Disclosures of UniCredit Group Slovenia for the 3Q 2021

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Disclosures of UniCredit Group Slovenia for the 3Q 2021 are prepared in accordance with the requirements of Capital Requirements Regulation – CRR (Regulation (EU) no 575/2013 of the European Parliament and of the Council of 26th June 2013 on prudential requirements for credit institutions and investment firms and amending regulation (EU) no 648/2012) and CRR2 (Regulation (EU) 2019/876 of the European Parliament and of the Council of 20th May 2019).

Disclosures are based on Consolidated level which consists of UniCredit Banka Slovenija d.d. and UniCredit Leasing, leasing, d.o.o.

Disclosures were approved by the Management Board of the Bank.

All amounts are in thousands of EUR, unless stated otherwise. Zero values refers to amounts lower than 500 euros.

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Measures issued in the context of the Covid-19 outbreak, provided by the European regulatory authorities and National Member States

During the first quarter 2020, the Governing Council of the European Central Bank (ECB) has decided a number of measures to ensure that its directly supervised banks can continue to fulfill their role in funding the real economy given the economic effects of the Covid-19.

As well, the European Banking Authority (EBA) issued several statements to explain a number of interpretative aspects on the functioning of the prudential framework in relation to the classification of loans in default, the identification of forborne exposures, and their accounting treatment. These clarifications help ensure consistency and comparability in risk metrics across the whole EU banking sector, which are crucial to monitor the effects of the current crisis.

For Slovenia the following National measures are relevant and could have potential impact on reported figures:

- Law requiring banks to provide moratorium to retail and corporate customers was passed by end of March 2020. The Act applies to:

  (i) banks and savings banks with seat in Slovenia and Slovenian branches of EU banks, on the lenders' side;

  (ii) companies, co-operatives, foundations, institutes (all with seat in Slovenia), sole entrepreneurs, farmers, natural persons (all if Slovenian citizens residing in Slovenia), on the borrowers' side. Debtors may apply for deferral of instalments during the period of pandemic. Expiration date for application is 15.11.2020.

- The second legislative moratorium published as of the end of November 2020 extends the date for application until 31 January 2021 and also includes changes in beneficiaries of the moratoria where natural non-citizens persons with permanent residence in Republic of Slovenia were included. The State Guarantee is applicable also for this legislative moratorium with the limit of €200 million which remains unchanged and applies jointly for both legislative moratoriums.

- The third legislative moratorium published in the end of December 2020 states that all moratoria granted under the second law are limited to period of 9 months (in the second law the expiration date was 31 January 2021) whereas other requirements from the second and the first law remain unchanged.

- All moratoria (legislative or private) are subject to forbearance measures in line with EBA guidelines.

- Due to the influence and consequences of the COVID-19 epidemic on the economy and financial system, with the goal of increasing resistance of the financial system to financial shocks, of maintaining financial stability and preventing the occurrence of interruptions the Bank of Slovenia adopted the Decision on macro prudential limitation of distribution of banks' profits which temporarily restricts the distribution of banks' profits. The Decision entered into force on 27th February 2021, it shall apply from 10th April 2021. With the entry into force of the Decision, the Decision published in 2020 expires. The measure was temporary and it was in force till 30th September 2021. Whereby in case of significant decrease of risks the Bank of Slovenia could revoke the measure early or in case of increased risk it could have extend its validity. During the period of validity of the Decision the bank profit could be distributed, if the Net bank profit for first quarter 2021 was positive, however it should not exceed the lower of the following conditions: a) 15% of accumulated profit on a bank solo level in years 2019 and 2020 or b) 0,2% of Common Equity Tier 1 ratio on a bank solo level as of 31st December 2020.

Template EU OV1 – Overview of total risk exposure amounts

CAPITAL REQUIREMENTS (Article 438)

Purpose: Provide an overview of total RWA forming the denominator of the risk-based capital requirements calculated in accordance with Article 92 of the CRR. Further breakdowns of RWAs are presented in subsequent parts of these guidelines.

On a consolidated level, the UniCredit Slovenia Group uses the following approaches in calculating capital requirements under the Pillar I:
- credit risk - standardized and foundation IRB approach
- market risk - standardized approach
- operational risk - standardized and advanced approach.

In calculating capital ratios, risk is expressed as a risk-weighted exposure or capital requirement. The minimum capital requirement for an individual risk is 8% of the total exposure to an individual risk

		RWAs		Minimum capital requirements
		30.09.2021	30.06.2021	30.09.2021
1	Credit risk (excluding CCR)	1,329,555	1,347,001	106,364
2	Of which the standardised approach	746,537	749,785	59,723
3	Of which the Foundation IRB (F-IRB) approach	574,908	588,952	45,993
4	Of which slotting approach		-	
EU 4a	Of which equities under the simple riskweighted approach	8,110	8,265	649
5	Of which the Advanced IRB (A-IRB) approach	-	-	-
6	Counterparty credit risk - CCR	19,676	13,102	1,574
7	Of which the standardised approach	19,676	13,102	1,574
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	-	-	-
EU 8b	Of which credit valuation adjustment - CVA	-	-	-
9	Of which other CCR	-	-	-
15	Settlement risk	-	-	-
16	Securitisation exposures in the non-trading book (after the cap)	-	-	-
17	Of which SEC-IRBA approach	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA approach	-	-	-
EU 19a	Of which 1250% / deduction	-	-	-
20	Position, foreign exchange and commodities risks (Market risk)	663	4	53
21	Of which the standardised approach	663	4	53
22	Of which IMA	-	-	-
EU 22a	Large exposures	-	-	-
23	Operational risk	106,224	106,088	8,498
EU 23a	Of which basic indicator approach	-	-	-
EU 23b	Of which standardised approach	12,014	12,014	961
EU 23c	Of which advanced measurement approach	94,210	94,074	7,537
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	2,013	2,013	161
25	Other calculation elements	33,258	170	2,661
26	**Total**	**1,491,388**	**1,468,379**	**119,311**

Credit risk RWA increased compared to the previous quarter mainly due to higher other calcualtion elements end of September 2021. The main driver for the increase was introduction of PD Mid-Corporate model add-on related to the implementation of new definition of default (DoD). Operational risk RWA slightly increased in 3Q21, while higher trading bond exposure was the main reason for higher Market risk RWA. All these changes results to a final increase of total RWAs by EUR 23m.

Template EU CR8 – RWEA flow statements of credit risk exposures under the IRB approach

CAPITAL REQUIREMENTS (Article 438)

Purpose: Present a flow statement explaining variations in the credit RWAs of exposures for which the risk weighted amount is determined in accordance with Part Three, Title II, Chapter 3 of the CRR and the corresponding capital requirement as specified in Article 92(3)(a).

		a	b
		RWA amounts	Capital requirements
1	**RWAs as at the end of the previous reporting period (30.6.2021)**	**597,216**	**47,777**
2	Asset size	407	33
3	Asset quality	- 14,606	- 1,168
4	Model updates	-	-
5	Methodology and policy	-	-
6	Acquisitions and disposals	-	-
7	Foreign exchange movements	-	-
8	Other	-	-
9	**RWAs as at the end of the reporting period (30.9.2021)**	**583,017**	**46,641**

Template EU LIQ1 - Quantitative information of LCR

LIQUIDITY REQUIREMENTS (Article 451a)

Purpose: Quantitative information of LCR, scope of consolidation: solo

		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on	**30.09.2021**	**30.06.2021**	**31.03.2021**	**31.12.2020**	**30.09.2021**	**30.06.2021**	**31.03.2021**	**31.12.2020**
EU 1b	Number of data points used in the calculation of averages								
HIGH-QUALITY LIQUID ASSETS									
1	**Total high-quality liquid assets (HQLA)**					**781,765**	**770,848**	**832,054**	**862,115**
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	1,326,138	1,306,447	1,253,172	1,244,845	83,952	81,300	75,392	75,307
3	Stable deposits	753,226	732,257	689,866	666,289	37,661	36,613	34,493	33,314
4	Less stable deposits	404,137	385,961	354,018	359,667	46,291	44,687	40,898	41,993
5	Unsecured wholesale funding	666,113	653,393	789,565	710,785	329,654	310,810	365,130	346,070
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	27,561	20,588	18,103	21,972	7,647	5,733	4,718	6,285
7	Non-operational deposits (all counterparties)	638,552	632,805	771,463	688,813	322,007	305,077	360,412	339,785
8	Unsecured debt	-	-	-	-	-	-	-	-
9	Secured wholesale funding					-	-	-	-
10	Additional requirements	296,221	260,293	179,832	186,853	92,412	63,019	47,027	41,492
11	Outflows related to derivative exposures and other collateral requirements	74,538	45,502	35,705	28,730	74,538	45,502	35,705	28,730
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	221,683	214,791	144,126	158,123	17,873	17,517	11,321	12,762
14	Other contractual funding obligations	7,277	11,900	5,578	4,573	4,637	8,347	5,578	2,286
15	Other contingent funding obligations	772,407	767,539	847,701	930,388	46,524	46,529	78,639	94,254
16	**TOTAL CASH OUTFLOWS**					**557,179**	**510,004**	**571,766**	**559,408**
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	181,850	176,471	205,092	139,563	165,213	163,642	175,960	129,989
19	Other cash inflows	110,053	78,195	70,308	60,172	81,936	52,846	43,054	35,421
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	**TOTAL CASH INFLOWS**					**247,149**	**216,488**	**219,014**	**165,409**
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows subject to 90% cap	-	-	-	-	-	-	-	-
EU-20c	Inflows subject to 75% cap	291,903	254,666	275,401	199,735	247,149	216,488	219,014	165,409
TOTAL ADJUSTED VALUE									
EU-21	LIQUIDITY BUFFER					781,765	770,848	832,054	862,115
22	TOTAL NET CASH OUTFLOWS					310,030	293,516	352,752	393,999
23	**LIQUIDITY COVERAGE RATIO**					**252%**	**263%**	**236%**	**219%**

Table EU LIQB on qualitative information on LCR, which complements template EU LIQ1.
LIQUIDITY REQUIREMENTS (Article 451a)
Purpose: Qualitative information on LCR, which complements template EU LIQ1

Evolution of LCR results

UniCredit Banka Slovenija d.d. maintains a sound liquidity position, high above the defined risk-taking limits according to Risk Appetite Framework. In the period from December 31st 2020 to September 30th 2021, the LCR of UniCredit Bank fluctuated between 219% and 252% (252% as of September 30th 2021). The value of high-quality liquid assets (HQLA) of UniCredit Banka Slovenija was at a high level and, in the mentioned period, amounted to between 782mio EUR and 862mio EUR (782mio EUR as of September 30th 2021). Regarding net liquidity outflows, these amounted to between 310mio EUR and 394mio EUR (310mio EUR as of September 30th 2021).

The most common reasons of the fluctuations of LCR in the period between December 31st 2020 and September 30th 2021 are: movements of deposits of financial and non-financial customers, changes in the maturity of loans in the period of thirty days, changes in the balance of Loro and Nostro accounts, maturity of corporate bonds, additional borrowing through Targeted longer-term refinancing operations (TLTRO III).
In addition, the methodology update of LCR calculation, with regards to Article 23 items, had an effect on the weights and classification of the outflows of LCR. The introduction of this update had for the first time an impact on the LCR in June 30th 2021.

High-level description of the composition of the institution`s liquidity buffer

The liquidity buffer of UniCredit Banka Slovenija d.d. consists of the most liquid and available assets, which can be used in the event of stressful scenarios and conditions, within a short period of time. The liquidity buffer includes cash, balance with the Central Bank (excluding mandatory reserves) and unencumbered high-quality debt securities.

Explanations on the actual concentration of funding sources

The main financing sources of the Bank are customer deposits, providing a very stable and diverse base, where the main contributors are Retail and Corporate clients' deposits, complemented by Targeted longer-term refinancing operations (TLTRO III).
UniCredit Banka Slovenija d.d. is not dependent on financing via interbank market.
The Bank considers the concentration of funding in its Business strategy, ensuring a balanced portfolio and preventing the side effects of concentration.

Derivative exposures and potential collateral calls

The Bank concludes transactions with derivative financial instruments for the purpose of managing interest rate and foreign exchange risks.

Bank offers such products to its Corporate Customers for the purpose of hedging their financial risk (foreign exchange, interest rate and commodity risk).

The majority of derivative financial instruments in the portfolio consists of financial instruments for hedging interest rate positions of the Banking Book.

ISDA agreements and Credit Support Annex (CSA) are in place for Financial counterparties.

With regards to Corporate customers, UniCredit Banka concludes derivatives transactions on the basis of Master Agreements for derivatives. For each client there is portfolio coordination in place in compliance with European Market Infrastructure Regulation (EMIR).
From the LCR perspective, the exposure to derivative financial instruments does not have a significant impact on Net Outflows.

Currency mismatch in the LCR

The Bank actively manages its liquidity risk exposure to foreign currencies in accordance with the regulations of the UniCredit Group and the international regulations of the European Central Bank. Given the fact that the Bank's main currency is Euro, the Bank reports the LCR in Euro. Additionally to the reporting in the main currency, the Bank also reports LCR in terms of all currencies on which it has positions.

Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile

The LCR calculation does not include any other items that are not already included in the LCR disclosure table. The operations of the Bank are mainly focused on retail and corporate clients; and its balance sheet does not include complex products. Moreover, the liquidity of the Bank is stable and the volume of unencumbered liquidity reserves is adequate.