

Research Update:

Nova Ljubljanska Banka Affirmed At 'BBB+/A-2' After AT1 Bond Announcement; Outlook Stable; New AT1 Bond Rated 'BB-'

November 18, 2025

Overview

- On Nov. 17, 2025, Nova Ljubljanska Banka (NLB), the largest bank in Slovenia, announced it would issue its first benchmark €300 million additional tier 1 (AT1) bond through a public offering. This follows a private, institutional AT1 transaction in September 2022.
- The AT1 bond adds to the bank's capital ratios, bringing its risk-adjusted capital ratio (RAC) to an estimated 10.3% at year-end 2025, from 9.6% in 2024.
- We think high organic loan growth and potential acquisitions within its core operating region, Southeastern Europe, will largely absorb additional buffers of the AT1 bond, keeping the RAC ratio close to 10.0% in the next two years.
- We therefore affirmed our long and short-term issuer credit ratings on NLB at 'BBB+/A-2' and the resolution counterparty ratings at 'A-/A-2'. The outlook is stable. In line with the previous AT1 bond, we assigned a 'BB-' issue rating to the newly issued bond.
- The stable outlook reflects our view that NLB will maintain a robust balance sheet and solid financial performance over the next 12-24 months while continuing to implement its "Strategy 2030" with ambitious growth targets.

Rating Action

On Nov. 18, 2025, S&P Global Ratings affirmed its long- and short-term issuer credit ratings on Nova Ljubljanska Banka D.D. (NLB) at 'BBB+/A-2'. The outlook is stable.

In addition, we affirmed our 'BBB+' issue ratings on NLB's senior unsecured (senior preferred), 'BB+' rating on its Tier 2 debt instrument, and the 'BB-' rating to the existing additional tier 1 (AT1) debt instruments. We assigned our 'BB-' rating to the newly issued AT1 bond, reflecting the equal documentation to the existing bond.

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Rationale

The affirmation reflects our view that NLB's planned hybrid issuance will not lead to sustainably higher capital ratios in the next two years.

On Nov. 17, 2025, NLB announced it would issue a benchmark €300 million AT1 bond in a public offering, which we rate at 'BB-', in line with the current rating on the existing AT1 bond that NLB issued in September 2022. Higher-than-expected loan growth in 2025 and 2026, coupled with NLB's unchanged target to acquire selected financial services companies in Southeastern Europe (SEE) are key reasons why the bank is asking for more capital from investors. The AT1 bond will give NLB more room to grow in a region where economic growth is well above that of the eurozone, and financial leverage of the private sector is low. We think it contributes to last year's announced "Strategy 2030," in which management has defined goals to make NLB a larger and more diversified bank in the SEE region. We believe that portfolio growth of the bank, organic or through acquisitions, will largely absorb the additional capital buffers from the AT1 bond.

On a pro-forma basis, the issuance will add slightly more than 150 basis point (bps) to NLB's regulatory Tier 1 capital ratio, which was 15.1% in September 2025.

The issuance is also positive for the bank's risk-adjusted capital (RAC) ratio, increasing it by about 70 bps, from 9.6% in 2024, to an estimated 10.3% in 2025. We assign intermediate equity content to the AT1 bond, given its loss-absorption feature on a going concern basis and its perpetual maturity with no call option within the first five years, among other factors. After 2025, we expect the RAC ratio will remain close to 10.0%, considering growth of S&P Global Ratings' risk-weighted assets for NLB of about 12% in 2025, followed by about 10% in 2026. More importantly, potential mergers and acquisitions in the SEE region could lead to a significant one-time drop in NLB's capital ratios, including the RAC ratio. Although we note execution risks related to large acquisitions, we consider NLB's good track record of integrating acquired banks and nonbanks, as well as merging these with group entities. We understand that the bank's dividend payout guidance remains unchanged, at 50% of net profits for 2025 and 50%-60% for 2026.

NLB has defined ambitious growth targets with its Strategy 2030 initiative, and we believe the new AT1 bond moves it closer to them.

We expect the bank to continue showing strong profitability and maintain a robust balance sheet. The quality of NLB's loan book has remained resilient, despite rising credit risks because of U.S. trade policies toward the EU during 2025. These could negatively affect countries where the bank has its core operations by hitting its export-oriented clients, for example pharmaceutical, auto, aluminum, and steel companies. We think NLB will continue to expand in the SEE region with an annual balance sheet growth of 5%-10%. Despite the bank's ambitious targets, we believe it will maintain a cautious risk appetite and will not take excessive risk that could lead to unexpected financial losses. Good corporate governance and risk management practices have contributed to NLB's substantial asset quality improvement in recent years. Leaving asset quality issues in the past, the management is in a good position to focus on innovation and advance the bank's business model, in our view.

NLB's profitability and funding profiles remain stronger than those of its peer group of banks.

In June 2025, we raised our ratings on NLB because of its financial outperformance compared with peers' and what we perceive as consistent execution of the business strategy (see: "[Nova Ljubljanska Banka Upgraded To 'BBB+' On Financial Outperformance And Strong Strategic Execution; Outlook Stable](#)," June 18, 2025). We think key performance indicators like return on average equity (ROAE) and the nonperforming asset (NPA) ratio will continue to outperform that of most peer banks. Our updated financial projections for 2025-2027 foresee a ROAE that will move between 15.5% and 17.5%, while the NPA ratio will remain about 2.0%. NLB benefits from its strong deposit franchise across all member banks that helps to fund local lending. Its groupwide

liquidity ratios are stronger than those of most peers. The excess liquidity and the bank's high market shares in retail (37% as of end-September 2025) and corporate deposits (24%) in Slovenia are key factors why the bank's funding costs are low. In SEE, NLB is also among the largest banks with a strong franchise that has historically translated into good market shares and high deposit growth in the region. That said, we continue to believe that NLB has a relatively concentrated funding profile compared with that of market-leading European banks, mainly based on short-term customer deposits. The share of sight deposits was 82% of total customer deposits as of September 2025. These could move quickly in case of stress, although NLB deposits have remained sticky and resilient, despite multiple instances of market turbulence in recent years. Specifically in Slovenia, we think NLB would benefit from flight-to-quality if there was market panic, which adds to NLB's rating strength.

Outlook

The stable outlook reflects our view that NLB will maintain a robust balance sheet and solid financial performance over the next 12-24 months while continuing to deliver on its Strategy 2030, with the goal to become a larger and more diversified bank in SEE. We expect NLB will create value from its bank acquisitions on successful integrations and synergies while maintaining its risk appetite.

Downside scenario

We could take a negative rating action if we saw a greater, longer-lasting economic deterioration in NLB's core markets or intensified competition in Slovenia that could pressure the bank's asset quality and profitability. This could translate into a rise of nonperforming assets or hit profits, which could lead to underperformance in some of its key peer banks.

We could also lower the ratings if the additional loss-absorbing capacity (ALAC) ratio of NLB's Slovenian resolution group dropped below 3.5% because of aggressive growth in Slovenia or failure to keep ALAC-eligible bonds at a sufficient level.

Upside scenario

We could take a positive rating action if NLB diversified its business model through further geographic or product expansion, leading to a more robust franchise and resiliency against challenging operating conditions in key markets. Its ability to control and maintain risks and governance standards across acquired banks is a precondition for further upside to the ratings.

We could also take a positive rating action if NLB were to operate with a RAC ratio that is sustainably higher than 10% while maintaining sound asset quality metrics and a restrained risk appetite.

Rating Component Scores

Rating Component Scores

Issuer Credit Rating	BBB+/Stable/A-2
SACP	bbb
Anchor	bbb-
Business position	Adequate (0)
Capital and earnings	Adequate (0)
Risk position	Adequate (0)
Funding and liquidity	Adequate and Strong (0)
Comparable ratings analysis	1
Support	1
ALAC support	1
GRE support	0
Group support	0
Sovereign support	0
Additional factors	0

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

Related Criteria

- [General Criteria: Hybrid Capital: Methodology And Assumptions](#), Oct. 13, 2025
- [Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology](#), April 30, 2024
- [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

- [Economic Outlook Eurozone Q4 2025: Recovery Continues Despite Consumer Hesitancy](#), Sept. 23, 2025
- [Full Analysis: Nova Ljubljanska Banka D.D.](#), September 1, 2025
- [Banking Industry Country Risk Assessment: Slovenia](#), July 24, 2025

- [Nova Ljubljanska Banka Upgraded To 'BBB+' On Financial Outperformance And Strong Strategic Execution; Outlook Stable](#), June 18, 2025
- [Stress Test Highlights European Banks' Resilience To Potential Trade Escalations](#), June 24, 2025
- [Slovenia Long-Term Ratings Raised To 'AA' On Strong Public Finances And Sustained Growth; Outlook Stable](#), June 6, 2025
- [Multiple Point Of Entry Resolution: Analytical Considerations For Groups Designed To Fragment In Crisis](#), Aug. 11, 2022

Ratings List

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Ratings Affirmed

Nova Ljubljanska Banka D.D.

Issuer Credit Rating	BBB+/Stable/A-2
Resolution Counterparty Rating	A-/--/A-2
Senior Unsecured	BBB+
Subordinated	BB+
Junior Subordinated	BB-

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