Addendum to Disclosures of UniCredit Group Slovenia for the year 2021

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The document represents an addendum to the Disclosures 2021 (under Pillar 3) due to the fact that the UniCredit Banka Slovenia Group didn't disclose the full scope of required regulatory templates to meet CRR requirements. This addendum includes the following templates: EU CAA, EU OVC, EKM1, EU CRB, EQ CQ3, REMA, EU LQA, EU CRC, IFRS9 transitional adjustments under CRR Quick fix solution

Following the requirement on the Pillar 3 disclosures presented in Article 13 of the CRR, the Group (UniCredit Banka Slovenia Group) is obliged to also disclose templates EU CR7 – IRB approach, EU CR2a, EU CQ8, EU CQ6 and EU CQ2. Template EU CR7 is not disclosed considering the Group's business, templates EUCR2, EUR CQ8, EU CQ6 and EU CQ2 are not disclosed since the NPL ration is lower than 5% which is set as a disclosure threshold.

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Template EU CCA - Main features of regulatory own funds instruments and eligible liabilities instruments

CAPITAL (Article 437)

Purpose: Capital Instruments and Common Equity Tier 1 (According to Article 437)

Table EU CCA below discloses information regarding the own funds instruments. The table shows details of the main features of common equity instruments as well as eligible liabilites. Common shares are fully included in the common equity Tier 1 of the UniCredit Slovenia Group. The shares meet all the conditions for inclusion in the capital as stated in accordance with the relevant CRR provisions.

		Commont Equity Tier 1 (CET 1) Capital
1	Issuer	UniCredit Banka Slovenija d.d.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	SI0021108749
2a	Public or private placement	private
3	Governing law(s) of the instrument	Slovenian Law
3a	Contractual recognition of write down and conversion powers of resolution authorities	No
	Regulatory treatment	
4	Current treatment taking into account, where applicable, transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo
7	Instrument type (types to be specified by each jurisdiction)	Common Equity Tier 1 capital
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	128.143
9	Nominal amount of instrument	20.384
EU-9a	Issue price	0,00417 EUR/per share
EU-9b	Redemption price	N/A
10	Accounting classification	Shareholders' equity
11	Original date of issuance	28.12.1999 28.02.2006 21.09.2007
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/coupon	N/A
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	Statutory
EU-34b	Ranking of the instrument in normal insolvency proceedings	1
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A
where question was not applicable, N/A was inserted		

Template EU KM1 - Key metrics template

CAPITAL (Article 438)

Purpose: Disclosure of key metrics and overview of risk-weighted exposure amounts part related to the Article 438, point (b)

		a	b	c	d	e
		31.12.2022	30.09.2022	30.06.2022	31.03.2022	31.12.2021
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	0%	0%	0%	0%	0%
EU 7b	of which: to be made up of CET1 capital (percentage points)	0	0	0	0	0
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	0	0	0	0	0
EU 7d	Total SREP own funds requirements (%)	8.00%	8.00%	8.00%	8.00%	8.00%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0%	0%	0%	0%	0%
EU 14b	of which: to be made up of CET1 capital (percentage points)	0	0	0	0	0
EU 14c	Total SREP leverage ratio requirements (%)	3%	3%	3%	3%	3%

Table EU OVC - ICAAP information
CAPITAL (Article 438) (1))
Purpose: Internal Capital Adequacy Assessment Process and ongoing assessment of the bank's risks, how the bank intends to mitigate those risks and how much current and future capital is necessary having considered other mitigating factors

Approach to assessing the adequacy of the internal capital:

The Bank assesses its capital adequacy on a going concern approach, ensuring that an adequate level of capital is maintained to continue business activities as usual even under severe loss events, like those caused by economic downturn.
The Internal Capital Adequacy Assessment Process performed at the consolidated level reveals an adequate framework in terms of:

1. Risk identification and mapping;
2. Risk measurement and stress testing;
3. Risk appetite setting and capital allocation;
4. Monitoring and reporting.

The result of the institution's internal capital adequacy assessment process

The Bank monitors its main risk profile with a frequency coherent with the nature of each single risk; on top of this, a quarterly reporting of integrated risks and risk appetite evolution is performed and reported to the relevant risk committees and governing bodies, in order to set and implement an efficient and effective ICAAP framework.

Capital adequacy is assessed considering the balance between the assumed risks and the available capital both in regulatory and in an economic perspective. With respect to economic perspective, capital adequacy is assessed by comparing the amount of financial resources available to absorb losses and keep the Group solvent, the so-called Available Financial Resources (AFR), with the amount of capital the Group needs to support its business activities, i.e. Internal Capital (IC). The decision to include components in AFR is based on three main criteria:

- Loss absorbency;
- Permanence;
- Flexibility of payments.

Since these criteria are the same as the ones identified by regulators to calculate regulatory own funds, the amount of regulatory own funds is the natural basis for the quantification of AFR. Under the going concern approach, the AFR are computed under the assumption that the Bank remains compliant with all the accounting and regulatory standards. The ratio between AFR and IC is the "Risk Taking Capacity" (RTC). RTC is one of the key indicators included in the Group RAF dashboard on which the Bank leverages to guide the selection of the desired risk-return profile in alignment with its business strategies.
Current capital adequacy of the UniCredit Banka Slovenija is considered adequate to cover its risk profile and the operation of its business model.

Table EU CRB: Additional disclosure related to the credit quality of assets
CREDIT RISK AND DILUTION RISK (Article 442 (1))
Purpose: Additional disclosure related to the credit quality of assets

The scope and definitions of 'past-due' and 'impaired' exposures used for accounting purposes and the differences, if any, between the definitions of past due and default for accounting and regulatory purposes as specified by the EBA Guidelines on the application of the definition of default in accordance with Article 178 CRR:

The Bank pursues the full alignment the definition of "default" for computing risk-weights or capital requirements with the definition of:

-"impairment" for accounting purposes, estimating incurred losses and their coverage by impairment allowances;
-"non-performing exposures" for supervisory reporting in determining the asset quality of the Bank

This principle allows a homogeneous approach on the loan categorization practices for supervisory and reporting purposes grouping loans categories according to a common framework required for regulatory reporting and financial statements disclosure.

A 'default' is considered to have occurred when either or both of the two following events have taken place:

•the obligor is past due more than 90 days (> 90 dpd) on any material credit obligation
or / and
•the obligor is unlikely to pay at least one of his credit obligations in full without recourse actions to be taken by the Bank.

Past due calculation is based on the quantification of the credit obligation past due and the overall credit obligation at obligor level, to be compared with an absolute and a relative threshold.
In particular:

- the absolute threshold, set respectively by the European Central Bank equal to 100 € and 500€ for Retail and Non-Retail exposures , refers to the tota amount of the credit obligation past due understood as the sum of all past due amounts related to the credit obligations of the borrower towards the institution , the parent undertaking or any of its subsidiaries,
- the relative threshold, set by the European Central Bank equal to 1%, is defined as a percentage of a credit obligation past due in relation to the tota on-balance-sheet exposures to the obligor excluding equity exposures,

The breach of both the thresholds triggers the counting of days past due, which determines the "material past due" default classification once 90 days of consecutive past due are reached.

The extent of past-due exposures (more than 90 days) that are not considered to be impaired and the reasons for this:

There are no exceptions regarding past-due counter; as soon as client reaches 90 days past due, its' exposure is considered as impaired, regardless of type/segment of client and/or type of exposure.

Description of methods used for determining general and specific credit risk adjustments:

The Bank uses two approaches and methodologies for impairment losses – individual and portfolio approach.

Impairment allowances on financial assets representing individually significant past due exposures to legal entities are evaluated individually, based on best estimate of the present value of expected cash flows, while for private individuals' segment impairments are assessed on a portfolio basis, based on the expected loss calculation. In estimating these cash flows, the Group assesses counterparty's financial situation, past repayment discipline and repayment schedules. Monthly assessment represents a basis for the booking of impairments; the procedure is covered by the guidelines and is supported by IT solutions.

The Bank assesses specific impairments using individual approach (on a client or transaction level) by taking into consideration the following:

•When estimating these cash flows, the Bank evaluates counterparty's financial situation, past repayment discipline and repayment pattern;
•Eventual cancellation of loan contracts or conditions;
•Bankruptcy or any other legal proceedings that can result in a loss for the Bank;
•Information that might have an impact on received repayments to the Bank.

The institution's own definition of a restructured exposure used for the implementation of point (d) of Article 178(3) CRR specified by the EBA Guidelines on defaultin accordance with Article 178 CRR when different from the definition of forborne exposure defined in Annex V to Commission Implementing Regulation (EU) 680/2014:

The Bank's definition of forborne, or restructured exposure is in accordance with the definition of forborne exposure as delineated in Chapter 18 of Part 2 in Annex V to Commission Implementing Regulation (EU) 680/2014, which takes into consideration both (i) performing forborne exposure and (ii) non-performing forborne exposure. On the other hand, Point 3.d of Article 178 in Regulation (EU) No 575/2013 takes into account only non-performing forborne exposure, namely the one that is considered to have indications of unlikeliness to pay, whereby an event of default is considered to have occurred at the debtor's level on account of the distressed restructuring. However, the Bank's definition of restructured, or forborne exposure, be it performing or non-performing, is in accordance with the relevant regulations .

Template EU CQ3: Credit quality of performing and non-performing exposures by past due days

CREDIT RISK AND DILUTION RISK (Article 442)

Purpose: An ageing analysis of accounting past due exposures

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005	**Cash balances at central banks and other demand deposits**	**743,643**	**743,643**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
010	**Loans and advances**	**1,871,927**	**1,870,469**	**1,457**	**59,002**	**25,169**	**259**	**2,896**	**3,241**	**13,605**	**4,036**	**9,797**	**59,002**
020	*Central banks*	1	1	0	0	0	0	0	0	0	0	0	0
030	*General governments*	207,043	207,043	0	0	0	0	0	0	0	0	0	0
040	*Credit institutions*	55,056	55,055	2	0	0	0	0	0	0	0	0	0
050	*Other financial corporations*	1,889	1,889	0	173	0	0	0	0	0	0	173	173
060	*Non-financial corporations*	807,993	807,963	29	29,952	14,700	29	958	1,094	5,700	1,876	5,595	29,952
070	*Of which SMEs*	241,222	241,193	29	24,875	10,298	29	958	1,094	5,700	1,876	4,921	24,875
080	*Households*	799,945	798,519	1,426	28,877	10,469	230	1,938	2,147	7,904	2,160	4,028	28,877
090	**Debt securities**	**296,884**	**296,884**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
100	*Central banks*	0	0	0	0	0	0	0	0	0	0	0	0
110	*General governments*	296,884	296,884	0	0	0	0	0	0	0	0	0	0
120	*Credit institutions*	0	0	0	0	0	0	0	0	0	0	0	0
130	*Other financial corporations*	0	0	0	0	0	0	0	0	0	0	0	0
140	*Non-financial corporations*	0	0	0	0	0	0	0	0	0	0	0	0
150	**Off-balance-sheet exposures**	**1,104,420**			**2,189**								**2,189**
160	*Central banks*	0			0								0
170	*General governments*	79			0								0
180	*Credit institutions*	389,747			0								0
190	*Other financial corporations*	10,300			0								0
200	*Non-financial corporations*	659,795			2,039								2,039
210	*Households*	44,500			149								149
220	**Total**	**4,016,874**	**2,910,996**	**1,457**	**61,190**	**25,169**	**259**	**2,896**	**3,241**	**13,605**	**4,036**	**9,797**	**61,190**

Table EU REMA - Remuneration policy

QUALITATIVE DISCLOSURE

a) INFORMATION RELATING TO THE BODIES THAT OVERSEE REMUNERATION

Name, composition and mandate of the main body (management body or remuneration committee as applicable) overseeing the remuneration policy and the number of meetings held by that main body during the financial year.

In 2021 Remuneration Committee consisted of the following members: Ms. Georgiana Lazar, Chairwoman of the Remuneration Committee and members Ms. Enrica Rimoldi and Mr. Pasquale Giamboi.

All Remuneration Committee members are members of the Supervisory Board.

The Remuneration Committee serves as an advisory body to the Supervisory Board with regard to the remuneration topics. Tasks of Remuneration Commitee are defined in Slovene Banking Act.

In 2021 the Remuneration Committee met five times. Key activities of the Remuneration Committee included:

1. familiarization with the self-assessment process to identify Material Risk takers and to confirm the list (so-called Identified staff),
2. monitoring and analyzing the remuneration system & approval of remuneration of Identified Staff, including Retention rewards,
3. updating the Remuneration policies (Group Incentive System for the Identified Staff, Group Remuneration Policy)
4. getting acquainted with the goals Scorecards 2021 for CEO and Identified staff who report directly to the CEO.

External consultants whose advice has been sought, the body by which they were commissioned, and in which areas of the remuneration framework

When designing remuneration policies, the Bank acts in the framework of Remuneration policy of the UniCredit Group. The principles set in the Group Remuneration Policy provides the framework for the design of the reward programs across the Group, applicable for all employees.
The Bank has adopted and localized the remuneration policies of the UniCredit Group therefore the Bank does not use external consultants or other external persons to participate in the policy definition process. Each year the remuneration policies are updated, if needed, taking into account the latest applicable international standards and regulations.

A description of the scope of the institution’s remuneration policy (eg by regions, business lines), including the extent to which it is applicable to subsidiaries and branches located in third countries.

The principles of the Remuneration Policy are valid for the entire organization and are reflected in the remuneration practices applying to employee categories across businesses. The UniCredit Bank Slovenia does not have staff belonging to external distribution networks (for example Credit intermediaries).

Regarding Material Risk takers, the UniCredit Group defines also Rules of Group Incentive system that aims at providing an appropriate balance of variable compensation elements, aligning the interests of employees, shareholders and other stakeholders and aiming at effective compensation practices in compliance with the applicable regulatory environment. According to local regulation the Bank performs local adaptation of the Rules to be in line with local specifics.

A description of the staff or categories of staff whose professional activities have a material impact on institutions' risk profile.

CRD V and EBA RTS set the regulatory standards concerning qualitative and quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution’s risk profile (so called Material Risk Takers). The Material Risk Taker identification process is performed at local level using the qualitative, quantitative and internal criteria assessed against the institution’s individual risk profile and then consolidated at Group level, applying similar criteria that are assessed against the Group risk profile, as foreseen by the regulatory requirements.

The identification process is based on the Material Business Unit (MBU) definition that, for consolidation purposes at Group level, is calculated as:
- any Legal Entity/ Division with an allocated Group Internal Capital equal or greater than 2%;
- organizational units within a Legal Entity with an allocated capital based on proxies equal or greater than 2% at Group level;
- core business lines.

Additionally, criteria (here below simplified) are distinguished in:
- qualitative:
  - all members of the management body and senior management (i.e. those who exercise executive functions within an institution and who are responsible, and accountable to the management body, for the day-to-day management of the institution);
  - staff members with managerial responsibility over the institution’s control functions (Internal Audit, Risk Management, Compliance) or material business units or for specific topics (e.g. accounting policies, finance, human resources);
  - staff members with managerial responsibilities for specific risk categories, including voting members within relevant Committees, credit risk exposures, authority on certain transactions and authority on the introduction of new products, if any;
- quantitative:
  - staff members entitled to significant total remuneration equal to or greater than EUR 500,000 and equal to or greater than the average remuneration awarded to the members of the institution’s management body and senior management, having a significant impact on the MBU’s risk profile
  - staff member has been awarded in the preceding financial year a total remuneration that is equal to or greater than EUR 750,000;
  - staff member is within the 0.3% of staff who have been awarded the highest total remuneration in the preceding financial year within an institution with over 1,000 members of staff (for individual identification purposes at Legal Entity level only);
- internal:
  - all Group personnel with “Senior Vice President” & above banding as defined in the Global Job Model (the role clustering system adopted by the Group);
  - all personnel awarded in the previous year a Total remuneration higher than Group defined threshold;
  - all staff receiving UniCredit shares from Non Standard Compensation awards;
  - all incumbent with any other additional criteria linked to managerial decision, to be supported by rationale.

b) INFORMATION RELATING TO THE DESIGN AND STRUCTURE OF THE REMUNERATION SYSTEM FOR IDENTIFIED STAFF

An overview of the key features and objectives of remuneration policy, and information about the decision-making process used for determining the remuneration policy and the role of the relevant stakeholders.

Group Remuneration Policy defines the principles and rules that have to be applied to ensure the setting, monitoring and controlling of the compensation systems and practices adopted by Legal Entities of the Group.

On an annual basis, the Group Remuneration Policy is drawn up by the UniCredit Group with the involvement of the different functions (Human Capital function, Risk management and other relevant functions). Once approved on the UniCredit Group level, the policy is rolled out to relevant Legal Entities across the Group. Locally, the policy is reviewed, and the Bank performs local adaptation of the Policy to be in line with local legal and regulatory requirements. After its review, the Policy is submitted to Management Board, Remuneration Commitee and Supervisory Board for approval.

Information on the criteria used for performance measurement and ex ante and ex post risk adjustment.

Rules of Group Incentive system aim at providing an appropriate balance of variable compensation elements, aligning the interests of employees, shareholders and other stakeholders and aiming at effective compensation practices in compliance with the applicable regulatory environment.

The Rules of Group Incentive System, approved by UniCredit Board of Directors and consequently on local level by UniCredit Bank Slovenija d.d.'s Remuneration Committee and Supervisory Board, after local adaptations, provides for a 'bonus pool' approach directly linking bonuses with company results at Group / divisional and local (Country) level and further ensuring a strong connection between profitability, risk and reward.

Specific indicators measuring annual profitability, capital and liquidity results have been set at both local and Group / divisional level as Entry Conditions. The combined evaluation of these Entry Conditions at different levels defines possible scenarios that allow the confirmation to increase, reduce or cancel the bonus pool (so called Entry Conditions Scenario). The ex ante malus condition (Zero Factor) applies in case the specific metrics are not achieved both at Group / divisional and local level. Specifically, the Zero Factor is applied to the Executives (Management Board Members and division Heads of the Bank) & Group Material Risk Taker population, whereas for the non-Material Risk Taker population, a significant reduction will be applied considering the provision of Internal Collective agreement and Collective agreement for banking sector.

Any grant which the Beneficiary may be eligible to receive in each year under the Rules of Group Incentive System is subject to individual malus & claw-back mechanisms. The reduction/cancellation of all or part of the variable remuneration (malus) and the return of any form of variable compensation already paid, awarded for the time period during which the breach occurred (claw-back mechanisms) might be applied, as legally enforceable.

Whether the management body or the remuneration committee where established reviewed the institution's remuneration policy during the past year, and if so, an overview of any changes that were made, the reasons for those changes and their impact on remuneration.

In 2021, the Management Board and Remuneration Committee reviewed the Banks' Remuneration Policy, based on the involvement of different functions that performed local adaptation.

Compared to the previous year, the main topics were confirmed with few updated topics (for example identification process for Material Risk Takers, distinguishment of the roles, responsibilities of Corporate Bodies on the level of Holding Company vs. local Corporate Bodies) and updates due to local legislation requirements.

Information of how the institution ensures that staff in internal control functions are remunerated independently of the businesses they oversee.

The UniCredit Group defines and updates the KPI bluebook, that represents the framework for goal setting process and prepared supporting guidelines for goal setting process (e.g. avoid KPIs linked to economic measure, use KPIs independent of results of monitored areas to avoid conflict of interests) to ensure independence of the Control functions.
Additionally, Remuneration policy defines also "Compliance and sustainability drivers" for example: (i) design incentive systems to set minimum performance thresholds below which zero bonus will be paid. In order to maintain the adequate independence levels for Corporate Control Functions and for Human Resources provide a maximum threshold for the progressive reduction of the bonus pool, which can be phased out to zero only in presence of exceptionally negative situations with an approval process including a governance step by the Board of Directors; (ii) avoid bonuses linked to economic results for Corporate Control Functions and for Human Resources and set, for the employees in these functions, individual goals that shall reflect primarily the performance of their own function and that will be independent of the results of monitored areas, in order to avoid conflict of interest.

Policies and criteria applied for the award of guaranteed variable remuneration and severance payments.

The guaranteed variable remuneration is a non-standard compensation and as such, the compensation elements are considered as exceptions and limited only to specific situations (for example recruitment of new hire and limited to the first year of employment and cannot be awarded more than once to the same person). Non Standard Compensation are managed by HR function with the involvement of Compliance function.

With regards to severance payments, it is regulated within specific Policy "Group Termination Payments Policy" drawn up by the UniCredit Group and locally adapted to be in line with local legal and regulatory requirements. Termination payment policy sets out the principles and rules for determining the maximum limits of severance pay, criteria and payout modalities.

c) DESCRIPTION OF THE WAYS IN WHICH CURRENT AND FUTURE RISKS ARE TAKEN INTO ACCOUNT IN THE REMUNERATION PROCESSES.

The Group Incentive System is based on a bonus pool approach. In case the "Entry Conditions" are met, either at Group / Division & Country (Slovenia) levels, the Zero Factor is not activated and further adjustments are performed to revise up/downwards the size of the Bonus Pool based on the "quality of the performance", in order to ensure consistency with the Group Risk Appetite Framework.

A qualitative assessment of Group CRO, directly linked to a subset of the Risk Appetite Framework KPIs

covering all relevant risks including different risks such as credit, market, and liquidity, provides the definition of a "CRO multiplier", that can reduce (up to 50%) or increase (up to 120%) the initial size of the bonus pool. Negative and neutral multipliers (i.e. 50%, 75%, 100%) are directly applied to bonus pool. Positive CRO multipliers (I.e. 110% and 120%), applicable only in case of EVA > 0 (or EVA > budget, if the budget is less than 0), are subject to managerial evaluation, considering the broader context of the company, therefore represent the upper bound of the bonus pool theoretical value.

At local level risk & sustainability adjustment is consistent with the Group approach, while taking in the account local specifics and availablility of data.

d) THE RATIOS BETWEEN FIXED AND VARIABLE REMUNERATION SET IN ACCORDANCE WITH POINT (G) OF ARTICLE 94(1) CRD.

In compliance with applicable regulations and Group Guidelines, for the personnel belonging to the business functions - the adoption of a maximum ratio between variable and fixed remuneration of 2:1 for non identified staff and 1:1 for Identified staff according to valid Slovene Banking act.

For the rest of the staff a maximum ratio between the components of remuneration equal to 1:1 is usually adopted, except for the staff of the Corporate Control Functions (Internal Audit, Risk Management and Compliance) and for Human Resources for which it is expected that fixed remuneration is a predominant component of total remuneration and the variable remuneration is equal or lower than 80% of the fixed one. For these Functions is also foreseen that incentive mechanisms are consistent with the assigned tasks, as well as being independent of results from areas under their control.

e) DESCRIPTION OF THE WAYS IN WHICH THE INSTITUTION SEEKS TO LINK PERFORMANCE DURING A PERFORMANCE MEASUREMENT PERIOD WITH LEVELS OF REMUNERATION.

An overview of main performance criteria and metrics for institution, business lines and individuals.

Individual performance appraisal is based on specific goals, linked to the UniCredit 5 Fundamentals of Competency Model: "Customers First"; "People Development"; "Cooperation and Synergies"; "Risk Management"; "Execution and Discipline". In appraising the Employee's performance (for Group Material Risk Takers and Local Material Risk Takers 1st - liners), the Employee's relevant "Manager" will consider a set of goals taken from a KPI Bluebook (min 5 - max 8) based on yearly priorities / strategies, of which around half long-term interest and sustainable and one risk-related or risk-adjusted, as communicated to the Employee via the dedicated online process. In any case, the Scorecard assessment carried out by the Employee's Manager on each of the above performance goals shall consider the Employee's individual contribution to the performance achievements and the conduct that may have been connected with the content of the Employee's performance, with particular reference to the UniCredit capabilities, in coherence with company values, Ethics & Respect and Do the Right Thing, and Code of Conduct.

The measurement of financial KPIs (target & forecast/actual results) is performed by Group CFO/Planning Departments, Group Risk Management and other Group functions. Relevant Local Functions are responsible for the measurement of the data for which a monitoring process is not managed at Group level.

An overview of how amounts of individual variable remuneration are linked to institution-wide and individual performance.

Individual variable remuneration is driven primarily by Bank performance, in order to determine the size of the available bonus pool (the larger the profitability, the higher the available bonus pool), and secondly by individual performance considering individual Pay-for-Performance principles (the higher the individual performance rating, the higher the variable remuneration awarded to individuals).

The bonus pool may be revised up/downwards, on the basis of the overall "quality of performance", in order to ensure consistency with the Group Risk Appetite Framework and the economic sustainability of the Group's and country/division results over time. The methodology envisages the assessment performed by Group Risk Management based on specific dashboards at Group and local level.

For each position of "Material Risk taker" , a specific "Reference Value" is defined which considers the internal and/or external benchmarking analysis on similar roles, the seniority etc. as approved by the Remuneration Commitee. Such value is adjusted according to the actual available bonus pool and represents the starting point for the individual bonus allocation.

The managerial bonus allocation is done on the basis of available bonus pool, individual performance appraisal and above mentioned Reference Value. Moreover, each participant has to complete Compliance mandatory trainings courses, for impacted roles, the periodic customer due diligence periodic review (Know your Customer) and Mutual Funds Profiling, within a pre-defined threshold in order to be entitled to the possible bonus (so called Bonus gates). These "gates" foresee the automatic deletion of the yearly bonus payout (upfront and future instalments) which the Employee may be eligible to receive for the year of assessment, while no automatic impact on previous years deferrals is provided.

Bonus outcomes reflect business results and affordability, considering the overall performance framework and Group/ Division/Local results as well as taking into account any individual performance, behavior or compliance/values breach where regulatory or Internal Audit findings and assessments shall be rigorously considered.

Performance evaluation and achievement of goals is carried out using a 5-level descriptive scale.

Inadequate	Inconsistent	Solid	Strong	Outstanding

Additionally, appraisal consist also of values and Behaviours (so called UniCredit capabilities). Competencies and behaviors considered as relevant are taken into account by the manager for the overall performance appraisal. The overall performance appraisal system, using 5-point rating scale, reflects the evaluation of the individual goals ("what") and of the behaviors acted to achieve them ("how").

Particular attention is dedicated to the level of correlation between bonus proposed and actual individual performance:

Illustrative

	Overall performance				
Bonus vs. "Reference Value"[A]	**Inadequate**	**Inconsistent**	**Solid**	**Strong**	**Outstanding**
> 130%					
110% - 130%					
80% - 110%					
0%[B] - 80%					
0%					

A. Adjusted according to the actual available bonus pool.
B. bonus above zero and up to 80% is allowed for exceptional cases, to be justified.
Note: Compensation distribution guidelines should take into account the max variable to fixed cap by role

Information on the criteria used to determine the balance between different types of instruments awarded including shares, equivalent ownership interest, options and other instruments.

The individual bonus for Identified Staff is composed of more than 50% in (phantom) shares for Local Senior Management and Management Board Members and of 50% cash and 50% (phantom) shares for the remaining Identified Staff. It is paid out over a period up to six years, ensuring alignment with shareholders' interests and malus and claw-back conditions as legally enforceable.

Locally, besided (phantom) shres used for those exceeding threshold for deferrals other types of instruments are not in use.

Information of the measures the institution will implement to adjust variable remuneration in the event that performance metrics are weak, including the institution's criteria for determining "weak" performance metrics.

The methodology foresees specific "Entry Conditions" set at both Group and country/division level that impact bonus pool size. The combined evaluation of the Entry Conditions at Group /divisional and local level (also depending on weak performance metrics) defines several possible scenarios that allow the confirmation to increase, reduce or cancel the bonus pool for each cluster.

2021 Entry Conditions are the following:

GROUP	CEE DIVISION	COUNTRY (SLOVENIA)
Underlying NOP[1] > 0	Underlying NOP[1] > 0	Underlying NOP[1] > 0
Underlying Net Profit[1] > 0	Underlying Net Profit[1] > 0	Underlying Net Profit[1] > 0
Pillar 1 capital ratios[2] ≥ 2021 RAF "limit"[3]		Pillar 1 capital ratios ≥ 2021 RAF "limit"[6]
Liquidity Coverage Ratio[2,4] ≥ 2021 RAF "limit" (108%)		Liquidity Coverage Ratio ≥ 2021 RAF "limit" (105%)
Net Stable Funding Ratio[2,5] ≥ 2021 RAF "limit" (102,5%)		Net Stable Funding Ratio ≥ 2021 RAF "limit" (101%)

1. NOP / Net Profit as stated in the Group Financial Statements, adjusted for non-operating items (e.g. disposal / valuation of real estate assets, sale of companies, restructuring costs, Regulatory headwinds) as considered appropriate by the Board of Directors upon Remuneration Committee proposal; Underlying Net Profit is the basis for capital distribution. If Underlying NOP/Net Profit on Country le vel is not available, relevant NOP / Net Profit indicators will be used.
2. In cas e of issues with capital and/or liquid ity requirements at Legal Entity (LE) level, the related Bonus Pool size could be impacted , even if the Entry Conditions at Group lev l are fully satisfied
3. CET1 ratio Transitional ≥ 9,95%, Tier 1 ratio Transitional ≥ 11,78%, Total Capital ratio Transitional ≥ 14,22%, Leverage ratio Trans itio nal ≥ 4,25%, TLAC ratio ≥ 21,71%
4. Liquidity Coverage Ratio: it aims to ensure that the bank maintains an adequate level of not restricted "High Quality Liquid Assets" in a sufficient quantity to cover the overall 'Net Cash Outflows', over a period of thirty days, under gravely stressed conditions specified by Supervisors
5. Net Stable Funding Ratio: is defined as the amount of available stable funding relative to the amount of required stable funding and measures, under a long-term perspective, the sustainability terms of maturities between asset and liabilitie s. In detail: the ratio between Available of Stable Funding – ASF (The amount of ASF is calculated by first assigning the carrying value of an institution's capital and liabilities; the amount assigned to each category is then multiplied by an ASF factor, and the total ASF is the sum of the weighted amounts) and Required Stable Funding – RSF (The amount of required stable funding is calculated by first assigning the carrying value of an institution's assets to the categories listed. The amount assigned to each category is the n multiplied by its associated required stable funding (RSF) factor, and the total RSF is the sum of the weighted amounts added to the amount of Off-Balance Sheet activity – or potential liquidity exposure- multiplied by its associated RSF factor)
6. Country (Slovenia): 2021 RAF "limit" for Pillar 1 capital ratios (consolidated = Bank + Leasing): -CET1 ratio Transitional ≥ 8.00%; Tier 1 ratio Transitional ≥ 9,50%, Total Capital ratio Transitional ≥ 11,50%, Leverage ratio Transitional ≥ 4,51%

2021 Entry Conditions Scenario

(A) In case Entry Conditions at both Group and division level are not met, regardless of the Country level, the malus condition is a ctivated, triggering the application of Zero Factor for Executives/Group Identified Staff population on both current year bonus and previous years deferrals. For other employees, a significant reduction will be applied considering the provision of Internal Collective agreement and Collective agreement for banking sector.

(B) In case the Entry Conditions are met at Group level, but are not met at Division level, regardless of the Country level, a floor might be defined for retention purposes and in order to maintain the minimum pay levels needed to play in the market, cons idering the provis ions of Internal Collective agreement and Collective agreement for banking sector.

(C) In case the Entry Conditions are met at Division level but are not met at Group level:
a) If the Entry Conditions at " Country (Slovenia)" level are met, the gate is "partially open", with the possibility to payout a reduced Bonus Pool while also considering the provision of Internal Collective agreement and Collective agreement for banking sector.
b) If the Entry Conditions at "Country (Slovenia)"level are not met, the Zero Factorscenario is triggered on both current year bonus and previous years deferrals for Executives/Group Identified Staff population. For the other employees , a s ignificant reduction will be applied, taking into account also provisions of Internal Collective agreement and Collective agreement for banking sector.

(D) In case Entry Conditions are met both at Group and Division levels:
a) If the Entry Conditions at "Country (Slovenia)" level are met, the gate is "fully open" meaning the Bonus Pool may be fully confirmed or even increased, in case of positive performance on Risk & Sus tainability dashboard.
b) If the Entry Conditions at "Country (Slovenia)" level are not met, a floor might be defined for retention purposes and in order to maintain the minimum pay levels needed to play in the market, cons idering the provisions of Internal Collective agreement and Collective agreement for banking sector

f) DESCRIPTION OF THE WAYS IN WHICH THE INSTITUTION SEEKS TO ADJUST REMUNERATION TO TAKE ACCOUNT OF LONGTERM PERFORMANCE.

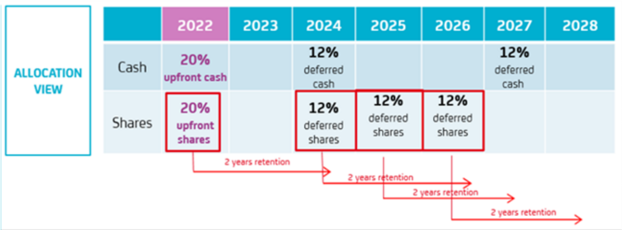
An overview of the institution's policy on deferral, payout in instrument, retention periods and vesting of variable remuneration including where it is different among staff or categories of staff.

UniCredit Bank defined several deferral schemes for different target population. Bonus is paid out on the basis of a deferred payouts scheme in case the bonus exceeds the pre defined threshold. Such payout is divided into phases and coincides with the corresponding risk time period, in order to ensure appropriate distribution of bonus, which is linked to results, and shall be made in cash and in (phantom) shares, immediately or with a deferral, subject to mandatory 2 years retention period.

The Bank has 4 deferrals schemes, depending on the target population and the amount of the variable remuneration:

1. For Local Senior Management and Management Board Members whose variable remuneration amount exceeds 252.843 €

- 40% of the overall bonus vest immediately after the Board of Directors approving the 2021 bonus. This upfront payment is equally split in Cash and Shares. "Upfront Shares" are subject to two years retention period and they are freely transferrable after the second year from the Board of Directors which approves the 2021 bonus
- Deferred Installments representing 60% of the overall bonus, are subject to the application of malus condition (i.e. in case the Entry Conditions are not met at both Group and Division/Country levels, the Zero Factor is applied). "Deferred Shares" are subject to regulatory retention period of two years

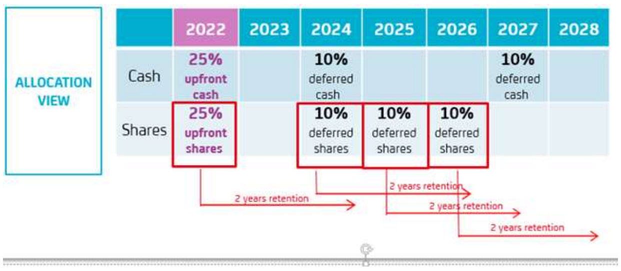


2. For Local Senior Management and Management Board Members whose variable remuneration amount is equal to or below 252.843 €

- 50% of the overall bonus vest immediately after the Board of Directors approving the 2021 bonus. This upfront payment is equally split in Cash and Shares.

"Upfront Shares" are subject to two years retention period and they are freely transferrable after the second year from the Board of Directors which approves the 2021 bonus

- Deferred Installments representing 50% of the overall bonus, are subject to the application of malus condition (i.e. in case the Entry Conditions are not met at both Group and Division/Country levels, the Zero Factor is applied). "Deferred Shares" are subject to regulatory retention period of two years



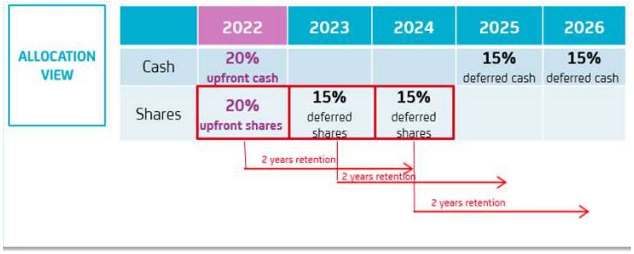
[1] *CEO and direct reports to the CEO*

3. For Other Material Risk Takers[2] whose variable remuneration amount exceeds 252.843 €:

-40% of the overall bonus vest immediately after the Board of Directors approving the 2021 bonus. This upfront payment is equally split in Cash and Shares.

"Upfront Shares" are subject to two years retention period and they are freely transferrable after the second year of the date of the Board of Directors which approves the 2021 bonus

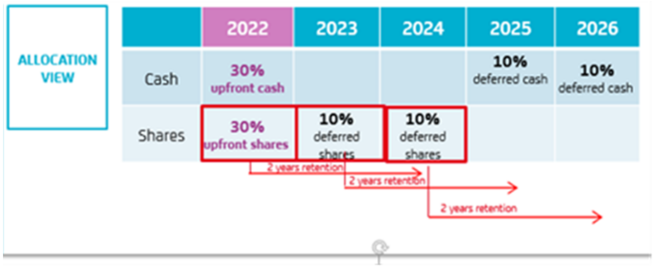
-Deferred Installments representing 60% of the overall bonus, are subject to the application of malus condition (i.e. in case the Entry Conditions are not met at both Group and CEE Division/Country levels, the Zero Factor is applied). "Deferred Shares" are subject to regulatory retention period of two years



4. For Other Material Risk Takers[2] whose variable remuneration amount is equal or lower than 252.843 €:

-60% of the overall bonus vest immediately after the Board of Directors approving the 2021 bonus. This upfront payment is equally split in Cash and Shares. "Upfront Shares" are subject to two years retention period and they are freely transferrable after the first year of the date of the Board of Directors which approved the 2021 bonus

-Deferred Installments representing 40% of the overall bonus, are subject to the application of malus condition (i.e. in case the Entry Conditions are not met at both Group and CEE Division/Country levels, the Zero Factor is applied). "Deferred Shares" are subject to regulatory retention period of two years



Information of the institution' criteria for ex post adjustments (malus during deferral and clawback after vesting, if permitted by national law).

The Bank reserves the right to activate malus and claw-back mechanisms, namely the reduction/cancellation and the return respectively of any form of variable compensation.

Malus mechanism (the reduction/cancelation of all or part of the variable remuneration) can be activated to the variable remuneration to be awarded (ex-ante risk adjustment) or to the deferred components that have already been awarded and have not yet been paid out, for the year in which a breach occurred (ex-post risk adjustment). If the outstanding variable remuneration is not sufficiently large to ensure an appropriate malus mechanism, the reduction may be applied also to other variable remuneration components (i.e. deferred component from other years than the year in which the breach occurred or the variable remuneration awarded for the year and not yet paid).

Claw-back mechanism (the return of all or part of the variable remuneration) can be activated on the overall variable remuneration already paid out, awarded for the time period during which the breach occurred, for certain employees. The claw-back mechanisms can be activated up to a period of 5 years after the payment of each instalment, also after the employee's contract termination and/or the end of the appointment.

Malus and claw-back mechanisms may apply in the case of fraudulent behavior or gross negligence, engagement in misconduct and/or failed to take expected actions on these misconducts or omissions, disciplinary measures and initiatives in respect of fraudulent or grossly negligent behavior or infringed the obligations regarding the remuneration and incentive system.

Where applicable, shareholding requirements that may be imposed on identified staff.

Share ownership guidelines set minimum levels for company share ownership by relevant Executives on Group level, aiming to align managerial interests to those of shareholders by assuring appropriate levels of personal investment in UniCredit shares over time. However, share ownership is not applicable in UniCredit Bank Slovenia.

g) THE DESCRIPTION OF THE MAIN PARAMETERS AND RATIONALE FOR ANY VARIABLE COMPONENTS SCHEME AND ANY OTHER NON-CASH BENEFIT IN ACCORDANCE WITH POINT (F) OF ARTICLE 450(1) CRR.

Information on the specific performance indicators used to determine the variable components of remuneration and the criteria used to determine the balance between different types of instruments awarded, including shares, equivalent ownership interests, share-linked instruments, equivalent non cash-instruments, options and other instruments.

The variable component of remuneration is mainly determined by the Underlying Net Operating Profit and Value Creation, as performance indicators of operative performance.

The Rules of Group Incentive System provides for a balanced structure of upfront and deferred payments, in cash and/or (phantom) shares for Material Risk Takers. The distribution of share payments takes into account the applicable regulatory requirements regarding the application of share retention periods of 2 years.

For Material Risk Takers, a minimum threshold for applying defferals is applicable. A threshold of € 50,000 or one third of the total annual remuneration is used as the minimum level below or equal to which deferrals and payments in (phantom) shares will not apply. Bonus is entirely paid upfront and in cash if the sum of Bonus and other annual variable remuneration elements is below or equal to this threshold.

The individual bonus for Material Risk Takers is composed of more than 50% in (phantom) shares for Local Senior Management and Management Board Members and of 50% cash and 50% (phantom) shares for the remaining Identified Staff. It is paid out over a period up to six years (upfront payment and deferral periods), whereas not Material Risk Taker population is entitled to an upfront bonus payable full in cash as one off payment.

h) UPON DEMAND FROM THE RELEVANT MEMBER STATE OR COMPETENT AUTHORITY, THE TOTAL REMUNERATION FOR EACH MEMBER OF THE MANAGEMENT BODY OR SENIOR MANAGEMENT.

Aggregate quantitative information are available in Template EU REM1 - Remuneration awarded for the financial year.

i) INFORMATION ON WHETHER THE INSTITUTION BENEFITS FROM A DEROGATION LAID DOWN IN ARTICLE 94(3) CRD IN ACCORDANCE WITH POINT (K) OF ARTICLE 450(1) CRR.
UniCredit Bank Slovenia Group did not benefit from derogation.

j) LARGE INSTITUTIONS SHALL DISCLOSE THE QUANTITATIVE INFORMATION ON THE REMUNERATION OF THEIR COLLECTIVE MANAGEMENT BODY, DIFFERENTIATING BETWEEN EXECUTIVE AND NON-EXECUTIVE MEMBERS IN ACCORDANCE WITH ARTICLE 450(2) CRR.

Aggregate quantitative information are available in Template EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff).

Considering the compensation process and cycle, which will be completed at the end of April 2022, the Bank will disclose the remuneration data in the templates following the approval of the competent bodies, except for the template EU REMA. The UniCredit Group Slovenia will re-publish the full Pillar 3 disclosures on 13th May 2022 the latest.

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[2] *Employees who are not local senior management or not Management Board members.*

Table EU LIQA - Liquidity risk management
LIQUIDITY REQUIREMENTS (Article 451a)
Purpose: Arrangements, systems, processes and strategies put in place to identify, measure, manage and monitor liquidity risk

a) Strategies and processes in the management of the liquidity risk, including policies on diversification in the sources and tenor of planned funding:

Liquidity risk is defined as the risk that the Bank may find itself unable to fulfil its expected or unexpected payment obligations (by cash or delivery), current and future, without jeopardising its day-to day operations or its financial condition.

UniCredit Banka Slovenija d.d liquidity framework is based upon the Liquidity Risk Mismatch Model which is characterised by the following fundamental principles:

•short-term liquidity risk management (operational liquidity), which considers the events that will impact upon the Bank's liquidity position from 1 day up to one year. The primary objective is to maintain the Bank's capacity to fulfil its ordinary and extraordinary payment obligations while minimising the relevant costs.
•structural liquidity risk management (structural risk), which considers the events that will impact upon the Bank's liquidity position over one year. The primary objective is to maintain an adequate ratio between medium/long term liabilities and medium to long-term assets, with a view to avoid pressures on short-term funding sources (both current and future), while in the meantime optimising the cost of funding;
•stress tests: Liquidity risk is a low probability, high impact event. Therefore, stress testing is an excellent tool to reveal potential vulnerabilities in the balance sheet. The Bank uses several scenarios ranging from general market crisis to idiosyncratic crisis, and a combination hereof.

In this context, the Bank takes into account all assets, liabilities, off-balance sheet positions and also both present and future events which generate certain or potential cash flows, thereby protecting the Bank from risks relating to the transformation of maturity.

In addition, the liquidity risk is included in the Risk Appetite Framework through specific liquidity indicators.

Short-term liquidity management aims at ensuring that the Bank remains in a position to fulfil its cash payment obligations, whether expected or unexpected, focused on the exposure for the first 12 months.

The standard measures taken for such purposes are the following:

•management of the access to payment systems (operational liquidity management);
• management of cash payments to be made and monitoring of the level of liquidity reserves and the extent of their utilisation (analysis and active management of the maturity ladder).

The *operative maturity ladder* is composed by the net contractual cash flows (in/outflows) affecting the cash position at Central Banks or "Nostro Account". Therefore, these flows impact directly the "core liquidity" of the bank, over pre-defined time buckets.

The operative maturity ladder is included in the Risk Appetite Framework, with a limit of 0 on the 3 months bucket.

The Bank also adopts the cash horizon as a synthetic indicator of the short-term liquidity risk levels. The cash horizon identifies the number of days after which the relevant entity is no longer able to meet its liquidity obligations as expressed in the operative maturity ladder, after having exhausted the available counterbalancing capacity.

The Bank's *structural liquidity management* aims at limiting refinancing exposures above one year and thus reducing refinancing needs in the shorter term. The maintenance of an adequate ratio between medium to long-term liabilities and assets aims at avoiding pressures on short-term sources, whether present or future.

The standard measures taken for such purposes are the following:

• the spreading of the maturity of funding operations in order to reduce the usage of less stable funding sources, while in the meantim optimizing the cost of funding (integrated management of strategic liquidity and tactical liquidity);
•the financing of growth through strategic funding activities, setting the most appropriate maturities (yearly funding plan);
• the balancing of medium/to long-term wholesale funding requirements with the need to minimise costs, by diversifying sources, nationa markets, currencies of issuance and instruments used (realisation of the yearly funding plan).

The main metric used to measure the medium/long-term position is the net stable funding ratio, as described by CRR2. The internal limit set at 101% per 2021 means that stable liabilities have to fully cover the requirements of funding generated by the assets.

Another key structural metric, aimed at measuring the funding needs originated from the commercial activity of the Bank, is the funding gap. It measures the need of funding, the bank has to finance on the wholesale market. The indicator is integrated in the risk appetite framework with the aim of monitoring and managing the level of funding coverage of net loans to customers, coming from funding sources not exclusively obtained through ALM&Funding activity.

The Funding Plan is prepared on a yearly basis in order to establish the extent of the Banks funding needs in the upcoming year. A mid-year review is also performed in order to capture material changes both in the business environment and funding strategy. The Funding Plan encompasses additional funding measures needed to support business growth as well as measures aiming at replacing funding sources maturing within the next year. While being designed by the ALM & Funding unit, it is independently assessed by the Non-Financial and Financial Risk unit. The ultimate aim of the Funding plan is to ensure that the funding structure of the Bank is well diversified both in terms of maturity profiles and sources of funding. The timely execution of the Funding Plan is monitored continuously as part of the monitoring process of development of assets and liabilities.

b) Structure and organisation of the liquidity risk management function (authority, statute, other arrangements):

Two main functions are identified in the management of the liquidity: ALM & Funding function and Non-Financial and Financial Risk function, each with different roles and responsibilities. In particular, the operational responsibilities reside in the ALM & Funding, while the Non-Financial and Financial Risk function has responsibilities of independent controls.

ALM & Funding function is responsible for preparation of ordinary and contingency Funding Plan, aiming to efficiently ensure the stability and the sustainability of the financial structure through time, addressing assets and liabilities composition and maturities, in compliance with the limits and triggers set for liquidity and balance sheet metrics. It is also responsible for the execution of the medium long term funding strategy, exploiting market opportunities in order to reduce the costs of funding and diversify the financing sources. In addition to this, the function performs first level controls on liquidity positions managed by ALM & Funding aimed at ensuring the proper P&L and liquidity workflow of the operations and defines conditions and rules for transfer price application.

Non-Financial and Financial Risk function is responsible for the independent control of liquidity risk and of balance sheet interest rate and FX risk and for the liquidity stress testing. In detail:

- defining policies and methodologies for measuring and controlling the liquidity risk and developing, updating and presenting the independen internal risk reports/assessments to internal competent functions (second level controls);
- putting in place a strong and comprehensive internal limit and control framework to mitigate or limit the liquidity risk in line with the ris tolerance in order to monitor the different material drivers of liquidity risk;
- contributing to the setting of the Risk Appetite Framework;
- assessing and monitoring liquidity risk exposure trends and confronting them with the respective limits and triggers;
- performing an independent assessment of the Funding Plan and of the Contingency Funding Plan as well as monitoring their execution;
- performing the liquidity stress test, analysing the outcome, defining new scenarios; it is also responsible of periodically calibrating the liquidit stress test parameters;
- monitoring the liquidity risk and producing regular risk reporting in alignment with Basel Committee's "Principles for effective risk dat aggregation and risk reporting"
- developing and back testing the behavioural models for the measurement of the liquidity risk;

Within the Risk division, a dedicated unit is validating, controlling the implementation and releases independent assessments on the models to map the liquidity profile of balance sheet items (i.e. deposit stickiness, behavioral models). Centrally, at UniCredit Group level, the Risk Management function is performing internal validation activities on models for pricing financial instruments in order to check that they are conform to regulatory requirements and in-house standards;

All the relevant issues that concern the liquidity risk and management perspective of the Bank are discussed in the Financial Risks Committee.

c) A description of the degree of centralisation of liquidity management and interaction between the group's units:

UniCredit Leasing was the only subsidiary in 2021. Majority of funding was provided by the UniCredit Banka Slovenija. Liquidity risk management was under strict monitoring by UniCredit Banka Slovenija as a parent bank.

d) Scope and nature of liquidity risk reporting and measurement systems:

Techniques for liquidity risk measurement

The different types of liquidity risk managed by the Bank are:

- short term liquidity risk refers to the risk of non-conformity between the amounts and/or the maturities of cash inflows and cash outflows i the short term (below one year);
- market liquidity risk is the risk that the bank may face a considerable (and unfavourable) price change generated by exogenous or endogenou factors and incur losses because of the sale of assets deemed to be liquid. In the worst case, the bank might not be able to liquidate such positions;
- intraday liquidity risk appears when a bank is not able to meet payment and settlement obligations on a timely manner basis under bot normal and stressed conditions;
- structural liquidity risk is defined as the inability to raise the necessary funds to maintain an adequate ratio between medium to long-tern (over one year) assets and liabilities at reasonable pricing level, in a stable and sustainable way, without affecting the daily operations or the financial condition of the Bank. It could have a potential impact on the cost of funding (own credit and market funding spreads), affecting future income of the institution;
- contingency risk, or stress liquidity relates to future and unexpected obligations (i. e. draw on committed facilities, deposits withdrawa increase in collateral pledging) and could require the bank a greater amount of liquidity compared to what is considered the amount to run the ordinary business;
- funding concentration risk arises when the bank leverages on such a limited number of funding sources, that they become of such significanc that the withdrawal of one or few could trigger liquidity problems;
- foreign exchange liquidity risk, generated by the current and projected liquidity mismatch between cash inflows and cash outflows in foreig currencies (refinancing risk) or related with the maturity distribution of the assets and liabilities in foreign currencies (foreign currency structural mismatch risk).

The exposure of the Bank to any of these risks is measured by associating to any of them a metric or a set of metrics; in this respect, a materiality analysis is performed in order to define the perimeter of the liquidity risk management and control.

Liquidity risk, for its particular nature, is addressed by means of gap analyses, liquidity stress testing, and complementary measures (mainly through a set of indicators, among which: loans to deposits gap, liquidity coverage ratio). In particular, gap analyses are performed within two distinct time horizons:

- liquidity imbalance mismatch approach on a daily basis, which controls the short-term liquidity risk arising from the overnight up to 1 months maturity;
- gap ratios on a monthly basis, which control the medium to long-term risk (structural liquidity) from the 1-year maturity onwards.

Monitoring and reporting

In the Bank the governance and control of liquidity risk is mainly performed through the setting and monitoring of operating restrictions managerial and regulatory aimed at preventing potential vulnerabilities in the bank's ability to meet its cash flow obligations that are embedded in risk metrics limits or warning/trigger levels.

The short-term liquidity limits are monitored and reported daily. The structural liquidity ratios and their exposure against limits are monitored and reported monthly. The survival period and the result of the liquidity stress test are reported and monitored on a monthly basis.

e) Policies for hedging and mitigating the liquidity risk and strategies and processes for monitoring the continuing effectiveness of hedges and mitigants_

Liquidity risk is considered a relevant risk category for the risk appetite determination of the Bank. The practices and processes are included in the "Liquidity management & control Policy", that defines the principles that the Bank has to apply for hedging and mitigating this risk and the roles to be interpreted by the different committees and functions.

In addition to an adequate liquidity buffer to face unexpected outflows and robust and regular up-to-date stress testing performed on a regular basis, the main liquidity mitigation factors are:

- an accurate plan of short-term and medium to long-term liquidity needs, to be monitored on a monthly basis;
- an effective contingency liquidity policy with feasible and up-to-date contingency action plan to be executed in case of crisis;
- a system of early warning indicators such to anticipate any potential liquidity crisis and give enough time to the Bank to restore its safe liquidity profile.

f) An outline of the bank`s contingency funding plans:

A liquidity crisis is a high impact, low probability event. If the liquidity crisis was to occur, it is essential for the Bank to act on time to minimize potentially disruptive consequences of the crisis.

The Contingency Liquidity Management Global Policy has the objective of ensuring effective interventions starting from the very outset (initial hours) of the liquidity crisis, through the definition of specific guidelines on activation, meetings, decisions, actions, and communications.

This purpose is achieved through:

- •a set of early warning indicators that may help to identify emerging vulnerabilities in the liquidity risk position;
- • activation of extraordinary liquidity governance and operating model linked to indicators included in both the risk appetite and recovery and resolution plan framework;
- •a set of available standby mitigating liquidity actions;
- •consistent internal and external communication.

A fundamental part of the Contingency Liquidity Policy is the Contingency Funding Plan. The Contingency Funding Plan consists of a set of specific management actions together with a description of liquidity instruments at disposal in a crisis situation. Each contingency funding instrument contains an estimated volume, time to execute, and the impact on key liquidity indicators under stress.

g) An explanation of how stress testing is used:

Stress testing is a risk management technique used to evaluate the potential effects on the Bank's financial condition of a specific event and/or movement in a set of financial variables. As a forward-looking tool, liquidity stress testing diagnostics the Bank's liquidity risk. In particular the results of the stress tests are used to:

- •determine liquidity limits both in quantitative and qualitative terms;
- •plan and carry out alternative funding transactions for purposes of off-setting liquidity outflows;
- •structure/modify the liquidity profile of the Bank's assets;
- •provide support to the development of the liquidity contingency plan.

In order to execute stress tests that are consistent across the various geographies, UniCredit Group has a centralised approach to stress testing, requiring each local Bank to run the same scenario set under the coordination of the Group risk management.

UniCredit Banka Slovenija d.d runs liquidity scenarios and sensitivity analyses on a regular basis, the latter by assessing the impact on an institution's financial condition of a move in one particular risk factor, whereas scenario tests tend to consider the impact of simultaneous moves in a number of risk factors, based on a hypothetical, well defined and consistent stress scenario.

The following three different types of potential liquidity crisis are considered:

- • market (systemic, global or sector): market downturn scenario. This scenario consists of a sudden turmoil in a monetary and capital market which may be caused by closure (or limited access) to market/settlement system, critical political events, country crisis, credit crunch, etc.;
- • specific to UniCredit Bank, or part of it (idiosyncratic): name crisis; the assumptions could be operational risk, events relating to the worsened perception of the Bank's reputational risk and a downgrade in rating;
- •a combination of market and specific crisis: combined scenario.

These scenarios are expected to cause a substantial reduction in the funding coming from rating-sensitive customers, CD/CPs' investors and inter-bank markets. In addition, a possible usage of the undrawn portion of the committed lines is considered.

The combined scenario is defined as a general negative development in the market environment and also as a factual or market-hypothesized problem specific to the Bank.
In 2021 the Bank liquidity stress test result on the combined scenario was always positive.

In addition to the internal stress test, the bank adopts and also monitors the liquidity coverage ratio (LCR), calculated in accordance with the provisions of Implementing Regulation (EU) 2016/322 in force from 1 October 2016 as amended by DR (EU) 2018/1620. It is the ratio between the high-quality liquid assets (HQLA) and the net cash outflows expected over the coming 30 days, under stress test conditions. The compliance with this regulatory requirement is constantly monitored by setting, in the risk appetite framework, internal limitations above the binding minimum level of 100%.

h) A declaration approved by the management body on the adequacy of liquidity risk management arrangements of the institution providing assurance that the liquidity risk management systems put in place are adequate with regard to the institution's profile and strategy:

In the yearly process of the ILAAP, the Senior management is requested to give a judgement on the adequacy of the liquidity position and stability of funding, called Liquidity Adequacy Statement (LAS). This assessment aims at showing the main drivers that had modified the liquidity position throughout the year and provides comment also on the evolution of the main metrics that are used to steer the different aspects of the liquidity risk.

In 2021, UniCredit Banka Slovenija d.d liquidity situation has been deemed adequate and the liquidity risk management arrangements of the institution ensure that the liquidity risk management systems put in place are adequate with regard to the institution's profile and strategy.

The framework of measurement systems and of limits in place aims to ensure that the Bank has always an internal liquidity buffer/reserve that allows it to face expected and unexpected payments.

i) A concise liquidity risk statement approved by the management body succinctly describing the institution's overall liquidity risk profile associated with the business strategy. This statement shall include key ratios and figures (other than those already covered in the EU LIQ1 template under this ITS) providing external stakeholders with a comprehensive view of the institution's management of liquidity risk, including how the liquidity risk profile of the institution interacts with the risk tolerance set by the management body. These ratios may include:

- **Concentration limits on collateral pools and sources of funding (both products and counterparties):**
- **Customised measurement tools or metrics that assess the structure of the bank's balance sheet or that project cash flows and future liquidity positions, taking into account off-balance sheet risks which are specific to that bank:**
- **Liquidity exposures and funding needs at the level of individual legal entities, foreign branches and subsidiaries, taking into account legal, regulatory and operational limitations on the transferability of liquidity:**
- **Balance sheet and off-balance sheet items broken down into maturity buckets and the resultant liquidity gaps:**

2021 Management Board statement
"A sound ILAAP process represents a key input factor in the annual SSM Supervisory Review and Evaluation Process (SREP) and its proper assessment and discussion are key priorities for the Management Board.

The Management Board acknowledges the comprehensiveness of the material liquidity risks identified in 2021 and shares their sound assessment and quantification.

The Bank demonstrates to have a strong liquidity position, allowing to maintain under baseline scenario an adequate managerial and regulatory liquidity buffer and in case of more severe conditions, to envisage consistent contingency actions.

In addition to this, to face the contagion from the Coronavirus and the related Authorities measures, the Bank has activated all the necessary measures to ensure regular execution of Treasury activities, the proper information flows to the senior management and the Supervisors and the strict monitoring of the liquidity situation of the Bank, coupled with the readiness to activate, in case of need, the possible contingency actions.

The Bank is committed to continuously maintain a sound quality of ILAAP, strengthening the Liquidity Adequacy process on an ongoing basis in line with the self-identified areas of improvement and Supervisory expectations."

The Funding Plan has been designed adopting the usual approach of using a variety structures/instruments issued with different tenors with the aim to:

- avoid maturities concentration risk, exploiting potential favorable market conditions to extend duration;
- achieve an adequate level of diversification;
- ensure an appropriate level of liquidity;
- comply with various applicable regulatory requirements and internal limits and triggers.

Overall, the Bank displays a balanced funding structure. The most stable funding sources are represented by Deposits from Customers which represents majority of the Liability structure, providing stability and continuity for our funding operations. Additional source of funding are Deposits from Banks or supranational (including 449 mn EUR obtained through TLTRO III and 18 mn EUR obtained through internal iMREL issuance). The Funding Gap was positive throughout 2021, with a value of +0,31 bn EUR as of 31.12.2021.

In addition to the regulatory perspective offered by the net stable funding ratio, an internal metric, the structural liquidity ratio, has been introduced to strengthen the steering of structural liquidity risk from an economic point of view, i.e. taking into account the liquidity risk stemming from different balance sheet items under the perspective of internal models. SLR is defined as the ratio between cumulated Liabilities over bucket 1 year and cumulated Assets over bucket 1 year. As of 31.12.2021, the ratio value is 1,01, indicating sufficient coverage of structural liquidity risk.

Moreover, during 2021 liquidity stress testing always showed positive results.

Table EU CRC – Qualitative disclosure requirements related to CRM techniques
THE USE OF CREDIT RISK MITIGATION TECHNIQUES (Article 453 points (a) to (e))

a) A description of the core features of the policies and processes for on- and off-balance sheet netting and an indication of the extent to which institutions make use of balance sheet netting:

In general, netting agreements on balance sheet of reciprocal credit exposures between the Bank and its counterparty are considered eligible if they are legally effective and enforceable in all relevant jurisdictions, including in the event of default or bankruptcy of counterparty, and if they meet the following operational conditions:

- provide for the netting of gains and losses on transactions cleared under the master agreement so that a single net amount is owed b one party to the other;
- fulfil the minimum requirements for recognition of financial collateral (valuation requirements and monitoring).

UniCredit Bank Slovenia can make use of netting instruments, mainly for OTC derivatives transactions where the counterparties are Financial Institutions and Corporate clients.

In this regard, a special policy ("Global Policy - Counterparty Credit Risk ") has been implemented aiming at defining an efficient and comprehensive framework for collateral management to safeguard the bank from avoidable risk-taking.

b) The core features of policies and processes for eligible collateral evaluation and management:

In line with the European Union Directive CRD IV and the European Union Regulation CRR which enact Basel III as part of the EU banking legislation, the Bank is firmly committed to meeting the requirements for the recognition of Credit Risk Mitigation techniques for regulatory capital purposes, both for internal use in operations and for the purposes of calculating the credit risk capital requirement.

With specific reference to Credit Risk Mitigation, general guidelines are in force, issued at the parent group level by UniCredit S.p.A., to lay down the Group-wide rules and principles that guide, govern and standardize the credit risk mitigation management.

Following the Credit Risk Mitigation Guidelines of the parent group UniCredit, the bank has adopted internal regulations, specifying processes, strategies and procedures for collateral management. In particular, such internal regulations detail collateral eligibility, valuation and monitoring rules and ensure the soundness, legal enforceability and timely liquidation of valuable collateral in compliance with the Slovenian legal system.

According to credit policy, collaterals or guarantees can be accepted only to support loans and they cannot serve as a substitute for the borrower's ability to meet obligations. For this reason, in addition to overall analysis of the credit worthiness and of the repayment capacity of the borrower, they are subject to specific evaluation and analysis of the support role for the repayment of the exposure.

In line with the legislation, the Group implemented valuation, monitoring and reporting of the collateral in line with regulatory time frame and internal guidelines.

The management system of credit risk mitigation techniques is embedded in the credit approval process and in the credit risk monitoring process. Controls and related responsibilities are duly formalised and documented in internal rules.

Furthermore, processes are implemented to control that all the relevant information regarding the identification and evaluation of the credit protection are correctly registered in the system.

In the collateral acquisition phase, the UniCredit Group emphasises the importance of processes and controls of legal certainty requirements of the protection, as well as the assessment of the suitability of the collateral or guarantee. The valuation process is based on precautionary principles, with reference to the use of "fair market values" and to the application of adequate haircuts to ensure that, in case of liquidation, there are no unexpected losses.In case of personal guarantees, the protection provider has to be assessed in order to measure his/her credit rating and risk profile.

Monitoring processes of credit risk mitigation techniques ensure that general and specific requirements set by credit policies, internal and regulatory rules are met over the time.

c) A description of the main types of collateral taken by the institution to mitigate credit risk:

Collaterals accepted in support of credit lines granted, primarily include:

1.Immovable properties (real estate, both residential and commercial)
2.Financial Assets (only deposit)
3.Sureties and guarantees (state, bank...)

When accepting credit risk mitigation technique, the Bank emphasizes the importance of processes and controls of the legal certainty requirements of protection, as well as the assessment of the suitability of the collateral or guarantee.

According to collateral guidelines, collaterals are exposed to a regular reviewing process, either on individual or portfolio basis. Such approach gives the Group a better view of the current status and actual value of collateral.

d) For guarantees and credit derivatives used as credit protection, the main types of guarantor and credit derivative counterparty and their creditworthiness used for the purposes of reducing capital requirements, excluding those used as part of synthetic securitisation structures:

Sureties and guarantees in the bank represent a smaller part of the collaterals used for capital requirement optimization. Credit derivatives are not used in the bank for the purposes of capital requirement optimization. The main types of sureties and guarantees used by the bank for the purpose of capital requirements optimization: state guarantees, guarantees of mother companies, guarantees of the European Investment Fund, bank guarantees and other eligible guarantees. Surety and guarantee providers meet the criteria for the capital requirement optimization.

e) Information about market or credit risk concentrations within the credit mitigation taken:

For the purposes of capital requirement optimization, the Bank uses the following collaterals: Real estate (residential and commercial), financial assets (deposits) and sureties (guarantees). The majority of collateral used for capital requirements optimization is represented by residential and commercial real estate. Residential real estate is adequately diversified in terms of geographic location, creditworthiness of the collateral provider and currency (majority denominated in EUR). Commercial real estate is also adequately diversified in terms of sectoral palecement, geographic location, creditworthiness of the collateral provider and currency (majority denominated in EUR). A smaller part of the collateral used by the bank for the purpose of capital requirement optimization is represented by sureties and guarantees. Majority of them represent state guarantees (other types: guarantees of mother companies, guarantees of the European Investment Fund, bank guarantees and other eligible sureties, which meet the criteria for the purpose of capital requirements optimization. The smallest part of collateral that is taken into account for capital requirements optimization is represented by financial assets (deposits), which meet the criteria for the purpose of capital requirements optimization.

Annex I —Template on the comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs, and with and without the application of the temporary treatment in accordance with Article 468 CRR

Purpose: Provide a comparison of the institutions' own funds, CET1 capital, Tier 1 capital, risk-weighted assets, CET1 capital ratio, Tier 1 capital ratio, total capital ratio and leverage ratio with and without the application of transitional arrangements for IFRS 9 or analogous ECLs.
Provide a comparison of the institutions' own funds, CET1 capital, Tier 1 capital, CET1 capital ratio, Tier 1 capital ratio, total capital ratio and leverage ratio with and without the application of the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income in view of the COVID-19 pandemic, in accordance with Article 468 of the CRR.
Only the transitional arrangements arising from the implementation of the IFRS 9 and analogous ECLS, and the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income in view of the COVID19 pandemic in accordance with Article 468, are considered in this template.

Following the adoption of EU Regulation 2017/2395, UniCredit Banka Slovenije d.d. decided not to apply the transitional arrangements for gradually introducing in CET1 the effects of the IFRS9 adoption. In light of the ECB recommendation issued on March 20th, 2020 for institutions that had not already implemented the transitional IFRS9 arrangements, the Bank applied the transitional adjustment according to the revised framework introduced by the amended CRR2 both for:

• the static component (i.e. first time adoption effects accounted as of January 1st, 2018) and for

• the dynamic component separately

o the increase of LLP between January 1st, 2020 and January 1st, 2018 (element 1) and

o the increase of LLP due to COVID-19 situation accounted after January 1st, 2020 (element 2).

The static component of the adjustment is calculated considering the entire amount of LLPs , both referred to performing and impaired assets, considering separately STD (STD = Standardized approach) and IRB (IRB = Internal ratings-based approach) exposures. The dynamic component of the adjustment includes only the amount of LLPs referred to performing assets (i.e. sum of LLPs under IFRS9 Stage1 and Stage2) in accordance withe Article 473a(3).

Treatment of IRB exposures
In case of IRB exposures, in order to determine the amount of the transitional adjustment, the Article 473a of the amended CRR2 requires (both for the static and dynamic components) to reduce the amount of LLPs by the regulatory expected losses (EL), leading to the recognition of a positive adjustment in CET1 only in case of LLPs exceeding the related EL. Therefore, by limiting the adjustment to the amount of LLPs exceeding EL, the transitional arrangements do not imply impacts on the shortfall deduction (which remains the same both under the fully-loaded and transitional Own Funds) but only require (as stated in Article 473a(7) of the amended CRR2) to re-calculate the excess of LLPs vs. EL computable in Tier 2 in order to reflect the positive adjustment in CET1.

Adjustment to risk-weighted assets on standard exposures (RWA STD)
According to 473a(7) of the amended CRR2, the transitional adjustment applied to CET1 and related to STD exposures shall are reflected in RWA when calculating the transitional RWA, in order to consider the increase in the exposure value determined in accordance with CRR Article 111(1) due to the minor amount of LLPs reducing CET1. Such correction in RWA is applied through an aggregated adjustment by applying to the transitional adjustment recognized in CET1 (thus, net of tax effects) a fix risk-weight of 100%

		31.12.2021	30.09.2021	30.06.2021	31.03.2021	31.12.2020
	Available capital (amounts)					
1	CET1 capital	282,060	292,792	293,085	283,456	281,819
2	CET1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	280,446	292,095	292,388	282,759	280,844
2a	CET1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI (other comprehensive income) in accordance with Article 468 of the CRR had not been applied	282,060	292,792	293,085	283,456	281,819
3	Tier 1 capital	282,060	292,792	293,085	283,456	281,819
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	280,446	292,095	292,388	282,759	280,844
4a	Tier 1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	282,060	292,792	293,085	283,456	281,819
5	Total capital	285,566	296,400	296,737	287,609	285,287
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	283,951	295,703	296,040	286,912	284,312
6a	Total capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	285,566	296,400	296,737	287,609	285,287
	Risk-weighted assets (amounts)					
7	Total risk-weighted assets	1,417,055	1,491,388	1,468,379	1,569,032	1,460,518
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1,416,086	1,491,218	1,468,208	1,568,861	1,460,280
	Capital ratios					
9	CET1 (as a percentage of risk exposure amount)	19.90%	19.63%	19.96%	18.07%	19.30%
10	CET1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	19.80%	19.59%	19.91%	18.02%	19.23%
10a	CET1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	19.90%	19.63%	19.96%	18.07%	19.30%
11	Tier 1 (as a percentage of risk exposure amount)	19.90%	19.63%	19.96%	18.07%	19.30%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	19.80%	19.59%	19.91%	18.02%	19.23%
12a	Tier 1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	19.90%	19.63%	19.96%	18.07%	19.30%
13	Total capital (as a percentage of risk exposure amount)	20.15%	19.87%	20.21%	18.33%	19.53%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	20.05%	19.83%	20.16%	18.29%	19.47%
14a	Total capital (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	20.15%	19.87%	20.21%	18.33%	19.53%
	Leverage ratio					
15	Leverage ratio total exposure measure	2,651,895	2,630,934	2,683,384	2,851,901	2,788,505
16	Leverage ratio	10.64%	11.13%	10.92%	9.94%	10.11%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	10.58%	11.11%	10.90%	9.92%	10.07%
17a	Leverage ratio as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	10.64%	11.13%	10.92%	9.94%	10.11%