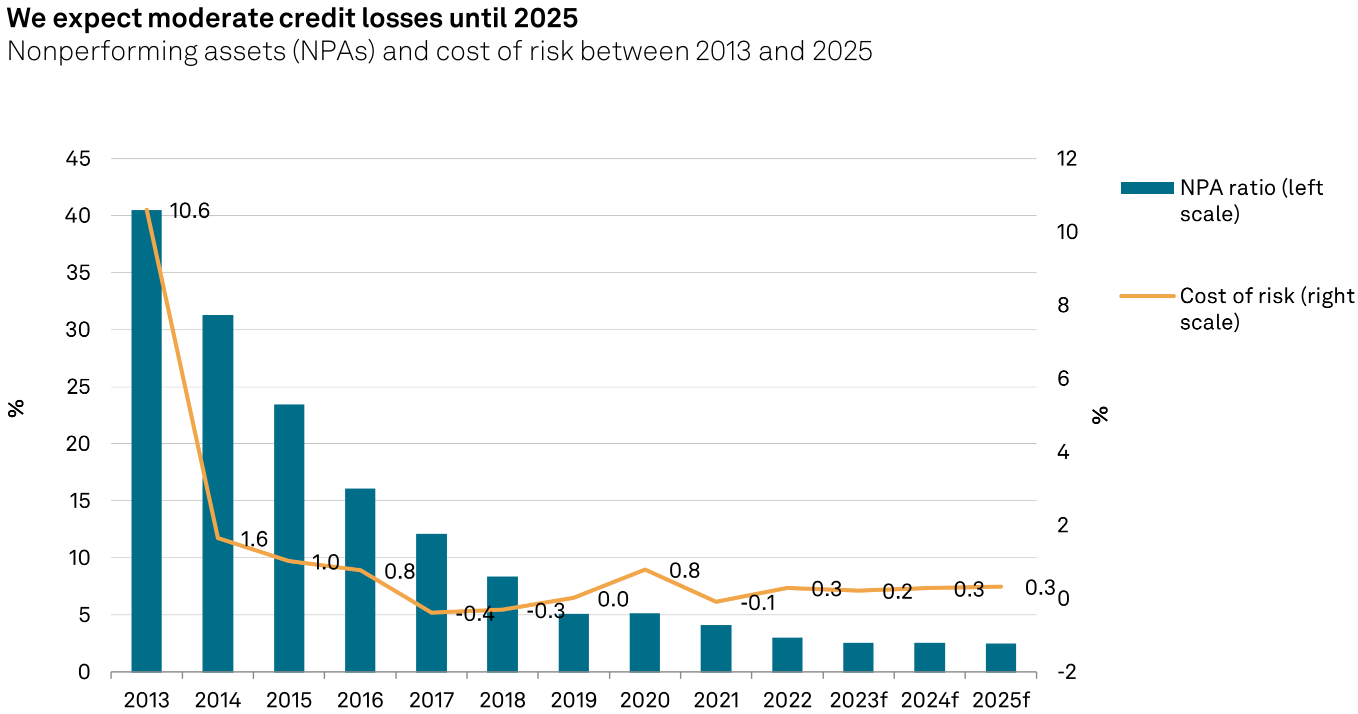
NLB's portfolio is well diversified with most nonperforming loans (NPLs) in Slovenia
Credit portfolio and NPLs by geography at June 30, 2023



Out of total NPLs, 4% are in region 'Other' out of which the majority are from Croatia. Source: NLB.

We expect NLB will remain resilient overall, largely due to its sound risk management, well-diversified business mix, and higher pre-risk margins in core regions. We expect these factors would help it absorb a potential spike in credit losses, if, for example, unexpected shocks were to materialize, such as a deeper recession in selected regions in Europe. We project credit losses will remain moderate until 2025 (see chart 9).

Chart 9



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

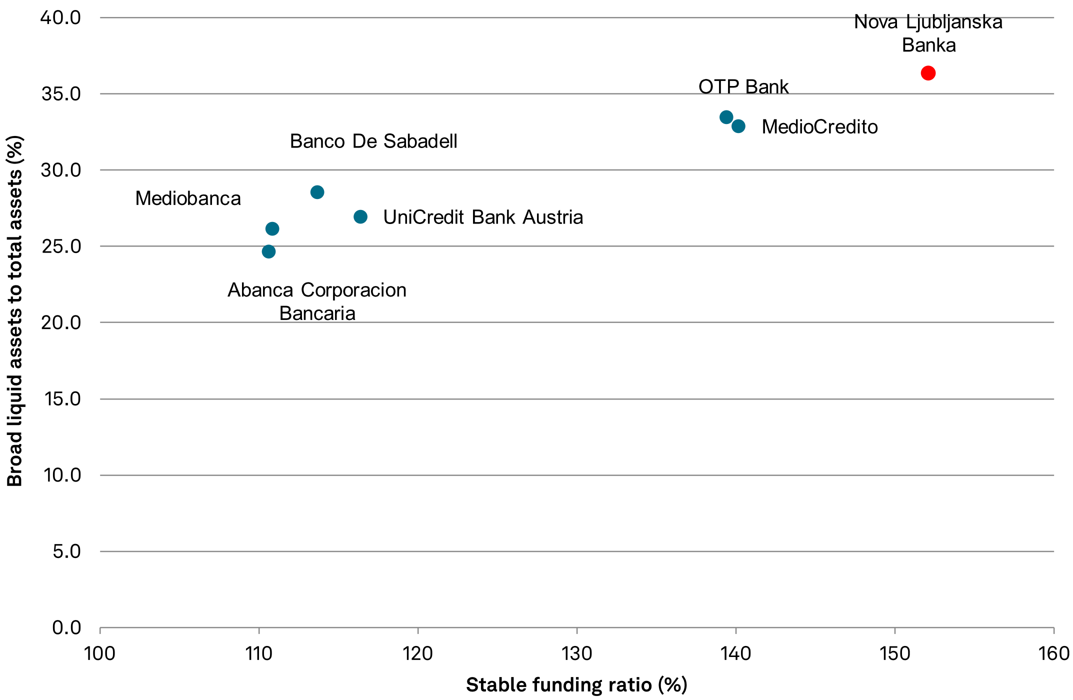
Funding And Liquidity: Resilient Customer Deposits And Ample Liquidity Buffers

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.

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 (Dec. 31, 2022)



Source: S&P Global Ratings.

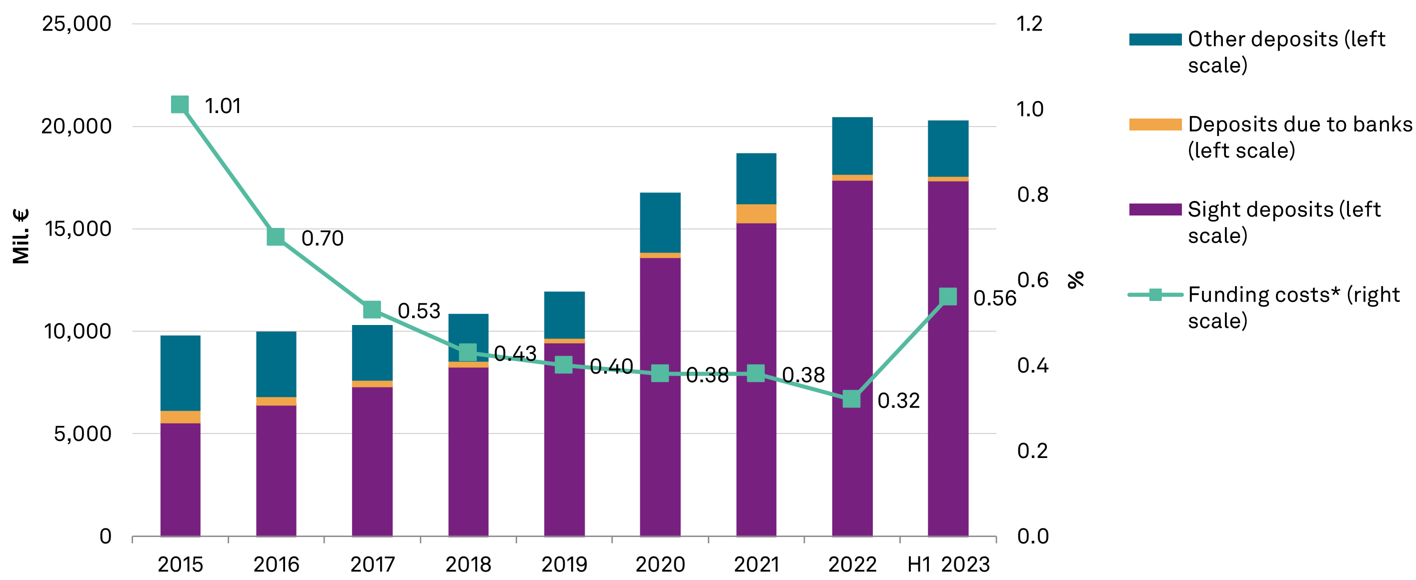
The bank's domestic retail franchise enables a stable and diversified retail deposit base, with a substantial share of sight deposits (about 85%; see chart 11). About 65% of the group's total deposits were insured by the deposit protection schemes in the countries where NLB operates at June 30, 2023 (85% 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 reduce given elevated inflation rates and the increased need to tap cash for consumption and investments. What's more, we expect funding costs to increase because of a moderate shift from sight to term deposits and a pass-through of higher interest rates to depositors. The bank decided to increase interest rates on retail term deposits from Sept. 1, 2023, which we expect will feed through to net interest income for the next 12 months at least.

The group's loan-to-deposit ratio was a low 67% at mid-year 2023, and our stable funding ratio remained solid at 145%. While this ratio is stronger than many peer banks in Europe, we don't think that NLB is a positive outlier among Slovenian banks. NLB's top-20 core customer deposits made up only 3% of total liabilities at Dec. 31, 2022, 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.

Chart 11

NLB has low funding costs because of the high share of sight deposits

Composition of customer deposits and total funding costs between 2015 and H1 2023



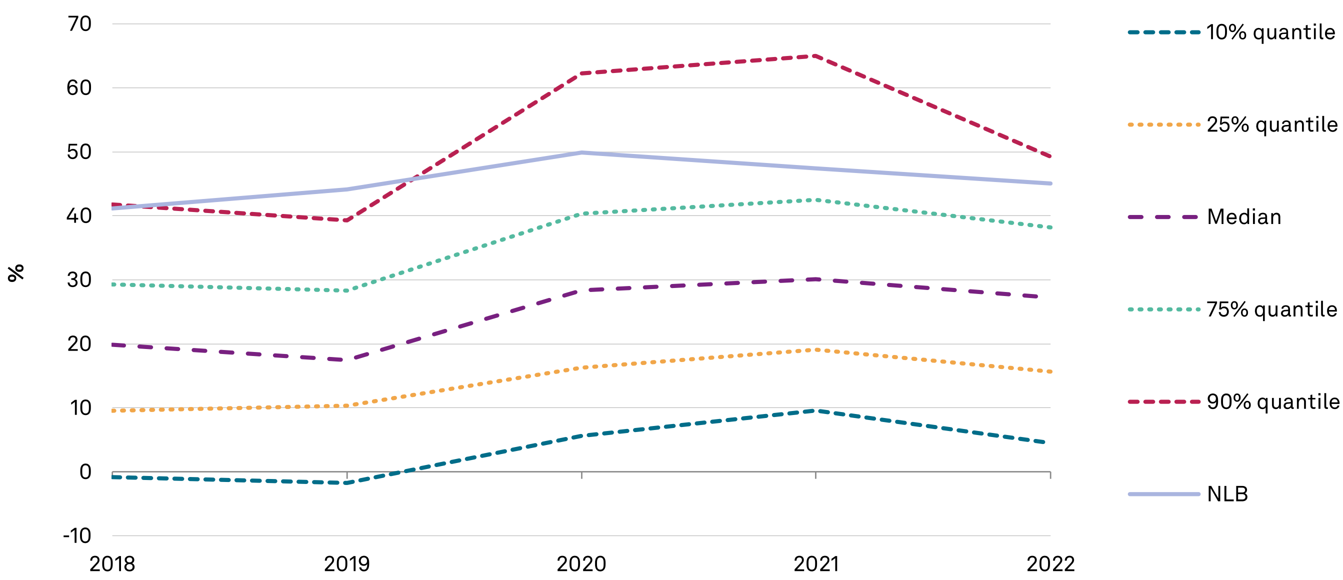
*Calculated as Interest expense as percent of average funding base. H1--First half. Source: S&P Global Ratings.

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 consists of 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 ECB.

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 72x at mid-year 2023. 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.

We believe that NLB's subsidiaries in SEE are also well equipped with solid liquidity buffers and self-funded profiles. We understand that strict liquidity rules in SEE markets require banks to hold excess liquid reserves as protection against larger liquidity outflows.

Support: ALAC Uplift Despite Significant 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.

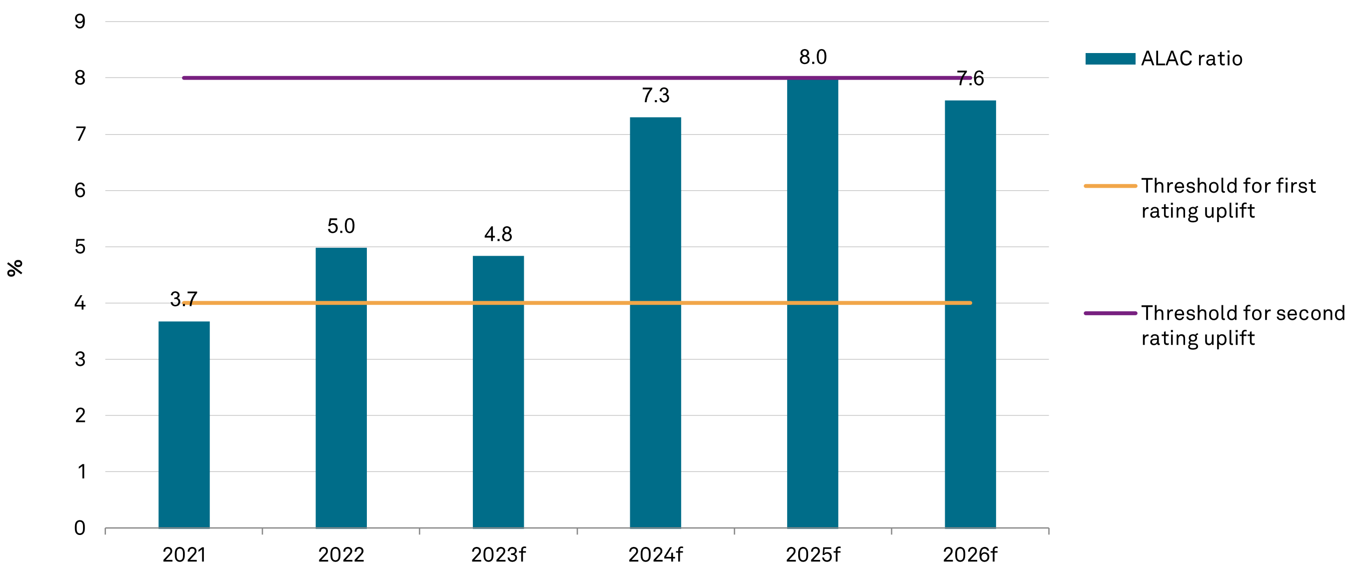
While we continue to think that some countries in SEE will need a transition period until national authorities have established an effective and binding resolution regime, we view positively the readiness and effectiveness of NLB's MPE resolution concept. We understand that most of the subsidiaries have 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 include all of the Slovenian resolution group's senior nonpreferred and subordinated instruments in our ALAC measure. At the same time, we take a negative view of the bank's relatively high maturity concentrations for eligible ALAC debt over our projection horizon given that NLB has larger volumes of single instruments outstanding that will need replacing beyond 2024.

The ALAC ratio of the Slovenian resolution group was 5.0% at Dec. 31, 2022. We project that it will increase toward 7.5% by year-end 2026 given the bank's issuance plans for ALAC-eligible instruments (see chart 12). This range is well above our relevant ALAC threshold of 4.0%.

Chart 13

We expect NLB's ALAC ratio to move closer to the 8% threshold until 2026
ALAC-eligible debt to S&P Global Ratings' RWAs (%) between 2021-2026f



Calculation only considers NLB's Slovenian Resolution Group, the entry-point of the legal entity in Slovenia.

f--Forecast. ALAC--Additional loss absorbing capacity. RWAs--Risk-weighted assets. Source: S&P Global Ratings.

Environmental, Social, And Governance (ESG)

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.

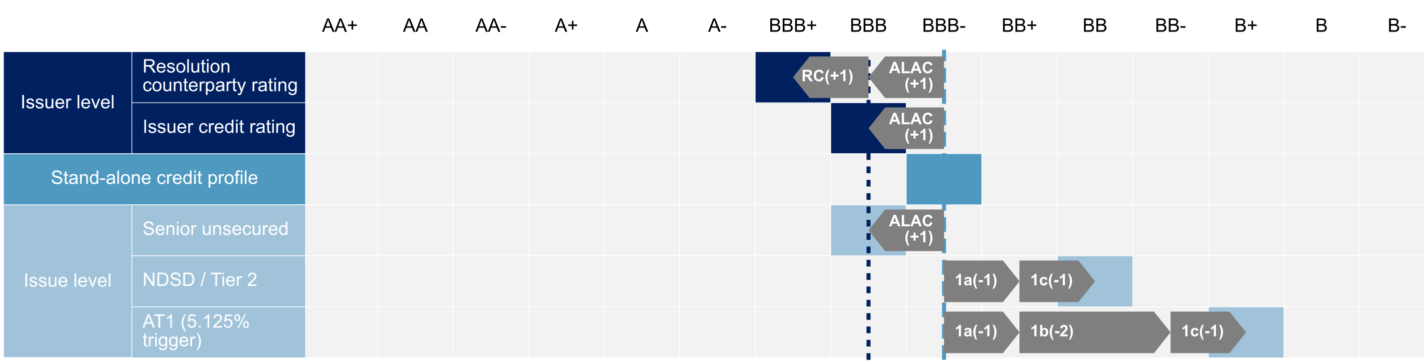
Social and environmental factors are also in line with peers in Europe and not a rating differentiator. While we note the high complexity of reporting adequate data to track environmental and social risks in credit lending activities, particularly in SEE, NLB has defined adequate ESG frameworks and roles in its organization. For example, it established a Group Sustainability Committee in 2021, which is working toward groupwide ESG goals. What's more, 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.

Resolution Counterparty Ratings (RCRs)

We set the RCRs on NLB at 'BBB+', one notch above the 'BBB' long-term issuer credit rating, reflecting the typical approach under our framework when the issuer credit rating ranges from 'BBB-' to 'A+'. This also reflects our jurisdiction assessment on Slovenia.

Hybrids

Nova Ljubljanska Banka D.D.: Notching



Key to notching

Group stand-alone credit profile

Issuer credit rating

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.

Key Statistics

Table 1

Nova Ljubljanska Banka D.D.--Key figures

	--Year ended Dec. 31--				
(Mil. €)	**2023***	**2022**	**2021**	**2020**	**2019**
Adjusted assets	24,645.3	24,102.0	21,518.4	19,504.2	14,134.5
Customer loans (gross)	13,747.0	13,404.3	10,903.1	9,992.1	7,912.2
Adjusted common equity	2,575.9	2,300.3	2,030.7	1,915.1	1,633.8
Operating revenues	537.4	838.9	708.0	519.8	546.0
Noninterest expenses	270.8	502.4	456.1	315.9	316.3
Core earnings	245.3	291.6	247.1	130.1	212.3

*Data as of June 30.

Table 2

Nova Ljubljanska Banka D.D.--Business position

	--Year ended Dec. 31--				
(%)	**2023***	**2022**	**2021**	**2020**	**2019**
Loan market share in country of domicile	27.1	26.6	26.9	26.4	26.2
Deposit market share in country of domicile	35.6	34.7	33.9	35.6	35.7
Total revenues from business line (currency in millions)	542.5	1,015.2	709.0	668.7	545.7
Commercial banking/total revenues from business line	12.3	10.4	14.3	11.2	14.7
Retail banking/total revenues from business line	29.3	20.8	24.1	25.5	30.4
Commercial & retail banking/total revenues from business line	41.6	31.2	38.4	36.7	45.1
Other revenues/total revenues from business line	58.4	68.8	61.6	63.3	54.9
Return on average common equity	19.9	20.5	11.7	14.8	11.7

*Data as of June 30.

Table 3

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

	--Year ended Dec. 31--				
(%)	**2023***	**2022**	**2021**	**2020**	**2019**
Tier 1 capital ratio	15.3	15.1	15.5	14.2	15.8
S&P Global Ratings' RAC ratio before diversification	N/A	8.9	8.7	8.6	9.7
S&P Global Ratings' RAC ratio after diversification	N/A	6.9	6.7	6.3	7.0
Adjusted common equity/total adjusted capital	96.8	96.6	100.0	100.0	100.0
Net interest income/operating revenues	70.7	60.2	57.8	57.6	58.3
Fee income/operating revenues	25.1	32.6	33.5	32.8	31.2
Market-sensitive income/operating revenues	2.8	5.1	5.1	7.2	6.9
Cost to income ratio	50.4	59.9	64.4	60.8	57.9
Preprovision operating income/average assets	2.2	1.5	1.2	1.2	1.7
Core earnings/average managed assets	2.0	1.3	1.2	0.8	1.6

*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(%)	S&P Global Ratings RWA	Average S&P Global Ratings RW (%)
Credit risk					
Government & central banks	9,407,068.2	1,268,567.8	13.5	3,895,583.9	41.4
Of which regional governments and local authorities	278,596.7	155,700.9	55.9	220,042.1	79.0
Institutions and CCPs	1,418,186.8	323,521.8	22.8	477,677.9	33.7
Corporate	4,559,127.1	3,615,015.2	79.3	5,862,634.6	128.6
Retail	9,757,732.8	6,123,548.4	62.8	10,655,763.4	109.2
Of which mortgage	3,163,609.4	1,541,149.1	48.7	2,073,502.7	65.5
Securitization§	0.0	0.0	0.0	0.0	0.0
Other assets†	1,037,310.1	467,199.6	45.0	2,555,364.2	246.3
Total credit risk	26,179,424.9	11,797,852.8	45.1	23,447,024.0	89.6
Credit valuation adjustment					
Total credit valuation adjustment	--	85,600.0	--	0.0	--
Market Risk					
Equity in the banking book	0.0	0.0	0.0	0.0	0.0
Trading book market risk	--	1,220,062.5	--	1,830,093.8	--
Total market risk	--	1,220,062.5	--	1,830,093.8	--
Operational risk					
Total operational risk	--	1,410,137.5	--	1,582,813.1	--
	Exposure	**Basel III RWA**	**Average Basel II RW (%)**	**S&P Global Ratings RWA**	**% of S&P Global Ratings RWA**
Diversification adjustments					
RWA before diversification	--	14,513,652.8	--	26,859,930.9	100.0
Total diversification/ concentration adjustments	--	--	--	7,608,367.3	28.3
RWA after diversification	--	14,513,652.8	--	34,468,298.2	128.3
		Tier 1 capital	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global Ratings RAC ratio (%)**
Capital ratio					
Capital ratio before adjustments		2,295,700.0	15.8	2,382,341.0	8.9
Capital ratio after adjustments‡		2,295,700.0	15.7	2,382,341.0	6.9

*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. CCPs--Central counterparty clearing house. Sources: Company data as of Dec. 31, 2022, S&P Global Ratings.

Table 5

Nova Ljubljanska Banka D.D.--Risk position

	--Year ended Dec. 31--				
(%)	**2023***	**2022**	**2021**	**2020**	**2019**
Growth in customer loans	5.1	22.9	9.1	26.3	4.4
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	28.3	30.6	37.2	38.9
Total managed assets/adjusted common equity (x)	9.6	10.5	10.6	10.2	8.7
New loan loss provisions/average customer loans	(0.3)	0.3	(0.1)	0.8	0.0
Net charge-offs/average customer loans	0.0	0.1	0.3	0.4	1.5
Gross nonperforming assets/customer loans + other real estate owned	2.5	2.9	4.0	5.1	5.0
Loan loss reserves/gross nonperforming assets	91.0	84.7	71.3	72.9	80.6

*Data as of June 30. N/A--Not applicable. RWA--Risk-weighted assets.

Table 6

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

	--Year ended Dec. 31--				
(%)	**2023***	**2022**	**2021**	**2020**	**2019**
Core deposits/funding base	92.6	94.6	93.4	96.8	96.4
Customer loans (net)/customer deposits	67.1	65.0	59.8	58.3	65.0
Long-term funding ratio	99.5	99.5	96.1	99.5	99.3
Stable funding ratio	145.4	152.1	158.3	161.6	147.5
Short-term wholesale funding/funding base	0.5	0.6	4.3	0.6	0.8
Regulatory net stable funding ratio	181.0	183.0	185.2	N/A	N/A
Broad liquid assets/short-term wholesale funding (x)	72.1	73.7	10.8	75.9	50.4
Broad liquid assets/total assets	33.4	36.4	41.0	40.2	34.8
Broad liquid assets/customer deposits	41.3	43.7	49.9	47.7	42.2
Net broad liquid assets/short-term customer deposits	42.6	45.1	47.4	49.9	44.1
Regulatory liquidity coverage ratio (LCR) (x)	244.8	220.3	252.6	N/A	N/A
Short-term wholesale funding/total wholesale funding	7.2	9.7	66.0	19.0	22.6
Narrow liquid assets/3-month wholesale funding (x)	96.3	89.2	141.1	99.0	54.0

*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

Nova Ljubljanska Banka d.d.--Rating component scores (cont.)	
Issuer Credit Rating	**BBB/Stable/A-2**
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

- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- 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

- Economic Outlook For The Eurozone Is One Of Short-Term Pain, Medium-Term Gain, June 26, 2023
- Banking Industry Country Risk Assessment: Slovenia, June 20, 2023
- Slovenia 'AA-/A-1+' Ratings Affirmed; Outlook Stable, June 9, 2023

Ratings Detail (As Of September 4, 2023)*	
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

Ratings Detail (As Of September 4, 2023)*(cont.)	
17-May-2019	BBB-/Stable/A-3
14-Dec-2018	BB+/Positive/B
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.