Disclosures of UniCredit Bank Slovenia for the 1Q 2023

Disclosures of UniCredit Bank Slovenia d.d. for the 1q 2023

Disclosures of UniCredit Bank Slovenia d.d. for the 1Q 2023 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).

Following the requirement on the Pillar 3 disclosures presented in Article 13 of the CRR, the UniCredit Banka Slovenia is obliged to also disclose templates EU CCR7 and EU MR2-B. Templates are not disclosed considering the Bank's business.

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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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.

The UniCredit Bank Slovenia 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
		31.03.2023	31.12.2022	31.03.2023
1	Credit risk (excluding CCR)	1,261,601	1,294,185	100,928
2	Of which the standardised approach	1,067,752	1,077,571	85,420
3	Of which the Foundation IRB (F-IRB) approach	185,549	208,792	14,844
4	Of which slotting approach		-	
EU 4a	Of which equities under the simple riskweighted approach	8,299	7,821	664
5	Of which the Advanced IRB (A-IRB) approach	-	-	-
6	Counterparty credit risk - CCR	10,375	11,663	830
7	Of which the standardised approach	10,375	11,663	830
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)	4,481	5,323	358
21	Of which the standardised approach	4,481	5,323	358
22	Of which IMA	-	-	-
EU 22a	Large exposures	-	-	-
23	Operational risk	94,077	94,248	7,526
EU 23a	Of which basic indicator approach	-	-	-
EU 23b	Of which standardised approach	-	-	-
EU 23c	Of which advanced measurement approach	94,077	94,248	7,526
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	578	1,982	46
25	Other calculation elements	3,782	6,880	303
26	**Total**	**1,374,893**	**1,414,281**	**109,991**

Credit risk RWA decreased compared to the previous quarter mainly due to lower RWA on IRB approach end of March 2023. On standardised approach RWA decreased due to new real estate collateral appraisals, partially neutralized by new loans. Other changes are due to movements in the loan volume. Operational risk RWA slightly decreased in 1Q23, as well as Market risk RWA which was driven by lower trading exposure. All these changes results to a final decrease of total RWAs by EUR -39m.

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 (31.12.2022)**	**216,614**	**17,329**
2	Asset size	- 22,766	- 1,821
3	Asset quality	-	-
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 (31.3.2023)**	**193,848**	**15,508**

Template 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 June 30th, 2022, to March 31st, 2023, the LCR of the Bank fluctuated between 162% and 275 % (162% as of June 30th, 2022; and 275% as of March 31st, 2023). The value of high-quality liquid assets (HQLA) of the Bank was at a high level and, in the mentioned period, amounted to between 458 million EUR and 1.203 million EUR (458 million EUR as of June 30th, 2022; and 1.203 million EUR as of March 31st, 2023). Regarding net liquidity outflows, these amounted to between 283 million EUR and 437 million EUR (283mio EUR as of June 30th,2022; and 437mio EUR as of March 31st, 2023).

Reason of the fluctuations of LCR in the period between June 30th, 2022, and March 31st, 2023, are commercial dynamics in the Bank.

Description of the composition of the liquidity buffer and net liquidity outflows

At the end of March 2023, liquidity buffer is mainly made of withdrawable reserves deposits at central bank and governments bonds. These two exposures have represented 99% of the buffer, while the remaining part has been cash. For what concerns the net liquidity outflows, the outgoing flows due to i) retail and corporate deposits, ii) wholesale funding and iii) potential cash outflows from the committed credit lines are still the main components.

Concentration of funding and liquidity sources

Funding Concentration Risk can arise when the bank leverages on a limited number of funding sources, that they become of such significance that the withdrawal of one or few could trigger liquidity problems. In the UniCredit Banka Slovenija d.d. the governance and control of funding concentration risk is mainly performed through the setting and monitoring of metrics, managerial and regulatory, aimed at preventing potential vulnerabilities in the bank's ability to meet its liquidity obligations when the funding contracts expire. At this purpose, the metrics in place to steer this risk are the concentration funding by products, counterparties, and maturity.

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). The Bank is not dependent on financing via interbank market.

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.

The Bank also offers such products to its Corporate Customers for the purpose of hedging their financial risk (foreign exchange, interest rate and commodity risk). With regards to Corporate Customers, the Bank concludes derivatives transactions based on Master Agreements for derivatives. For each client there is portfolio coordination in place in compliance with European Market Infrastructure Regulation (EMIR).

The majority of derivative financial instruments in the portfolio consists of financial instruments for hedging interest rate positions of the Banking Book, in order to manage and be compliant with the internal limits and triggers related to interest rate risks in the banking book.

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

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 relevant for the liquidity profile

The intraday liquidity risk appears when a bank is not able "to meet payment and settlement obligations on a timely basis under both normal and stressed conditions". The intraday liquidity risk is monitored through the intraday liquidity monitoring tool prescribed by Basel Committee on Banking Supervision (BCBS). In order to meet the payments falling due in different timing during the business day and avoid possible shortfalls due to missing/delayed inflows, a liquidity buffer is kept on a continuous basis.

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	**31.03.2023**	**31.12.2022**	**30.09.2022**	**30.06.2022**	**31.03.2023**	**31.12.2022**	**30.09.2022**	**30.06.2022**
EU 1b	Number of data points used in the calculation of averages								
HIGH-QUALITY LIQUID ASSETS									
1	**Total high-quality liquid assets (HQLA)**					**1,202,795**	**943,586**	**766,948**	**458,111**
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	1,453,827	1,374,187	1,324,620	1,331,436	100,303	104,466	102,919	102,299
3	Stable deposits	605,857	582,790	619,626	630,882	30,293	29,140	30,981	31,544
4	Less stable deposits	634,990	685,512	651,849	637,783	70,010	75,327	71,937	70,755
5	Unsecured wholesale funding	879,849	896,743	893,030	627,010	413,209	406,895	467,969	324,406
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	73,956	141,719	89,891	54,574	20,475	72,657	35,481	18,312
7	Non-operational deposits (all counterparties)	805,893	755,024	803,139	572,436	392,734	334,237	432,487	306,094
8	Unsecured debt	-	-	-	-	-	-	-	-
9	Secured wholesale funding					-	-	-	-
10	Additional requirements	303,607	181,774	257,404	286,556	134,907	40,864	115,688	147,059
11	Outflows related to derivative exposures and other collateral requirements	113,794	21,173	98,088	124,871	113,794	21,173	98,088	124,871
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	189,813	160,601	159,317	161,686	21,113	19,691	17,600	22,188
14	Other contractual funding obligations	33,742	8,516	21,570	18,577	30,699	5,250	18,427	14,236
15	Other contingent funding obligations	741,066	700,921	645,981	781,977	45,187	55,565	50,375	57,511
16	**TOTAL CASH OUTFLOWS**					**724,304**	**613,040**	**755,377**	**645,511**
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	199,395	197,932	282,774	244,945	165,539	181,870	252,983	232,950
19	Other cash inflows	153,760	55,192	130,997	158,381	122,007	28,119	102,705	130,033
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**					**287,546**	**209,989**	**355,688**	**362,983**
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows subject to 90% cap	-	-	-	-	-	-	-	-
EU-20c	Inflows subject to 75% cap	353,155	253,125	413,771	403,326	287,546	209,989	355,688	362,983
TOTAL ADJUSTED VALUE									
EU-21	LIQUIDITY BUFFER					1,202,795	943,586	766,948	458,111
22	TOTAL NET CASH OUTFLOWS					436,758	403,051	399,689	282,528
23	**LIQUIDITY COVERAGE RATIO**					**275%**	**234%**	**192%**	**162%**

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%

		31.03.2023	31.12.2022	30.09.2022	30.06.2022	31.03.2022
	Available capital (amounts)					
1	CET1 capital	287,255	265,196	265,579	267,506	268,947
2	CET1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	283,424	257,842	261,453	263,053	268,947
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	287,255	265,196	265,579	267,506	267,506
3	Tier 1 capital	287,255	265,196	265,579	267,506	268,947
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	283,424	257,842	261,453	267,506	268,947
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	287,255	265,196	265,579	267,506	267,506
5	Total capital	287,444	265,196	265,579	267,506	273,223
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	283,613	257,842	261,453	263,053	273,223
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	287,444	265,196	265,579	267,506	273,223
	Risk-weighted assets (amounts)					
7	Total risk-weighted assets	1,374,893	1,414,281	1,447,571	1,464,243	1,499,353
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1,371,110	1,407,400	1,443,843	1,460,187	1,499,353
	Capital ratios					
9	CET1 (as a percentage of risk exposure amount)	20.89%	18.75%	18.35%	18.27%	17.94%
10	CET1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	20.67%	18.32%	18.11%	18.02%	17.94%
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	20.89%	18.75%	18.35%	18.27%	17.84%
11	Tier 1 (as a percentage of risk exposure amount)	20.89%	18.75%	18.35%	18.27%	17.94%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	20.67%	18.32%	18.11%	18.32%	17.94%
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	20.89%	18.75%	18.35%	18.27%	17.84%
13	Total capital (as a percentage of risk exposure amount)	20.91%	18.75%	18.35%	18.27%	18.22%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	20.68%	18.32%	18.11%	18.02%	18.22%
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	20.91%	18.75%	18.35%	18.27%	18.22%
	Leverage ratio					
15	Leverage ratio total exposure measure	3,694,940	3,523,749	3,565,117	3,276,423	2,782,767
16	Leverage ratio	7.77%	7.53%	7.45%	8.16%	9.66%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7.68%	7.33%	7.34%	8.16%	9.66%
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	7.77%	7.53%	7.45%	8.16%	9.61%