Total assets of banks

The value of the indicator of total assets of banks relative to GDP has been dropping since 2009. The decline in 2011 was, as in 2010, attributable to a lower value of total assets (by 3%). Specifically, banks stepped up net repayments of foreign deposits and loans again in 2011, to EUR 2.3 bn, while the inflows of domestic non-banking sector deposits dropped below EUR 700 m. The inflows of household deposits to domestic banks were much more moderate as well, which we estimate was a result of poor labour market conditions and growing uncertainties on financial markets. On the other hand, government borrowing increased, totalling nearly EUR 4 bn, but the government used most of these assets to finance its consumption and repay matured liabilities, depositing only a small portion in banks. Not being able to repay foreign liabilities from domestic sources, banks had to reduce the volume of investment. They curtailed their lending activity significantly and disinvested abroad. Total assets of domestic banks could have dropped even more, had it not been prevented by the ECB, which provided nearly EUR 900 m in additional loans at the end of the year. Annually, the liabilities to the ECB grew by EUR 1.1 bn. Against the background of low economic activity and high exposure to sectors that were hit hardest during the economic crisis (construction and activities related to buyouts), additional impairments and provisions strongly increased the burden on banks. In the year 2011 alone, they overshot EUR 1 bn , being almost two fifths higher than in 2010.

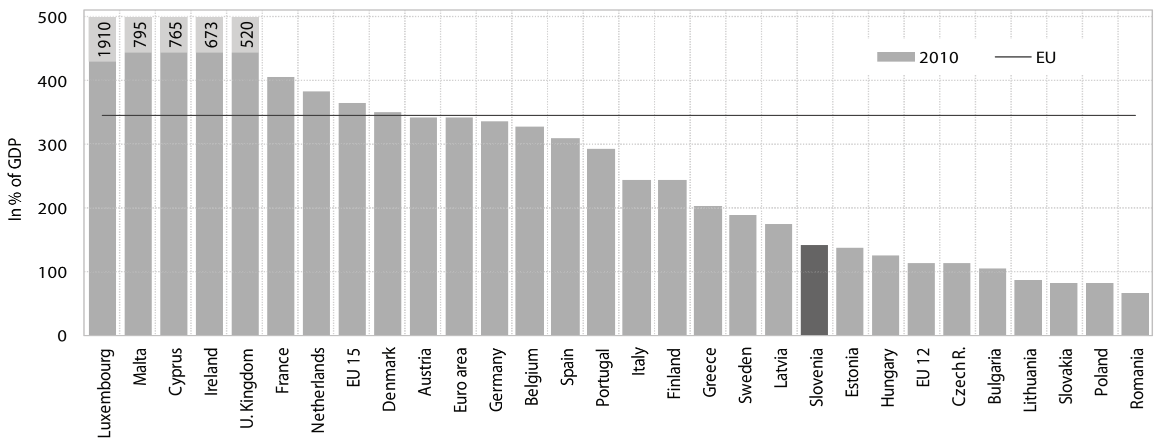
In 2010, the development gap between Slovenia and the EU average widened for the first time in the last five years and we estimate that similar movements also continued in 2011. In 2010, banks' total assets relative to GDP also dropped in the EU as a whole. In the EU, the main reason for the decline was the relatively strong (4.2%) growth of the nominal value of GDP, while total assets rose only by 3.5%. In Slovenia, banks' total assets decreased by 2.5% in 2010, in view of the strongly limited sources of funding because of which banks were forced to disinvest in order to repay their obligations. In 2010, the contraction of total assets was (besides in Slovenia) recorded only in Austria, Belgium, Cyprus, Ireland and the Baltic countries. In 2010 (the most recent international data available), Slovenia was thus still in the bottom third of EU countries on this indicator, being also outperformed by some new EU Member States (Malta, Cyprus and Latvia). We estimate that Slovenia's development gap with the EU widened again in 2011, given that in Slovenia the value of this indicator continued to drop, while recording somewhat more favourable movements in the EU. The lending activity in the EU otherwise moderated last year, as a result of higher net repayments of the government and lower net borrowing of households, but loan volume nonetheless grew, which leads us to believe that total assets also strengthened in this period. This was also made possible by the ECB, which loaned nearly EUR 500 m to euro area banks at the end of the year.

Table: **Basic structure of banks' total assets, EUR m**

	1995	2000	2005	2006	2007	2008	2009	2010	2011
Assets	9,138	14,776	29,135	33,717	42,343	47,628	51,612	50,319	48,788
as a % of GDP	58.3	70.4	101.8	109.1	122.5	127.7	146.2	142.1	136.9
Loans to banking sector	1,571	1,723	2,849	3,058	4,072	4,031	5,708	4,815	4,662
Loans to non-banking sectors	3,764,	7,731	15,909	20,089	28,302	33,530	33,910	34,450	32,991
Other assets	3,803	5,322	10,376	10,570	9,969	10,067	12,005	11,054	11,135

Source: Bank of Slovenia's Annual Report, Financial Stability Report (various volumes), Monthly Bulletin of the Bank of Slovenia.

Figure: **Total assets of banks in selected EU countries, 2010, as a % of GDP**



Source: Financial Stability Report, 2011; European Banking Federation, 2011; national accounts (SORS), 2012, Eurostat, 2012.