UniCredit International Bank
Luxembourg

Annual report and Report of the *réviseur d'entreprises agréé* 31 December 2024

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CONTENT

2024

Report of the Management Board of UniCredit International Bank (Luxembourg) S.A.

Empowering
Communities to Progress.

UniCredit International Bank
Luxembourg

CONTENT

I. Macroeconomic environment

The global economy

The global economy in 2024 was marked by significant volatility, influenced by evolving inflation dynamics, monetary policy shifts, and geopolitical uncertainties. Declining inflation projections in late 2023 initially fueled expectations of substantial interest rate cuts in 2024. However, during the year 2024 resilient consumer sentiment and slower-than-anticipated disinflation, particularly in the U.S., tempered market optimism.

At the beginning of 2024, investors reassessed the rally of last months of 2023, concluding that much of the potential upside had already been priced in, and shifted their focus to downside risks. Key economic indicators, such as the University of Michigan's Consumer Sentiment Index, proved more robust than anticipated, dampening expectations of immediate rate cuts. Inflation rates, especially in the U.S., declined less than forecasted, heightening market concerns. European Central Bank (ECB) President, Christine Lagarde, further tempered optimism by stating that premature expectations of rate cuts could hinder the fight against inflation.

In June, the ECB cut its main refinancing rate by 25 basis points to 4.25%, signaling the end of its tightening cycle. Notably, this action preceded similar measures by the Federal Reserve (Fed), breaking the usual pattern where the ECB followed the Fed's lead. Persistent high inflation in the U.S. prompted the Fed to maintain a more cautious approach. The European elections in the same month further heightened uncertainty, as strong performances by far right and Eurosceptic parties raised concerns about the EU's stability. Additionally, French President Emmanuel Macron's decision to call new elections in response to the growing strength of the Rassemblement National added to political uncertainty.

In August, recession fears triggered a risk-off sentiment across markets. The U.S. economy created fewer jobs than expected, and unemployment reached its highest level since 2021. Market conditions stabilized in mid-September.

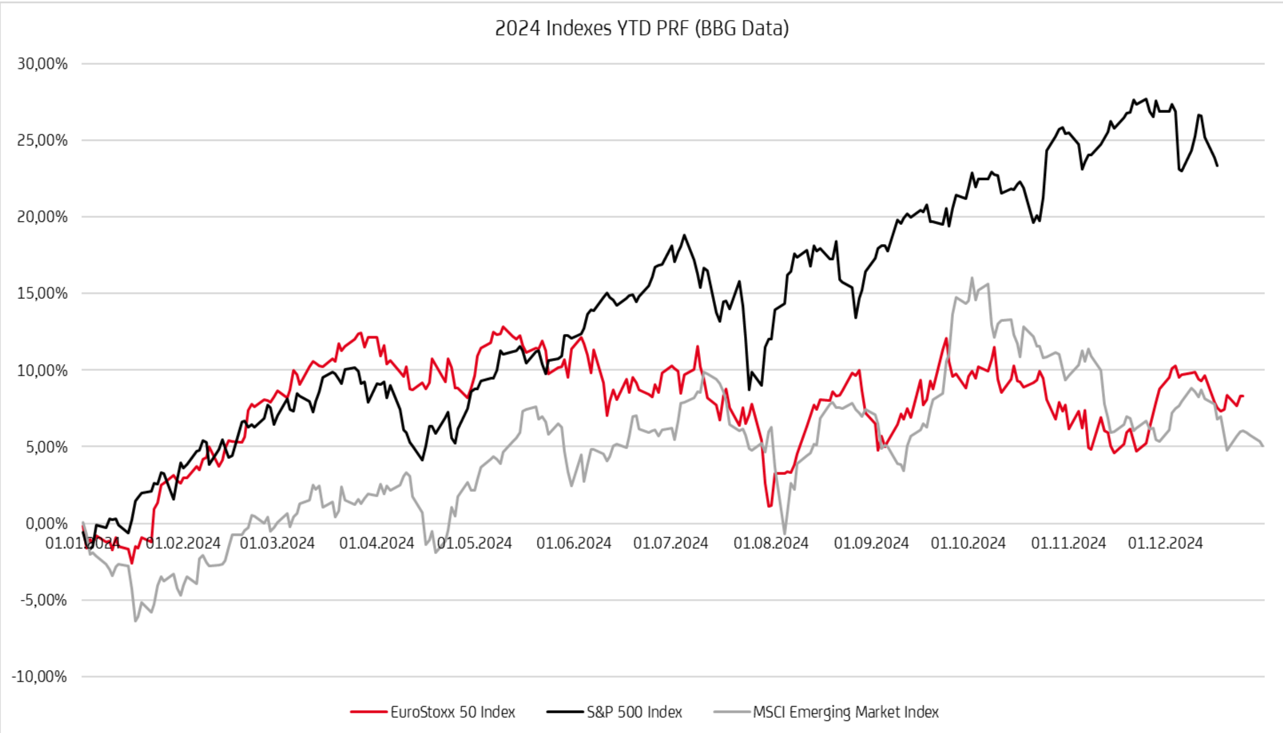
The ECB implemented two 25-basis-point rate cuts in September and December, while the Fed commenced its rate-cutting cycle with a larger-than-expected 50-basis-point reduction in September, followed by two additional 25-basis-point cuts in November and December. However, Fed Chair Jerome Powell's announcement of a slower pace of rate cuts for 2025, revising projections from four to just two reductions, negatively impacted markets.

Another key driver toward year-end was the U.S. presidential election, where markets increasingly anticipated a victory by former President Donald Trump. This raised inflation expectations, prompting an initial rise in U.S. bond yields, which also affected European markets, albeit to a lesser extent. Following the election results, U.S. Treasury yields continued to climb, while European bond markets decoupled from this trend. Stock markets reacted positively to the election, with sectors likely to benefit from promised deregulation and tax cuts driving gains.

Europe experienced significant political turbulence at year-end. In Germany, Chancellor Olaf Scholz called for a vote of confidence, paving the way for new elections scheduled for February 2025. In France, Prime Minister Michel Barnier's government was toppled by a no-confidence vote backed by both the far-right and far-left opposition. On the geopolitical front, the rapid advance of rebel forces in Syria and the removal of dictator Bashar al-Assad surprised observers but had limited market impact.

Equity markets

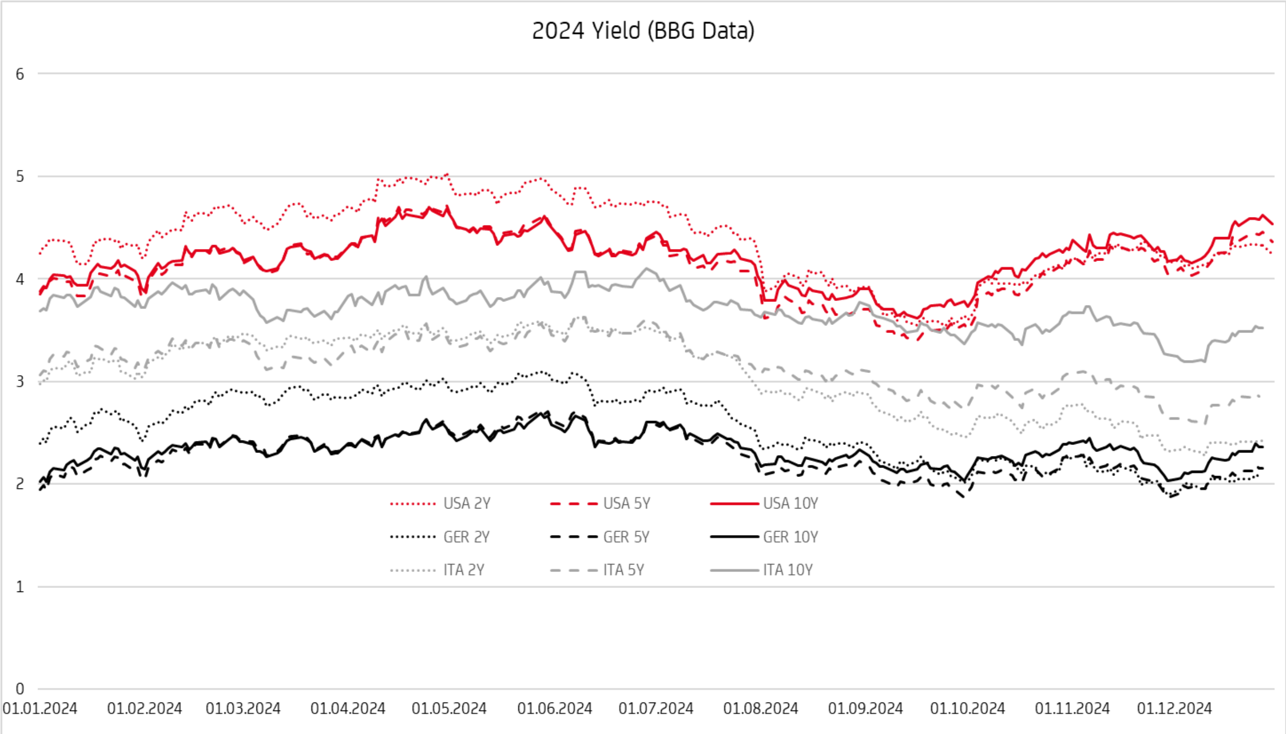
Equity markets exhibited robust performance, supported by resilient U.S. economic growth. The S&P 500 delivered a 23.31% gain, outperforming the Euro Stoxx 50, which rose by 8.28%. Emerging markets lagged, with the MSCI Emerging Markets Index achieving a modest 5.05%.



Fixed income and interest rates

After the strong fall in yields during the last quarter of 2023, fixed income markets consolidated at the beginning of 2024. Among market participants the expectation prevailed, that the pricing out of inflation risks during the previous months might have been too optimistic. Persistent inflation rates and the unexpected robust shape of labor markets caused doubts, if the previously expected extent of rate cuts materializes. Starting summer, when disinflationary tendencies finally accelerated and first-rate cuts have taken place, a new optimism spread among investors.

Fixed income markets faced significant fluctuations, with the yields of German 10-year government bonds rising 35 basis points to 2.37% by year-end, reflecting ongoing uncertainties. The risk premium of European corporate bonds in the rating segment “investment grade” fluctuated significantly last year, but within a limited range. As of end of 2024, the credit spreads, measured with the Market iTraxx Europe Index, closed at a level of 0.58% and thus at the same level as at the end of the previous year, having reached a peak of 0,65% in August due to the high-risk aversion in the context of the upcoming recession concern at the markets.



Outlook 2025

Looking ahead, global economic growth is expected to diverge regionally in 2025, with moderate growth anticipated in the U.S., constrained expansion in Europe, and a slowdown in China. Geopolitical and trade-related risks, alongside monetary policy adjustments, will remain key factors influencing financial markets.

The wars in Ukraine as well as in the Middle East bear further risks of escalation. In addition to that, uncertainties may arise from the regime change in Syria, since the direction of the new rulers is still unclear.

Furthermore, political imponderables arise from Donald Trump taking office as new president of the United States. As several of his election promises (tax cuts, deregulation) may have positive effects on the economy, primarily in the U.S., the inflation might be triggered by a higher amount of government debt. The imposition of higher tariffs on goods from abroad, especially from China but also from Europe, might bring further pressure on inflation and bears additional challenges for global trade activities in times of deglobalization and reshoring trends. Nonetheless, a political deal between Trump and trade partners with the aim to mitigate the tariffs cannot be ruled out.

The European Central Bank is expected to continue its rate-cutting path in 2025, while the Federal Reserve Bank is likely to slow down and cut rates to a lesser extent than previously forecasted. Stock markets should have further potential to grow during the next year, with a clear advantage for American compared to European stocks. At the fixed income markets, a further normalization of the yield curves should continue in the forthcoming year.

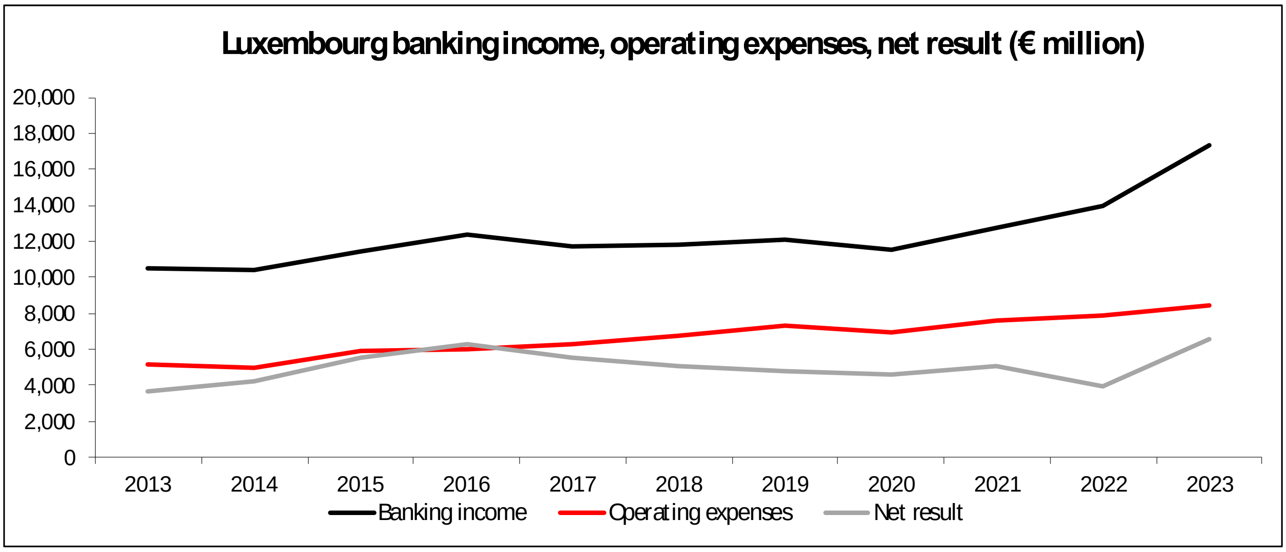
II. Luxembourg’s financial center

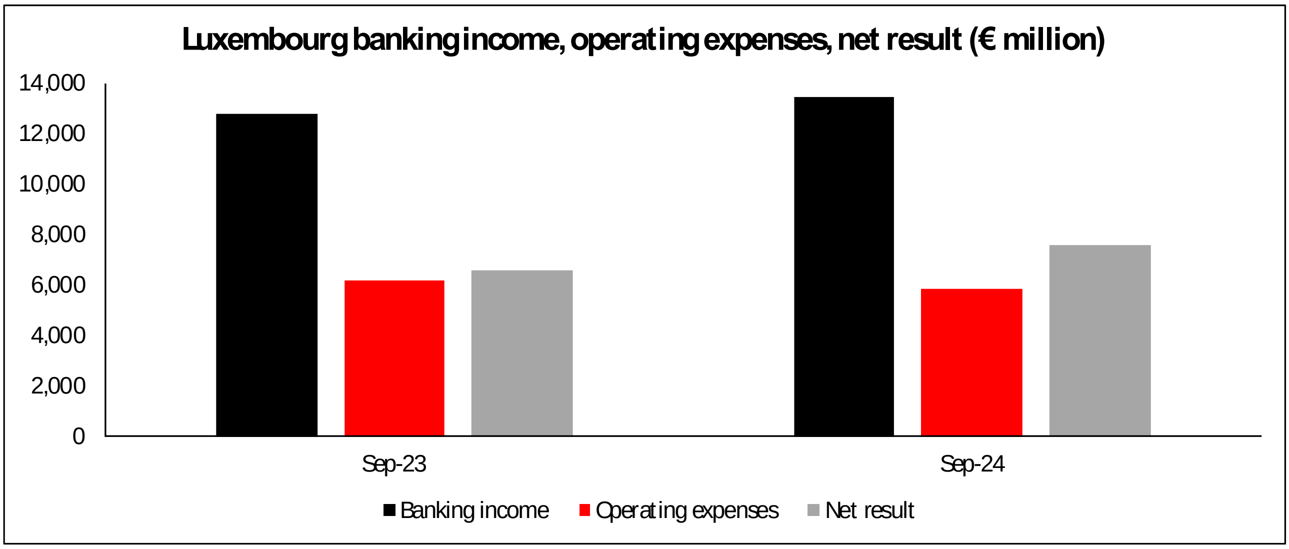
Luxembourg’s financial center demonstrated resilience and growth amidst global uncertainties in 2024, with GDP expanding by 1.2%, driven by strong domestic demand and positive net exports. The government introduced a tax reform package to enhance competitiveness, set to take effect in January 2025.

The financial sector, particularly banking, maintained solid profitability, with net profits bolstered by higher interest rates and increased lending activity. Despite rising operational costs from inflation and regulatory pressures, banks achieved efficiency gains through effective cost management. Consolidation within the banking sector continued, reflecting mergers and closures.

As a key hub for alternative investment funds, Luxembourg maintained its leadership, managing approximately 60% of Europe’s alternative investment funds. Digital transformation advanced, with banks adopting innovative technologies, including generative AI, while addressing regulatory scrutiny and cyber risks.

The sector remains cautiously optimistic for 2025, supported by strong profitability expectations and opportunities linked to digital innovation. Income in the banking sector increased to €13.5 billion as of September 2024, compared to €12.8 billion in the prior year. Despite ongoing challenges, Luxembourg’s financial and banking sectors remain well-positioned to sustain growth and adaptability in an evolving global landscape.





Source: CSSF

In the latest figures published by the Commission de Surveillance du Secteur Financier (CSSF) in December 2024, the balance sheet total of the Banking system in Luxembourg amounted around € 944 billion (September 2024), revealing an increase of € 12 billion compared to the previous year (September 2023). The number of Banks decreased by 4 entities compared to the previous year. In the Banking labor market, the number of employees decreased from 26,290 in September 2023 to 26,246 in September 2024.

In summary, Luxembourg's financial and banking sectors demonstrated strong performance and adaptability amidst global challenges, with ongoing efforts to enhance competitiveness and transform challenges into sustainable opportunities.

III. Report on operations

Key performance indicators

Statement of comprehensive income			in k EUR
	31/12/2024	31/12/2023	Δ 2024 vs 2023%
Operating income	**23,578**	26,826	-12%
Operating costs	**22,871**	24,598	-7%
Operating profit *	**734**	3,677	-80%
Profit before tax	**637**	2,253	-72%
Cost/income	**97.0%**	91.7%	6%

Statement of financial position			
	31/12/2024	31/12/2023	Δ 2024 vs 2023%
Total assets	**1,590,815**	1,644,607	-3%
Loans and receivables with customers	**332,187**	203,421	63%
Deposits from customers	**653,860**	757,574	-14%
Shareholders´equity	**307,031**	306,995	0%

Ratios			
	31/12/2024	31/12/2023	Δ 2024 vs 2023%
Core Tier 1/total risk-weighted assets	**120.5%**	90.3%	33.4%
Total capital ratio	**120.5%**	90.3%	33.4%
LCR ratio	**304.2%**	175.8%	73.0%
Leverage ratio	**19.8%**	18.3%	8.4%
ROA	**0.0%**	0.1%	-81.8%

* Operating profit = Profit before tax - Net (losses)/recoveries on credit impairment - Net provisions for risks and charges

2024 Report of the Management Board

The Bank's operations

In 2024, the Bank ("UCInt") continued to focus on the Wealth Management ("WM") and the Fund Management ("FM") businesses, enlarging its customer base:

- to corporate and Institutional clients;
- and accessing new markets.

In particular, following the signing of a cooperation agreement in the WM business with UniCredit S.p.A. on its Italian network in 2019, the Bank developed a cooperation framework also with UniCredit's subsidiaries in CEE, starting from Romania as pilot country. In addition, the Bank started new business with Luxembourgish HNWI, Corporate and institutional clients, exploiting synergies and areas of possible collaboration with the Group and optimizing local funding needs.

In 2024, the Bank continued to reinforce the cooperation with the Group Product Factories and to ensure strong support for the implementation of key initiatives such as the launch of OneMarket Funds. In September 2022, UniCredit Group set up a UCITS umbrella fund as an investment company with variable capital (Onemarkets Fund SICAV S.A.), managed by its Luxembourg Management Company, Structured Invest S.A. (S.I.). The umbrella fund has launched a few sub-funds that will be distributed to all UCG client segments across Europe starting with Austria, Germany and Italy and then expanding over time to the Central and Eastern European Markets.

They include mutual funds (UCITS) and Alternative Investment Funds (AIF) under Luxembourg and German law, in particular in the legal form of "Fonds Commun de Placement" (FCP) and the "Société d'Investissement à Capital Variable" (SICAV).

In April 2024, pursuant to a share purchase agreement signed in December 2023 and following the obtaining of the necessary regulatory approvals, the Bank finally acquired 100% of the shares in S.I. from UniCredit Bank GmbH. The transaction aimed at exploiting synergies:

- between the two Luxembourg-based entities (corporate/control/legal/IT functions) by extending UCInt's Luxembourg compliance framework to S.I.;
- with UCInt's customers by facilitating access to S.I.'s new product range;
- aligning the holding structure with the new global strategy regarding the asset management business and, in particular, the OneMarket funds;
- bringing S.I. within the perimeter of the Italy division (including Luxembourg) within the UniCredit Group, ensuring better alignment between ownership and distribution.

The Bank holds a 100% ownership interest in UC Group Wealth Management Investments S.à.r.l., ("GP S.à.r.l.") which acts as General Partner of GWM Opportunities SCS-SICAV-SIF ("GWM Opportunities") with its principal place of business in Luxembourg.

2024 Report of the Management Board

In 2024, the Bank continued to focus on ESG (Environmental, Social and Governance) topics, following the ESG initiatives of the Parent Company with the main goals of complying with SFDR (Sustainable Finance Disclosure Regulation) and assessing how the clients' portfolios embedded ESG criteria, as well as assessing availability of pertinent ESG information for consolidation purposes (i.e. CSRD - Corporate Sustainability Reporting Directive - reporting). In the first half of 2024, the Bank approved an updated overall strategy document on ESG aspects and maintained adherence to principles of ESG strategy of its Group.

The Bank Governance Model foresees a clear segregation between the day-to-day management and the control/supervision of the Bank. The Bank is managed by a Management Board, which exercises its functions under the control of a Supervisory Board. The Management Board is in charge of taking all actions necessary or useful to fulfil the Company's corporate objectives, except for the actions reserved by Luxembourg law or by the Articles of Association to the General Meeting or the Supervisory Board. The Supervisory Board is in charge of the supervision and control of UCInt's administration by the Management Board.

From an organizational point of view, the Bank continued the efforts to formalize processes by implementing and keeping up to date dedicated internal regulations. A permanent monitoring of the internal regulations (policies and processes/ procedures) in force is in place and monitored both by each respective department and by CAO structure - as the regulations framework owner - to ensure the compliance with the applicable external regulations as well as with the Group Global Rules issued by the Group and adopted by the Bank.

From an Information Technology prospective, in 2024 the Bank continued to focus on “RELUX” project, which as finally implemented with the relocation of all the digital infrastructure to the UniCredit Group Digital environment hosted in the Group Data Centers.
The migration of all the 25 applications in scope including the “Core System” to the new environment enhanced the reliability and sustainability of the entire Application/ Infrastructural landscape, as well as reinforced the Security posture and compliance of the overall Digital environment.
The Bank will be able to leverage on two approaches, leveraging on existing Group applications or re-hosting the existing applications within the target infrastructure, avoiding maintaining dedicated local Data Centers.
The full onboarding within UniCredit digital processes will improve the scalability of the solutions as well as will generate more opportunities to comply with Group standards and regulations, including the expected application of DORA (Digital Operational Resilience Act), supporting the development of the future business strategy of the Bank.

As part of the UniCredit Group's DORA project, the Bank has ensured full compliance with the requirements of the Digital Operational Resilience Act (DORA), effective from January 17, 2025. A local project was established to align with the Group's overall approach, with the involvement of key functions (ICT, Security, Third-Party Management, and Risk Management).

A comprehensive gap analysis identified key remediation actions, primarily in the areas of ICT Risk Management and Policies on ICT Services, all of which were completed on time. The successful completion of the RELUX project, which transferred the Bank's business applications to the Group's Data Centers in Italy in adherence to Group standards, further minimized local ICT technical impacts.

Following the issuance of updated Group policies in line with DORA, the Bank implemented all required measures, ensuring compliance in ICT Risk Management, Incident Management, Threat-Led Penetration Testing, ICT Services and Subcontracting Policies, and the establishment of a contract Register of information.

The Bank's DORA strategy was approved by the Management Board and Supervisory Board in January 2025, consistent with the Group's framework. In 2025, efforts will focus on submitting the Information Register to the local regulator by April and finalizing contractual amendments to include DORA-compliant clauses by year-end.

The Instant Payments Regulation (IPR) is a new European Union legislation that requires all payment service providers (PSPs) to offer the possibility to send and receive euro payments within 10 seconds and available 24/7, across the EU. The IPR will bring several benefits, such as increased convenience and speed for users, reduced fees for sending instant payments, enhanced competition and innovation in the payments market.
The regulation entered into force on 9 April 2024 and applies in two phases: PSPs had nine months to comply to receive instant payments, by 9 January 2025, and 18 months to send them, by 9 October 2025.
The Bank achieved the first phase by implementing a solution consisting in becoming indirect participant through UniCredit SpA, combined with NEXI infrastructure solution. The Bank activated incoming instant payment on 9 January 2025 as per regulatory deadline and works on the second phase related to outgoing instant payment.

Significant investments in the past years were dedicated to the implementation of the Compliance Programme with focus on anti-financial crime topics, i.e. anti-money laundering and counter terrorism financing as well as compliance to financial sanctions and embargoes. In particular, the Bank reviewed and enhanced its KYC (Know Your Customer) process (e.g. enhanced Customer Risk Rating methodology), Transaction monitoring, Financial Sanction Screening processes and procedures (sanity check on data quality was completed) and further strengthened Second Level of

Controls and Risk Assessment execution. Furthermore, following the reinforcement of the Compliance team, the key regulatory frameworks (e.g. MIFID II, MAR (Market Abuse), CoI (Conflict of Interest), GDPR, Anti-Corruption, etc.) were reviewed and further enhanced.

In 2024, the Bank continued to deliver its loan portfolio data to the Group, in compliance with applicable law. This information is used by the Group for managerial, Regulatory and prudential purposes. In 2025, Capital Requirement Regulation 3 (Basel IV) will become effective. To meet the requirements, the Group enhanced the data model. In Q4 2024, the bank started to successfully feed the Group system according to the new data model.
In 2024, Risk Management started to support its subsidiary Structured Invest S.A. with its Non-Financial Risk Management processes. In 2025, this support will be covered by a Service Level Agreement.

Since the end of 2018, the Bank is connected with the Group Management Information System ("GMIS") used to centrally monitor the commercial performance of selected Group customers assisted by several legal entities.
The FATCA is a US law applicable to foreign financial institutions (FFIs) and other financial intermediaries to prevent and avoid tax evasion by US citizens and residents with offshore accounts and/or other structures. The Bank is FATCA-compliant and implemented the necessary new IT tools and processes to file FATCA reporting.

On 14 October 2014, the European Council established a draft directive extending the scope of the Automatic Exchange of Information (AEoI) for tax purposes among EU member states. This Directive includes Automatic Exchange of Information obligations based on the OECD CRS, which represents another important step for tax transparency and a global agreement to disclose certain incomes earned by individuals and enterprises. The Bank performs the necessary activities related to CRS (Common Reporting Standard) and QI (Qualified Intermediary) reporting.

Furthermore, on 25 May 2018, the Economic and Financial Affairs Council formally adopted the Council Directive amending the existing Directive 2011/16/EU on administrative cooperation in the field of taxation, as regards mandatory automatic exchange of information in relation to reportable cross-border arrangements to disclose potential aggressive tax planning. The obligation to disclose is on all EU-based intermediaries involved in the arrangement. Under certain conditions, the taxpayer may be obliged to compulsory disclosure as well.
The Bank has implemented the new regulatory requirements for DAC6 in 2021. The local Transfer Pricing File related to the year 2020 has been updated in 2022.

During 2024, no major incident on availability of the business has been recorded.

Risk management and internal control systems in relation to the financial reporting process

Risk Management process refers to the strategic management, identification and assessment of risks as well as the assumption or avoidance of risk. In 2024, the Bank was fully operational and had no operational disruptions and no losses due to collateral deterioration, counterparty defaults or credit losses.

Regarding liquidity risk management, Liquidity Coverage Ratio (LCR) was always far above the regulatory limit. The Bank performed a stress test and examined the robustness of its liability structure in case of crisis. The results of the stress test showed that the Bank must rely on continuous availability of Group funding.

The Bank also performed a wider risk assessment and implemented mitigation actions.
In 2024, the Bank continued to focus on operational risk management and processes enhancements. In case of need, additional controls have been implemented to mitigate operational risks.

The Bank has defined an Internal Capital Adequacy Assessment Process (ICAAP) as the central cornerstone of the Risk Management process. The risk types are described in detail in the ICAAP Report for 2024. The risk is monitored using various risk management methods and risk systems that are appropriate for the risk type and its exposure level.

The central risk measure is the internally determined risk capital (Economic Capital) which is equal to the Economic Capital plus a cushion of € 25 million. Risk capital is compared to the Available Financial Resources (AFR). The risk-taking capacity is the ratio of AFR over Economic Capital. It expresses the coverage of the actual economic capital used. As at the end of 2024, the AFR was € 302.5 million. Risk-bearing capacity (coverage of calculated economic capital by the AFR) was always well above the limit of 100% in the course of 2024.

The control of the identified risks is centralised in Risk Management. By monitoring the Bank's activities, Risk Management is responsible to control the compliance of the Bank with its risk appetite and to look forward on the impact of the business strategies as defined at Group level and approved by the Bank, so that the Bank remains compliant within the risk framework and proactively propose risk mitigating solutions when required. In the European Union the Single Supervisory Mechanism (SSM) is applied to Banks with assets in excess of € 30 billion or 20% of domestic GDP. The ECB is the competent authority commissioned for this supervision. The SSM is applicable to UniCredit Group, thus UniCredit SpA and the relevant subsidiaries in the Eurozone are supervised by the ECB. In 2024, the ECB carried out an assessment of the Bank, which fall under its direct supervision.

The Bank received the results of this supervisory review and Evaluation Process (SREP), in December 2024 and no additional supervisory requirements have been applied to the Bank's Prudential Capital and Liquidity ratios.

As part of the Bank's risk appetite, in addition to the regulatory minimum requirement of 100%, the Bank set two additional managerial restrictions on LCR: an internal limit of 115% and an internal trigger level at 125% aligned with the Group's Risk appetite. The Bank has escalation procedures in place in case of activation of the trigger or overdraft of the internal limit.

To manage the assets and liabilities stemming from its business model in a proactive manner, the Bank established an Asset & Liability Committee (ALCO). The adherence to the earlier mentioned liquidity metrics put constrains on the balance sheet. Therefore, the focus of the ALCO in 2024 was on strategies to adhere to the liquidity targets and the Funding Plan.
The liquidity management is the responsibility of the department Strategic Funding and Treasury. It operates within the approved limits, fully aligned with the Group's Liquidity Risk appetite. Risk Management is responsible for the second level control of the Bank's adherence to these limits and for escalating limit breaches to the Management Board and the relevant Group functions.

To manage unforeseen liquidity demands, the Bank has an unencumbered Government bond portfolio that can be liquidated in case of necessity. The Bank implemented a free capital investment model in line with the methodology defined by UniCredit Group.
It should be noted that the Bank has not independent access to the Money Market. The Bank executes its Money Market Transactions with its parent company.
The main methodologies to manage the liquidity risk are Short Term Gap analysis, Stress test and Structural liquidity analysis.

On 31 December 2024 the Bank's LCR was:

Liquidity buffer	€ 733 mn
Net liquidity outflow	€ 241 mn
Liquidity coverage ratio (%)	304 %

The Internal Regulations, approved by the Management Board, define one decision making body to grant credits: Credit Committee. The committee can authorize, suspend or revoke loans or investments, within the scope of the powers assigned to it. Depending on the characteristics of the transaction, a non-binding credit opinion of UC SpA may be necessary.

The Risk Management Department monitors the credit portfolio daily, controlling the adherence to credit limits including assessment of the value of the collateral pledged. It gives its independent advice to the Credit Committee on credit proposals. The renewal requests and the annual reviews are submitted, according to the nature and duration of the transaction, to the Credit Committee. In 2024, the Bank continued to use the Standard Approach to measure the regulatory Capital Adequacy of its credit portfolio. The Bank is awaiting the approval to use the Group's Foundation IRB model for the multi-national corporate client segment, whilst for the other exposure classes the Bank will continue to use the Standard approach.

Regarding its credit exposure, the Bank must adhere to two regulatory limits. The credit exposures to each single group are required to fall within the large exposure limit, which is set at 25% of the Bank's own funds, in order to mitigate the concentration risk. In order to meet its large exposure limits the Bank obtained a credit guarantee from its parent company for two customers. The second constraint is the Total Capital Ratio (TCR). The Bank's TCR was 121% as at 31 December 2024 which compares to 90% as at 31 December 2023, much higher than the minimum requirement and leaving room for growth in full compliance with regulatory requirements. The improvement of the TCR in 2024 was mainly due to the enlarged collateral assisting clients' credit facilities.

The Bank is exposed to market risks through Credit Risk Spread (CRS) in its Investment portfolio, interest rate and foreign exchange risks. Risk Management daily monitors the limits defined and approved. In case of a breach, the Risk management is responsible for the defined escalation process. The Bank manages interest rate risk by setting limits, amongst other, on the value sensitivity per bucket and the one-year Net Interest Income sensitivity under a parallel shift scenario. Investments in securities are controlled by securities portfolio global limits.

FX limits are set on the basis of the Banks accounting positions in foreign currencies.
The Bank adopts the Basic Indicator method to measure its operational risk. As at 31 December 2024, the amount of capital absorbed by operational risk calculated according to the Capital Requirements Regulation ("CRR") was € 3.7 million.

The Non-Financial Risk & Controls committee (NFRC) with the target to further enhance operational excellence met regularly. The frequency of the Reputational Risk Committee was adapted in consideration of the increased sanctions on Russia.

As part of its BCM (Business Continuity Management), the Bank implemented BIA (Business Impact Analysis) and risk analysis procedures aimed at identifying and breaking down the critical processes to (i) identify elements of vulnerability in the processes of the Banking activity in the various business segments, potentially resulting in operational loss events, or (ii) ensure the continuity of the critical processes in case of disaster or other events that could put at risk the Bank functioning.
The Internal Control System (ICS) relates to the operational monitoring and management of risk.

2024 Report of the Management Board

In conformity with the regulations in force, and in particular with the CSSF Circular 12/552 as amended by Circulars CSSF 13/563, 14/597, 16/642, 16/647, 17/655, 20/750, 20/759, 21/785, 22/807, the internal control system of the Bank comprises regulations on the management of corporate activities (internal management system) and regulations on the monitoring of adherence to these regulations (internal monitoring system). The internal control system is organised in a three-lines-of-defence model and allows for process integrated and process independent controls that, in general, take place on the following levels:

- First Line of Defence

    - Line controls by the responsible personnel (e.g., 4-eyes principle);
    - Hierarchical controls as integral part of a leadership function;
    - Controls by members of the Management Board with regard to the activities that fall in their area of responsibility.

- Second Line of Defence

In addition to the first level controls being integrated in the business processes, there are controls by support functions in place which are independent from the actual processes, in particular Risk Management and Compliance.

Risk Management is responsible for the activities related to the anticipation, identification, measurement, monitoring, controlling and reporting of all risks, to which the Bank is or may be exposed, in compliance with the responsibilities assigned by the CSSF Circular 12/552.

- Applies, in alignment with local finance function, the risk metrics and methodologies outlined by the Bank and the Group and verifies their adoption;
- Supervises the local compliance with the risk related policies and procedures;
- Performs second level analysis and evaluation on the credit proposals submitted by the business (FIBS (Financial Institutions, Banks and Sovereign), corporate and private customers) assessing the haircuts applicable to the collateral, monitoring the credit exposures (reviews, WL reports, workout), calculating the expected losses for IFRS 9 purposes;
- Controls reports on overdrafts/collateral values /ratios fixed in the loans agreements ;
- Controls the respect of Credit, Liquidity, Market and Operational and Reputational risk limits.

It performs an independent assessment of the funding plan as well as it monitors their execution.

Compliance monitors the following Compliance Perimeter:

- Anti-Money Laundering (AML) and Counter Terrorist Financing (CTF);
- Compliance with national, international Financial Sanctions and Embargos;
- Prevention of Market Abuse and Insider Trading;
- Appropriate implementation of compliance related CSSF-Circulars;
- Compliance with MIFID policies and procedures;
- Conflicts of Interest;
- Anti-bribery & Corruption;
- Whistleblowing;
- Antitrust and Unfair Commercial Practices;
- Privacy/Data Protection and Observance of Professional Banking Secrecy.

The second level control functions provide for an additional surveillance of the first level controls and at the same time support third level controls.

- Third Line of Defence

The third level controls are covered by Internal Audit with objectives as follows:
- Risk assessment of the Audit Universe;
- Assess whether necessary internal controls have been implemented within business processes;
- Assess whether controls in place are effective and adequately support the achievement of control objectives.

In 2024, the Bank continued in implementing actions to further strengthen the ICS.

For support in the performance of its duties, including those relating to the financial reporting process, the Supervisory Board has set up an Audit Committee made up of three members of the Supervisory Board. The Audit Committee, effective as from 1st January 2018, aids in fulfilling the oversight responsibilities to shareholders relating to the reliability and integrity of corporate accounting and financial reporting practices, compliance with laws, regulations and company policies and maintenance of a sound system of internal controls. Four meetings of the Audit Committee were held in 2024.
The Bank has policies with respect to Risk Control, Compliance and Internal Audit. These policies describe the fields of intervention directly related to each internal control function and clearly define the responsibilities for the common fields of intervention and objectives as well as the independence, objectivity and performance of the internal control functions. The policies are regularly reviewed, either in case of major changes or annually. Furthermore, value systems such as the Code of Conduct and compliance rules have been applied by the Group in all countries for many years and all employees must adhere to them while performing their activities. These value systems

are key elements for an effective risk management process and are the basis for responsible action by all staff members including those directly involved in the financial reporting process.

The purpose of the RMS (Risk Management System) and the ICS (Internal Control System) in the financial reporting process is to implement controls that ensure, with an adequate degree of certainty, that annual financial statements together with the management report and management's discussion and analysis are prepared in compliance with regulations despite the identified risks. They ensure that the internal and external financial reporting is correct and reliable, and that assets, liabilities and equity are classified, recognised and measured.

The Management Board determines the scope and orientation of the RMS and the ICS specifically in line with the Bank's requirements and subject to the approval of the Supervisory Board, taking measures for the ongoing development of the systems and their adaptation to changing conditions. With regard in particular to the financial reporting process, the internal control system encompasses the policies, processes and measures needed to ensure the effectiveness of financial reporting and the compliance with applicable regulations.
The responsibility for the financial reporting process and, in particular, for the annual financial statements and consolidated financial statements remains with the Management Board who is also responsible for adopting the financial statements and proposing the financial statements and consolidated financial statement for the Shareholders approval.

According to the Policy on 262 Law certification process, the Management Board is requested to approve the adequacy of the administrative and accounting procedures and actually applied in relation to the Legal Entity features and the actual application of the procedures employed to draw up the economic and financial situation, the assets and liabilities and reporting packages towards UniCredit Holding. Moreover, the Management Board is requested to attest that the economic and financial situation, the assets and liabilities and reporting packages towards UniCredit SpA correspond to the results of the accounting books and records are suitable to provide a true and correct representation of the assets and liabilities, and the economic and financial situation of the Legal Entity.
The Bank uses Olympic software as a general ledger. The Bank integrated the accounting and reporting tools with a middleware based on an Oracle technology: Advance Management Information System (AMIS). AMIS is based on the mainly automated uploading of individual transaction data from the upstream systems relevant to financial reporting (sub-ledger). SAP Business Warehouse is automatically supplied with data by the AMIS. This solution allows to fulfil the new internal analytical reporting needs related to the business by enriching accounting data with information for analytical controlling purposes and to ensure the consistency of accounting and controlling data.

AMIS DB allows the collection, integration and harmonisation of data coming from several sources. With the SAP BW (Business Warehouse) reporting layer an ad-hoc multidimensional analysis is available to easily extract data and to provide flexible managerial reporting. Explore and SAP Business Warehouse are used for reporting and data retrieval. Explore is the data source used for FINREP reporting to the local regulator.

The Head of IT is responsible for the maintenance of the IT systems required for the financial reporting process. The figures for the UC Group consolidated financial statements and the subsequent consolidated bookings are collected and reported using the TAGETIK CPM consolidation system used in the entire UC Group and network across all UC Group companies. TAGETIK is automatically supplied with data by AMIS.

The law dated 18 December 2015 transposed into Luxembourg law EU Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms ("BRRD") and EU Directive 2014/49/EU on deposit guarantee schemes ("DGSD"). The Bank was not requested to contribute to the national resolution fund in 2024.

Employees

Below are the staff figures as at 31 December 2024:

Bank's staff	2024	2023
Top management	2	2
Employees	73	69
Total	**75**	**71**

As of 31 December 2024, the Bank employed 29 female and 47 male staff members.

In the current challenging environment, well-trained employees with the highest professional qualities are the prerequisites for meeting the high expectations of our clients. In this respect, a permanent commitment to outstanding performance in connection with the five fundamentals of the Group is reflected in the day-to-day work of our staff.

Inclusion and diversity were driving criteria considered for newly hired staff in 2024 as shown by the broad geographical origin (15 nationalities including Portuguese, Polish, Romanian, Croatian, Belgian, etc.). In particular, balanced gender distribution was increased in 2024. A balanced gender distribution was ensured also in talent pools. Diverse and sustainable Succession Pipeline are regularly reviewed.

To allow young students gaining experience in the Bank, the Bank has developed cooperative arrangements with universities and is offering several traineeships.

IV. Report on Internal Profit Centers

Wealth Management & Investment Management

The Bank ensures proximity to international- UHNWIs, financial holdings and family offices domiciled in Luxembourg and with a specific need of working with a local Bank in Luxembourg. With a wide range of products oriented both to Wealth Management and Corporate customers the Bank can satisfy specific and sophisticated needs of customers.

The Wealth Management mission is to provide international wealth management services, focusing exclusively on fully transparent international activities, aiming at providing local customers or Group customer with Luxembourg portfolios in UCInt, with a high quality of service, including asset management services. Accounts can be opened for private individuals, holdings, corporate and with fiduciary mandates.

All activities are meant to be closely linked to client generation from Italian Group entities (Cordusio and UniCredit S.p.A. Private Banking) or Luxembourg Group entities, as S.I.. The activities of UCInt do not overlap with the ones of the onshore networks but complement their offering through products and services designed to meet the needs of selected customers. The focus of the Bank in 2024, was on extending the cooperation already activated with Wealth management Italy also to Private Banking and Corporate Banking by fostering synergies with the entire Italian Commercial Networks.

Leveraging on Luxembourg financial center characteristics, the Bank Wealth Management benefits from:

- a flexible legislation aimed at continuously promoting cross-border businesses, with a track record of efficient and reliable solutions in a most stable financial center (AAA rating);
- a proactive, business-friendly government as well as accessible regulators who are implementing the appropriate legal framework to offer an attractive environment for innovative products and to promote Luxembourg as a world-class financial center;
- fully compliant solutions, offered within the European Union.

In line with Group guidelines, financial assets are managed accordingly to the independent Global Investment Strategy (GIS) view. To further strengthen this link with the Group, an advisory agreement is in place with UniCredit SpA for the provision of investment models.

In compliance with the ICMA Private Wealth Management Charter of Quality and Group Policies, the Bank provides its customers with a spectrum of exclusive, high-level products and services.

In cooperation with the relevant Group Client Solutions units, UCInt offers to its clients' investment banking products and services – financing capital markets, M&A and hedging solutions – to support them in corporate finance and capital markets transactions and fulfil their financial needs.

Luxembourg is the place where many families of entrepreneur have placed their holding company and, more generally, their own center of economic interest. To develop this business, the Corporate Banking, Wealth Management and Group Client Solutions will be involved.

Strategic Funding & Treasury (SF&T)

SF&T is predominantly a client driven business. Consistently with the mission decided by the Holding Company, the business of the Strategic Funding & Treasury is based on the following activities:

- The Bank performs selective investments for its own portfolio. The investments are usually carried out in fixed rate European Government Bonds. The instruments are purchased either for liquidity purpose or for capital Investment.
- The Bank manages the WM clients' orders (bonds, equities, funds) through an automated solution to route the orders to the standard UniCredit market platform.

V. Statement of financial position

in k EUR	AMOUNTS AS AT	
ASSETS	**31.12.2024**	**31.12.2023**
Cash and cash equivalents	**24,571**	**17,484**
Financial assets at fair value through profit or loss:	**2,267**	**1,281**
a) financial assets held for trading	-	1,281
b) other financial assets mandatorily at fair value	2,267	-
Financial assets at fair value through other comprehensive income	**421,556**	**458,779**
Financial assets at amortised cost:	**1,020,195**	**1,077,757**
a) loans and advances to banks	31,654	429,674
b) loans and advances to customers	332,187	203,421
c) debt securities	656,354	444,662
Hedging derivatives	**49,677**	**58,997**
Equity investments	**45,310**	**12**
Property and equipment	**238**	**353**
Intangible assets	**6,337**	**8,627**
Tax assets:	**15,857**	**17,780**
a) current	1,306	66
b) deferred	14,551	17,714
Other assets	**4,807**	**3,537**
Total assets	**1,590,815**	**1,644,607**

	AMOUNTS AS AT	
LIABILITIES & SHAREHOLDERS' EQUITY	**31.12.2024**	**31.12.2023**
Liabilities		
Financial liabilities at amortised cost:	**1,245,194**	**1,296,866**
a) deposits from banks	591,219	511,555
b) deposits from customers	653,860	757,574
c) debt securities in issue	-	27,618
d) other liabilities	117	119
Financial liabilities held for trading	**-**	**1,281**
Hedging derivatives	**10,522**	**7,364**
Tax liabilities:	**15,065**	**18,347**
a) deferred	15,065	18,347
Other liabilities	**7,086**	**7,678**
Provisions for risks and charges:	**5,917**	**6,077**
a) commitments and guarantees given	15	28
b) post-retirement benefit obligations	3,029	3,207
c) other provisions for risks and charges	2,873	2,842
Total liabilities	**1,283,784**	**1,337,611**
Equity		
Revaluation reserves	3,855	4,118
Retained earnings	82,486	80,815
Legal reserve	1,341	1,341
Share premium	205,644	205,644
Share capital	13,407	13,407
Profit for the year	298	1,669
Total equity	**307,031**	**306,995**
Total liabilities and shareholders' equity	**1,590,815**	**1,644,607**

The balance sheet total of 1.6 billion on 31 December 2024 showed a decrease of € 0.1 billion, or 3%, compared to the previous year-end. The decline of total assets can be mainly explained by the decrease of loans to banks.
The Bank's total committed volume for loans with customers was € 0.4 billion (of which € 0.1 billion consisted of unused off-balance-sheet credit lines).

Overall, in 2024, the very good quality of the Bank's assets portfolio was maintained. More than 52 % of the Bank's commitments were to borrowers with group internal ratings of A+ or better, whereas the securities portfolio was fully composed of European government bonds.

Client deposits at year-end 2024 amounted to € 0.7 billion mainly composed of deposits with WM and Corporate clients.

VI. Income Statement

ITEMS	YEAR 2024	2023
Interest income and similar revenues	77,792	86,122
Interest expense and similar charges	(61,052)	(69,271)
Net interest income	**16,740**	**16,851**
Fees and commission income	14,779	14,864
Fees and commission expense	(8,606)	(6,732)
Net fees and commission income	**6,173**	**8,132**
Net gains on trading	259	714
Net losses on non-trading financial assets mandatorily at fair value through profit and loss	(4)	-
Net gains / (losses) on hedge accounting	225	(337)
Gains on disposal of securities	185	1,466
Operating income	**23,578**	**26,826**
Net (losses) / recoveries on credit impairment	(70)	24
Net profit from financial activities	**23,508**	**26,850**
Administrative expenses:	(19,952)	(21,664)
a) staff costs	(11,109)	(11,460)
b) other administrative expenses	(8,843)	(10,204)
Net provisions for risks and charges	(27)	(1,448)
Net value adjustments/ write-backs on property and equipment	(195)	(424)
Net value adjustments/ write-backs on intangible assets	(2,897)	(2,009)
Other operating income	200	946
Operating costs	**(22,871)**	**(24,598)**
Profit before tax from continuing operations	**637**	**2,253**
Tax expenses of the year from continuing operations	(339)	(582)
Profit for the year	**298**	**1,669**

Revenues

Net interest income amounted to € 16.7 million at the end of 2024 with a decrease of € 0.1 million, compared to the previous year. The development is mainly triggered by the profit center "Family Office & Holdings", explained by the decrease of the loan with one major customer and is partially offset by positive commercial margin from deposits from clients.

Net commission income amounted to € 6.2 million in 2024 with a € 2.0 million or 24% decrease compared to 2023 figure mainly due to lower fees on credits.

At the end of 2024, net gains on disposal of securities amounted to € 0.2 million. This is mainly explained by the trading income from disposal of government securities.

Operating income amounted to € 23.6 million at the end of 2024. This represents a decrease of € 3.2 million or compared with the previous year's figure.

Operating costs

Operating costs summed up to € 22.9 million in 2024 compared to € 24.6 million in 2023.

Staff costs decreased by € 0.4 million. Other Administrative Expenses decreased by € 1.4 million mainly due to decreasing ICT costs following the re-insourcing of the IT infrastructure. Depreciation on tangible and intangible assets amounted to € 3.1 million as of 31 December 2024, compared with € 2.4 million in 2023.

In 2024, the profit from continuous operations was € 0.6 million. This represents a € 1.6 million decrease versus the 2023 result of € 2.3 million.

After accounting for provisions, depreciation, amortisation and taxes, the Bank's net profit of € 0.3 million was € 1.4 million lower compared to the € 1.7 million reported in 2023.

The Bank's net profit of € 0.3 million is to be allocated as follows, subject to the approval of the Extraordinary General Shareholders' Meeting:

Retained earnings: € 0.3 million

Furthermore, in the interest of continuing to be eligible for the benefits provided under the amended Law of 23 December 1997 concerning the exemption from the net wealth tax ("Impôt sur la Fortune"), it will be proposed to the General Meeting of Shareholders to cancel the reserve created for 2020 amounting to € 7,593,750 and to create a new net wealth tax reserve for 2025 amounting to € 2,400,000. The total amount of this non-distributable reserve will amount to €

23,509,000, which corresponds to five times the net wealth tax due for the financial years 2021 to 2025.

VII. Outlook for 2025

In the upcoming financial year, UniCredit International aims to further strengthen its position as a leading financial institution in Luxembourg by pursuing strategic initiatives across various domains.

In consideration of the political stability, financial solidity (AAA) and effective local normative framework, our international minded customers consider increasingly strategical to manage in Luxembourg part of their assets. Under its current and future strategy, the Bank will ensure proximity to UHNWIs, corporate, financial holdings and family offices domiciled in Luxembourg and with a specific need of working with a local Bank in Luxembourg. In particular, thanks to a wide range of products, the Bank is continuing to satisfy specific and sophisticated financial needs of financial holdings and to serve the UHNWIs who request a Luxembourgish Bank to achieve a geographical diversification of the risk.

In line with the new Business Plan, also in 2025 the Bank is going to implement business initiatives according to four pillars:

- centralization of asset management activities;
- coordination with the Italian network;
- horizon widening towards new geographies;
- local development.

After the acquisition of S.I. from UniCredit Bank GmbH, the focus of the Bank in 2025 will continue to be on the enhancement of the processes of S.I., also in consideration of the strong increase of business volume in asset management, product complexity and number of external partners,
The Bank sees a high potential from continuing to be a major actor in the Group value chain for Asset Management. A key priority is to consolidate the collaboration with the Management Company, Structured Invest, ensuring optimized operations and innovative product offerings. A further driver of growth will be the offer of tailor-made fund solutions in partnership with S.I.. The Bank acts as investment manager for funds managed by S.I. and as sub-investment manager for funds where S.I. acts as investment manager. For both S.I. and the Bank an even stricter cooperation will be a key success factor for future developments. A strong cross-selling effort is planned for the next years, aiming at enlarging the scope of the cooperation from Germany to Italy by:

- increasing mandated with corporate clients;
- greatly increasing business with external institutional clients (e.g. insurance companies) and Group counterparties.

In addition, after the launch of Onemarkets SICAV S.A. Umbrella Fund, UCG could leverage on a new platform to improve quality of Investment solutions delivered to clients, foster efficiency and sustainable profitability. With the new UCITS platform, UCG will increase financial assets invested into funds, achieve scale, enhance quality and expand internal capabilities.

The Bank's vision, principles and purpose are going to be fully aligned with ESG. For enabling the offer of ESG compliant services and products, the Bank is going to leverage on existing Group expertise on:

i. assessing sustainable and green investment offerings;
ii. sustainability standards;
iii. responsible governance;
iv. measures to fight "green washing".

The second major driver of commercial development in 2025, will consist in extending the cooperation with WM/ PB/ Large Corporate Italian Network to foster synergies with the entire Italian Commercial Networks. Building on the cooperation with the Italian network, we aim to expand synergies, leveraging shared expertise to foster business developments in the asset management area.

After starting cooperation with the networks of the first CEE countries, in the medium term, the Bank will leverage on the entire existing UniCredit group network. It is foreseen to enlarge the clients' bae with customers from other markets interested in the product and services offered in Luxembourg by enhancing connections with the Group network, international branches and representative offices and leveraging on the international mind-set of multi-lingual and multi-cultural staff in Luxembourg.

Additionally, after the encouraging results achieved in the previous years, the Bank will continue to establish and develop local relationships with new customers with the target to increase UniCredit share wallet for assets managed by Luxembourg Family Offices & Fin Holdings and business with Corporate.
The main goal of this client approach is to attract new clients and maximize the overall profitability of the relationship by means of collateralized transactions with reduced capital absorption and by optimising the management of customers' liabilities while creating cross-selling opportunities.

In parallel with the development of business with clients, the Bank will focus on consolidating its IT infrastructure and accelerating the digitalization of its services to ensure operational efficiency and improve client experiences. Alongside this, we are committed to continuously enhancing IT security, aligning with the highest industry standards to safeguard client data and maintain trust.

2024 Report of the Management Board

To address evolving market demands, the Bank will continue to enlarge its product catalogue and explore new channels to reach clients, thereby reinforcing its customer-centric approach. Concurrently, efforts will be directed towards further enhancing risk management systems, ensuring a robust framework that supports sustainable growth.

The Bank will also enhance its credit risk management systems and it is on the Group's IRB roll-out plan already shared with the Competent Authorities. Subject to the approval of the Competent Authorities, the Bank is expected to use the Foundation IRB approach for the Bank's Multi-National Clients segment in 2025, whereas for the other Credit exposures the Bank will continue to use the current Standard Approach. Application of the Foundation IRB for Capital Adequacy.

Additionally, as part of our commitment to providing a modern and efficient working environment, the Bank will intensify its research for new, modern office premises, ensuring alignment with the needs of employees and stakeholders alike.

Through these initiatives, UniCredit International reaffirms its dedication to innovation, growth, and operational excellence, ensuring value creation for clients and shareholders.

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To the Shareholders of
UniCredit International Bank (Luxembourg) S.A.
8-10, rue Jean Monnet
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Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the audit of the financial statements

Opinion

We have audited the financial statements of UniCredit International Bank (Luxembourg) S.A. (the "Bank"), which comprise the statement of financial position as at 31 December 2024, the income statement and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier (the "CSSF"). Our responsibilities under the EU Regulation N° 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the « Responsibilities of "réviseur d'entreprises agréé" for the audit of the financial statements » section of our report. We are also independent of the Bank in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report.

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Other information

The Management is responsible for the other information. The other information comprises the information stated in the annual report including the management report but does not include the financial statements and our report of the “réviseur d'entreprises agréé” thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Management for the financial statements

The Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as adopted by the European Union, and for such internal control as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing the Bank’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the “réviseur d’entreprises agréé” for the audit of the financial statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the “réviseur d’entreprises agréé” that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank’s internal control.
— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
— Conclude on the appropriateness of the Management’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the “réviseur d’entreprises agréé” to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the “réviseur d’entreprises agréé”. However, future events or conditions may cause the Bank to cease to continue as a going concern.
— Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as “réviseur d’entreprises agréé” by the Shareholders on 3 March 2021 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 3 years.

The management report is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the prohibited non-audit services referred to in the EU Regulation N° 537/2014 were not provided and that we remained independent of the Bank in conducting the audit.

Luxembourg, 24 February 2025

KPMG Audit S.à r.l
Cabinet de révision agréé

Marco Weber

UniCredit International Bank (Luxembourg) S.A.

Statement of financial position

For the financial year ended 31 December 2024 (EUR)

ASSETS	NOTES	AMOUNTS AS AT 31.12.2024	AMOUNTS AS AT 31.12.2023
Cash and cash equivalents	5	**24,571,324**	**17,484,124**
Financial assets at fair value through profit or loss:	6	**2,266,692**	**1,280,600**
a) financial assets held for trading	6	-	1,280,600
b) other financial assets mandatorily at fair value	6	2,266,692	-
Financial assets at fair value through other comprehensive income	7	**421,555,650**	**458,778,655**
Financial assets at amortised cost:	8, 9	**1,020,195,091**	**1,077,756,659**
a) loans and advances to banks	8	31,653,897	429,673,511
b) loans and advances to customers	9	332,186,907	203,421,473
c) debt securities	9	656,354,287	444,661,675
Hedging derivatives	3.2.2, 6	**49,677,444**	**58,996,827**
Equity investments	13.1	**45,310,103**	**12,000**
Property and equipment	11	**238,405**	**353,207**
Intangible assets	12	**6,336,922**	**8,627,139**
Tax assets:	10	**15,856,914**	**17,779,900**
a) current		1,305,546	65,908
b) deferred	10	14,551,368	17,713,992
Other assets	13.2	**4,807,350**	**3,537,604**
Total assets		**1,590,815,895**	**1,644,606,715**

LIABILITIES & SHAREHOLDERS' EQUITY	NOTES	AMOUNTS AS AT 31.12.2024	AMOUNTS AS AT 31.12.2023
Liabilities			
Financial liabilities at amortised cost:	14, 15, 16	**1,245,196,226**	**1,296,866,193**
a) deposits from banks	14	591,219,336	511,555,277
b) deposits from customers	15	653,859,814	757,573,695
c) debt securities in issue	16	-	27,618,324
d) other liabilities	3.3.2	117,076	118,897
Financial liabilities held for trading	3.4.2, 6	**-**	**1,280,600**
Hedging derivatives	3.2.2, 6	**10,522,040**	**7,364,355**
Tax liabilities:		**15,064,527**	**18,346,846**
a) deferred	18	15,064,527	18,346,846
Other liabilities	19	**7,085,714**	**7,676,086**
Provisions for risks and charges:	17	**5,917,003**	**6,077,210**
a) commitments and guarantees given	17	15,107	28,057
b) post-retirement benefit obligations	17.1	3,029,136	3,206,766
c) other provisions for risks and charges	17	2,872,760	2,842,387
Total liabilities		**1,283,785,510**	**1,337,611,290**
Equity			
Revaluation reserves	21.4	3,854,767	4,117,925
Retained earnings	21.5	82,485,778	80,815,063
Legal reserve	21.1	1,340,660	1,340,660
Share premium	21.3	205,644,462	205,644,462
Share capital	20	13,406,600	13,406,600
Profit for the year		298,118	1,670,715
Total equity		**307,030,385**	**306,995,425**
Total liabilities and shareholders' equity		**1,590,815,895**	**1,644,606,715**

The accompanying notes form an integral part of these financial statements.

UniCredit International Bank (Luxembourg) S.A.

Income Statement

For the year ended 31 December 2024 **(EUR)**

	NOTES	YEAR	
		2024	**2023**
Interest income and similar revenues	22.1	77,792,155	86,122,397
Interest expense and similar charges	22.2	(61,052,188)	(69,271,478)
Net interest income	**22**	**16,739,967**	**16,850,919**
Fees and commission income	23.1	14,779,390	14,864,176
Fees and commission expense	23.2	(8,606,097)	(6,732,083)
Net fees and commission income	**23**	**6,173,293**	**8,132,093**
Net gains on trading	24	259,172	713,804
Net losses on non-trading financial assets mandatorily at fair value through profit or loss	25.4	(3,528)	-
Net gains / (losses) on hedge accounting	25.2	225,121	(336,651)
Gains on disposal of securities	25.1	184,687	1,466,472
Operating income		**23,578,712**	**26,826,637**
Net (losses) / recoveries on credit impairment	30	(70,010)	23,740
Net profit from financial activities		**23,508,702**	**26,850,377**
Administrative expenses:		(19,952,220)	(21,663,148)
a) staff costs	26	(11,109,394)	(11,459,567)
b) other administrative expenses	27	(8,842,826)	(10,203,581)
Net provisions for risks and charges		(27,050)	(1,447,855)
Net value adjustments/ write-backs on property and equipment	11	(195,013)	(423,896)
Net value adjustments/ write-backs on intangible assets	12	(2,897,019)	(2,008,683)
Other operating income	25.3	199,655	946,144
Operating costs		**(22,871,647)**	**(24,597,438)**
Profit before tax from continuing operations		**637,055**	**2,252,939**
Tax expenses of the year from continuing operations	28	(338,937)	(582,224)
Profit for the year		**298,118**	**1,670,715**

The accompanying notes form an integral part of these financial statements.

UniCredit International Bank (Luxembourg) S.A.

Statement of comprehensive income

For the year ended 31 December 2024 **(EUR)**

	YEAR	
	2024	**2023**
Profit of the year	**298,118**	**1,670,715**
Movement in Defined benefit Plans	355,230	(198,244)
Fair value reserve- net change in fair value - Debt Securities	(472,993)	(174,167)
Other changes in FV reserve - Debt Securities	(145,395)	(1,660,952)
Total other comprehensive income	**(263,158)**	**(2,033,363)**
Total comprehensive income for the year	**34,960**	**(362,648)**
Shareholders' equity	**34,960**	**(362,648)**

UniCredit International Bank (Luxembourg) S.A.

Statement of changes in equity

For the year ended 31 December 2024 (EUR)

	SHARE CAPITAL	SHARE PREMIUM	REVALUATION RESERVE	LEGAL RESERVE	RETAINED EARNINGS	PROFIT OF THE YEAR	TOTAL
At 1 January 2024	13,406,600	205,644,462	4,117,925	1,340,660	80,815,063	1,670,715	**306,995,425**
Profit for the year	-	-	-	-	-	298,118	**298,118**
Other comprehensive income, net of income tax							
Movement in net defined benefit plan	-	-	355,230	-	-	-	**355,230**
Fair value reserve – net change in fair value	-	-	(472,993)	-	-	-	**(472,993)**
Other changes in Fair value reserve	-	-	(145,395)	-	-	-	**(145,395)**
Financial assets other than equity instruments at fair value through other comprehensive income	**-**	**-**	**(263,158)**	**-**	**-**	**-**	**(263,158)**
Total comprehensive income for the year	**-**	**-**	**(263,158)**	**-**	**-**	**298,118**	**34,960**
Contributions by and distributions to equity shareholders							
Allocation to retained earnings	-	-	-	-	1,670,715	(1,670,715)	**-**
At 31 December 2024	**13,406,600**	**205,644,462**	**3,854,767**	**1,340,660**	**82,485,778**	**298,118**	**307,030,385**

UniCredit International Bank (Luxembourg) S.A.

Statement of changes in equity

For the year ended 31 December 2023 (EUR)

(continued)

	SHARE CAPITAL	SHARE PREMIUM	REVALUATION RESERVE	LEGAL RESERVE	RETAINED EARNINGS	PROFIT OF THE YEAR	TOTAL
At 1 January 2023	13,406,600	205,644,462	6,151,288	1,340,660	76,063,086	4,751,977	**307,358,074**
Profit for the year	-	-	-	-	-	1,670,715	**1,670,715**
Other comprehensive income, net of income tax							
Movement in net defined benefit plan	-	-	(198,244)	-	-	-	**(198,244)**
Fair value reserve – net change in fair value	-	-	(174,167)	-	-	-	**(174,167)**
Other changes in Fair value reserve	-	-	(1,660,952)	-	-	-	**(1,660,952)**
Financial assets other than equity instruments at fair value through other comprehensive income	**-**	**-**	**(2,033,363)**	**-**	**-**	**-**	**(2,033,363)**
Total comprehensive income for the year	**-**	**-**	**(2,033,363)**	**-**	**-**	**1,670,715**	**(362,648)**
Contributions by and distributions to equity shareholders							
Allocation to retained earnings	-	-	-	-	4,751,977	(4,751,977)	**-**
At 31 December 2023	**13,406,600**	**205,644,462**	**4,117,925**	**1,340,660**	**80,815,063**	**1,670,715**	**306,995,425**

UniCredit International Bank (Luxembourg) S.A.

Statement of cash flows

For the year ended 31 December 2024 **(EUR)**

	Notes	2024	2023
		EUR	EUR
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		**298,118**	**1,670,715**
Adjustments for:			
Income tax expense	28	338,937	582,224
Depreciation and amortisation	11,12	3,092,032	2,432,579
Net provisions for risks and charges	17	27,050	1,447,855
Reversal of loan impairment		70,010	(23,740)
Defined benefit expense	17	358,289	283,648
Net (gain) on derivatives	7,16	(12,504,263)	(33,569,126)
Net interest income - interest to be received	7,22	(43,227,131)	(56,218,687)
Net interest expenses - interest to be paid	22.2	45,742,178	70,014,547
Recycling effect OCI reserve	7	350,864	2,270,704
Changes in operating assets and liabilities:			
Net (increase) in deposit with central banks	5,8	(7,087,200)	(12,830,348)
Net decrease in derivative financial instruments	6	12,477,068	33,022,484
Net decrease / (increase) in loans and advances to banks	5,8	377,798,782	(331,346,938)
Net (increase) / decrease in loans and advances to customers	9	(340,458,046)	983,367,293
Net decrease in other assets	10,13	1,477,331	1,905,237
Paid taxes		(2,546,447)	(710,053)
Net increase / (decrease) in deposits from banks	14	79,664,059	(1,111,451,478)
Net (decrease) / increase in amounts due to customers	15	(103,713,881)	383,215,978
Net (decrease) in other liabilities	18,19	(3,872,691)	(12,199,325)
Net (decrease) in defined benefit plan	17	(535,919)	(65,756)
Net cash (used) provided by operating activities		**7,749,140**	**(78,202,187)**

UniCredit International Bank (Luxembourg) S.A.
Statement of cash flows
For the year ended 31 December 2024 **(EUR)**
(continued)

	Notes	2024	2023
		EUR	EUR
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of subsidiary	13.1	(45,298,103)	-
Purchase of securities classified as FV/OCI	7	(19,648,000)	-
Purchase of property and equipment	11	(100,599)	(117,057)
Purchase of intangible assets	12	(610,267)	(2,196,103)
Proceeds from sale and redemption of securities classified as FV/OCI	7	66,206,000	132,618,500
Net cash provided by investing activities		**549,031**	**130,305,340**
CASH FLOWS FROM FINANCING ACTIVITIES			
Redemption of debt securities	16	(28,519,000)	(102,900,000)
Net cash used by financing activities		**(28,519,000)**	**(102,900,000)**
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(20,220,829)**	**(50,796,847)**
Cash and cash equivalents at beginning of year		**75,889,520**	**126,686,363**
Cash and cash equivalents end of year		**55,668,691**	**75,889,520**

Please refer to Note 2.23 and Note 5 for the definition of cash and cash equivalents.
Any discrepancies in this table and between data shown are solely due to the effect of rounding.

The accompanying notes form an integral part of these financial statements.

Notes to the financial statements

1 General information

UniCredit International Bank (Luxembourg) S.A. (the Bank) was incorporated in the Grand-Duchy of Luxembourg on 30 September 2004 as a limited liability company (Société Anonyme). Since 1 February 2008, the registered office of the Bank is: 8-10, rue Jean Monnet, L-2180 Luxembourg. On 1 July 2008 and following the extraordinary meeting of shareholders held on 16 June 2008, the Bank merged by absorption with Capitalia Luxembourg S.A. with a retroactive accounting effect as at 1 January 2008.

The object of the Bank is to perform for its own account, as well as for the account of third parties, or on joint account with third parties, either within or outside the Grand-Duchy of Luxembourg, any banking or financial operations, including (but not limited to): receipt of sight or term deposits, granting of and taking of participation in credits, safekeeping and managing securities, administration and collection of coupons, the activity of asset manager, financial adviser, broker and commissioner, the provision of fiduciary services. Lastly, the Bank can perform all other operations, in order to facilitate the accomplishment of its purpose.

In the context of the UniCredit Group strategic project “Transform 2019” and of the subsequent internal reorganization of the activities performed by the Group in the Grand-Duchy of Luxembourg, the Board of Directors of UniCredit S.p.A. (UC or The Parent Company), sole shareholder of the Bank, approved on 11 July 2016 a project aiming to create in Luxembourg a Global Family Office hub (hereinafter: GFO) under the responsibility of the Head of CIB Division, for serving Family Offices and Holding Companies offering them Investment Banking Products to fulfil their increasing financial needs.

In this context, it was proposed, and the Board of Directors of UC approved, the transfer of the Italian Private Banking Business from UniCredit Luxembourg S.A. (UCL) to the Bank.

UniCredit International Bank (Luxembourg) is a multi-divisional entity with revenue generation by two different business lines: Wealth Management (WM including Wealth Management Clients, Family Offices & Holding, Insurance and Fund Management), Strategic Funding & Treasury (SF&T). The mission of WM is to provide Private Banking services, to serve holding companies and family offices with a broad range of solutions to support them in structured financial operations, to provide services to insurance companies and to provide investment management services to funds. SF&T is predominantly a client driven business, performing selective investments for its own portfolio.

The Bank is included in the consolidated financial statements of UniCredit S.p.A.. The consolidated financial statements of the Parent Company may be obtained from its registered office: Piazza Gae Aulenti, 3 Tower A, 20154 Milan (Italy).

In its meeting on 6th February 2025, the Management Board approved the financial statements, and the Supervisory Board reviewed them on 14 February 2025. At the same date, the Supervisory Board approved the proposal of the appropriation of profits to the Annual General Meeting of Shareholders.

Except otherwise indicated, all figures included in these financial statements are presented in euros (EUR).

2 Summary of material accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to each year presented, unless otherwise stated. Rounding differences may occur.

These separate financial statements of the Bank are its only financial statements.

2.1 Basis of preparation

2.1.1 Statement of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and adopted by the European Union (hereinafter referred to as IFRS Accounting Standards). Additional information is included in the financial statements in order to comply with Luxembourg legal requirements.

2.1.2 Basis of measurement

In accordance with the framework of IFRS Accounting Standards and the IAS standards 1 and 8, the Bank is consistent in the use of recognition, measurement and presentation methods. Where errors of recognition or measurement in prior periods need to be corrected, the effects (if material) are recognized retrospectively in the first set of financial statements authorized for issue after their discovery in accordance with the requirements of IAS 8.41 – IAS 8.49.

The financial statements have been prepared on the historical cost basis except for the following:

- Financial instruments at fair value through profit or loss (FV/P&L) are measured at fair value;
- Financial assets at fair value through other comprehensive income (FV/OCI) are measured at fair value;
- Recognized financial assets and financial liabilities designated as hedged items in qualifying fair value hedge relationships are adjusted for the changes in fair value attributable to the risk being hedged;
- The liability for defined benefit obligations is recognized at the present value of the defined benefit obligation less the net total of the plan assets, plus unrecognized actuarial gains, less unrecognized past service cost and unrecognized actuarial losses.

The Management has, at the time of approval and authorization of the financial statements, a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future. Thus, the Management continues to adopt the going concern basis of accounting in preparing the financial statements.

2.1.3 Foreign currency translation

(a) *Functional and presentation currency*

The financial statements are presented in euros, which is the Bank’s functional currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit or loss.

Changes in the fair value of monetary securities denominated in foreign currency classified as financial assets at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security.
Translation differences related to changes in the amortised cost are recognized in profit or loss, and other changes in the carrying amount are recognized in other comprehensive income.
Translation differences on non-monetary items, such as equities, are reported as part of the fair value gain or loss.

2.1.4 Use of estimates, assumptions and judgments

The preparation of financial statements in conformity with IFRS Accounting Standards as adopted by the EU requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

2.1.5 Changes in material accounting policy

In 2024, the following standards, amendments or interpretations of the existing accounting standards came into force:

- amendments to IFRS16 Leases: Lease Liability in a Sale and Leaseback (EU Regulation 2023/2579);
- amendments to IAS1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current; Classification of Liabilities as Current or Non-current - Deferral of Effective Date and Non-current Liabilities with Covenants (EU Regulation 2023/2822);
- amendments to IAS7 Statement of Cash Flows and IFRS7 Financial Instruments: Disclosures: Supplier Finance Arrangements (EU Regulation 2024/1317).

The entry into force of these new standards, amendments or interpretations has not determined substantial effects on the amounts recognized in balance sheet or income statement.

As at 31 December 2024, the following document, applicable to reporting starting from 1 January 2025, has been endorsed by the European Commission:

- amendments to IAS21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (EU Regulation 2024/2862).

The Bank does not expect significant impacts arising from the entry into force of such amendments.

As at 31 December 2024 the IASB issued the following accounting standards, amendments or interpretations of the existing accounting standards, whose application is subject to completion of the endorsement process by the competent bodies of the European Union:

- IFRS18 Presentation and Disclosure in Financial Statements (issued on 9 April 2024);
- IFRS19 Subsidiaries without Public Accountability: Disclosures (issued on 9 May 2024);
- amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS9 and IFRS7) (issued on 30 May 2024);
- Annual Improvements Volume 11 (issued on 18 July 2024);
- Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7 (issued on 18 December 2024).

With regard to the amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS9 and IFRS7) the Group is assessing the impacts of new requirements and it expects to update the Group policies coherently.

2.2 Operating segments

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Bank's Management to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Starting from 2020 the Bank reports segmented figures into the Group financial reporting. Revenue generation is entrusted to two different segments: Wealth Management (WM), Strategic Funding & Treasury (SF&T). Revenues generated by the two profit centers are regularly reported to the Management Board.

Segment reporting, defined in the Bank as internal financial reporting, is based on the before mentioned internal organizational and Management structure. In accordance with IFRS8 (Operating Segments), segment reporting thus follows the Management Approach, which requires segment information to be presented externally in the same way as regularly used by the Management Board as the responsible Management body when allocating resources to the business segments and assessing profitability. In this context, the segment data is determined in accordance with IFRS Accounting Standards.

The total revenues shown in the segments, such as net fees and commissions and net trading profit, are based almost exclusively on transactions involving external customers. Net interest income is assigned to the segments in accordance with the market interest calculation method on the basis of the external interest income and interest expenses.

Operating costs, which contain staff expenses, other operating costs, amortization, depreciation and impairment losses on intangible and tangible assets, are split between the divisions according to where they have incurred. For costs that are not directly allocable, overheads allocation keys are set for each division in the budgeting process and applied on the direct and indirect costs for the financial year in question.

2.3 International Tax Reform – Pillar two Model Rules

As of fiscal year 2024, the UniCredit Group falls within the scope of the newly designed Pillar Two regulation.
The Pillar Two regulation provides for an international framework of rules aimed at ensuring that the worldwide profits of multinational groups are subject to tax at a rate not lower than 15% in every jurisdiction in which the groups operate.
The rules have been firstly designed by the Inclusive Framework of the OECD and then implemented in the European Union through the EU Council Directive 2022/2523 of 14 December 2022. For EU countries, this Directive is expected to enter into force as of 2024 (in Luxembourg, the provisions of the Directive have been transposed into Luxembourg law on 20 December 2023 by passing the bill of law 8292). Certain non-EU Member State in which the UniCredit Group operates have announced that they will implement the Pillar Two rules as of 2024 (e.g. United Kingdom) while other jurisdictions have not yet communicated if and when they will implement such set of rules.
In a nutshell, the Pillar Two rules provide that, if in certain jurisdictions where the UniCredit Group operates the effective tax rate (given by the ratio between adjusted accounting results and adjusted corporate income taxes paid in that jurisdiction) falls below 15%, then the UniCredit Group will be required to pay an additional tax (so-called top-up tax) to reach the 15% tax rate threshold.

The relevant set of rules also provides for a transition period in which the in-scope multinational groups may avoid undergoing the complex effective tax rate calculation required by the new piece of legislation. In particular, the Pillar Two legislation provides for a transitional safe harbor (TSH) that applies for the first three fiscal years following the entry into force of the relevant regulation; the TSH relies on simplified calculations (mainly based on data extracted from the Country-by-Country Reporting under BEPS Action 13, implemented in Italy with Law n. 208/2015) and three kinds of alternative tests. Where at least one of the TSH tests is met for a jurisdiction in which the UniCredit Group operates, the top-up tax due for such jurisdiction will be deemed to be zero. A test is met for a jurisdiction where:

1. revenue and profit before tax are below, respectively, EUR 10 million and EUR 1 million (the de minimis test);
2. the Effective Tax Rate (i.e. ETR) equals or exceeds an agreed rate (the ETR test, 15% for FY 2024); or
3. the profit before tax does not exceed an amount calculated as a percentage of tangible assets and payroll expense (the routine profits test).

2.4 Trade date and settlement date of accounting

All regular transactions on non-derivative financial instruments are recognized and derecognized at "value date" which is the date that an asset is delivered to or by the Bank. Derivative hedging instruments and hedged items that form part of a hedge relationship are also recognized at value date. Derivative instruments held for trading are recognized on trade date.

2.5 Recognition of financial assets and financial liabilities

The Bank classifies its financial assets and liabilities in the following categories:

(a) *Financial assets/liabilities at fair value through profit or loss*

This category has two sub-categories: financial assets or financial liabilities held for trading, including derivatives that do not qualify for hedge accounting and those mandatorily at fair value through profit or loss.

A financial asset or a financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorized as held for trading unless they are designated as hedging instruments.

Financial assets and financial liabilities are designated at fair value through profit or loss when:

- doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortised cost for loans and advances to customers or banks and debt securities in issue;
- certain investments, such as other comprehensive income investments, are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis;
- financial instruments, such as debt securities held, contain one or more embedded derivatives that significantly modify the cash flows.

The Bank classifies Loans and Receivables which initially are concluded to fail SPPI criteria into FV/P&L category.

(b) *Financial assets at fair value through other comprehensive income*

The business model of government securities within the bond portfolio is achieved by both collecting contractual cash flows and by selling the financial assets. The Bank can sell financial assets to optimize liquidity or in case of changes in the market conditions. For the classification of financial assets in the FV/OCI category, the analysis of the business model is complemented by the analysis of the contractual cash flows (SPPI Test). As a result of the business model defined, in case of positive SPPI test, government securities are accounted for at FV/OCI.

(c*)* *Financial assets at amortised cost*

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those that the entity intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; (b) those that the entity upon initial recognition designates as held to collect and sell; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration. The Bank operates primarily based on a "Hold to collect Business Model", which is one of the prerequisites for measuring financial instruments at amortised cost, for the following instruments: loans to banks and loans to clients. In addition, the Bank uses the Group model for investing the free funds of the Bank. The Group model foresees that own funds are equally invested in assets with tenors up to 10 years on a rolling basis. In consideration of the specificities of the Banks structure, Government bonds have been selected as the appropriate assets to be used for the free funds investment model. The portfolio of bonds used for free funds investment is segregated from the remaining bond portfolio and as it is maintained with the aim to keep it until maturity it is also measured at amortised cost.

(d) *Other financial liabilities*

Other financial liabilities are those non-derivative financial liabilities that are not classified as financial liabilities held for trading.

2.6 Financial assets and financial liabilities measurement

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the profit or loss.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when they are extinguished - that is, when the obligation is discharged, cancelled or expired.

Financial assets at fair value through profit or loss are subsequently measured at fair value. Loans and advances are carried at amortised cost using the effective interest method (EIR). Gains and losses arising from changes in the fair value of the "financial assets held for trading" category are included in the profit or loss in the period in which they arise. Gains and losses arising from changes in the fair value of assets (only debt instruments) measured at FV/OCI are recognized directly in other comprehensive income, until the financial asset is derecognized or impaired. At this time, the cumulative gain or loss previously recognized in other comprehensive income is recognized in the profit or loss. However, interest calculated using the EIR and foreign currency gains and losses on monetary assets classified as financial assets at fair value through other comprehensive income are recognized in the profit or loss. Dividends on other comprehensive income instruments are recognized in the profit or loss when the entity's right to receive payment is established. In case of premium/discounts on purchased securities, the Bank is linearly amortizing the premium/discounts according to the maturity of the related financial asset.

The fair values of quoted investments in active markets are based on current mid prices. If there is no active market for a financial asset, the Bank establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.
The EIR method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the EIR, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the EIR, transaction costs and all other premiums or discounts.
A simplified assumption is used to estimate the fair value of financial assets and liabilities carried at amortised cost at initial recognition: the cash flows of financial assets and liabilities maturing within a short-term period are not discounted if the effect of discounting is immaterial.

The Bank measures all financial liabilities at amortised cost using the EIR method, except for:

- Financial liabilities held for trading. Such liabilities, including derivatives that are liabilities, are measured at fair value except for a derivative liability that is linked to and must be settled by delivery of an unquoted other comprehensive income instrument whose fair value cannot be reliably measured, which shall be measured at cost;
- Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- Financial guarantee contracts are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with the principle of IFRS 15;
- Commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with the principle of IFRS 15.

The liabilities arising from financial guarantees and loan commitments are included within provisions.
Financial liabilities that are designated as hedged items are subject to the hedge accounting requirements (Note 2.8).

2.7 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is currently legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. There is no offsetting of financial instruments applied in the statement of financial position as on reporting date.

2.8 Derivative financial instruments and hedge accounting

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values of derivatives with optionality are obtained from Group systems, whereas the linear derivatives are valued via financial software. The linear derivatives (i.e. interest rate swaps) are all in a hedge accounting relationship. The Bank uses the hedge application of the financial software provider to ensure the same discount curves for the hedging instrument and the hedged item. Both tools use observable market curves and implied curves for its valuation techniques, including discounted cash flow models, as appropriate. The Group tool uses also option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivatives embedded in other financial instruments, such as pay-out based on an equity index (in an equity linked note), are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the profit or loss unless the Bank chooses to designate the hybrid contracts (the hybrid contract is not bifurcated) at fair value through profit or loss.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Bank may designate certain derivatives as either:

a) hedges of the fair value of recognized assets or liabilities or firm commitments (fair value hedge);
b) hedges of highly probable future cash flows attributable to a recognized asset or liability, or a forecasted transaction (cash flow hedge); or
c) hedges of a net investment in a foreign operation (net investment hedge).

The Bank continues to apply IAS39 for Hedge Accounting. A hedging relationship qualifies for hedge accounting if there is formal designation and documentation of the hedging relationship including the risk management objective, the strategy for undertaking the hedge and how the hedging instrument's effectiveness will be assessed. It is necessary to assess the hedge effectiveness, at inception and in subsequent periods. In offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. A hedge is regarded as highly effective if, at the inception of the hedge and in subsequent periods, it is determined prospectively to remain highly effective, i.e. that the hedge ratio is within a range of 80 - 125 per cent.

The hedge is assessed on an ongoing basis and thus must prospectively remain highly effective throughout the financial reporting periods for which the hedge was designated. The assessment of effectiveness is made at each balance sheet date or other reporting date.

If the assessment does not confirm the effectiveness of the hedge, from that time on hedge accounting is discontinued in respect of the hedge and the hedging derivative is reclassified as a held-for-trading instrument. Hedge accounting is discontinued prospectively if the hedge is terminated or no longer highly effective; the hedging instrument expires or is sold, terminated or exercised; the hedged item is sold, expires or is repaid, or it is no longer highly probable that the forecast transaction will occur.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. Effective changes in fair value of interest rate swaps and related hedged items are reflected in "net interest income – net gains/losses on hedging instruments". Any ineffectiveness is recorded in "net trading income".

If the derivative expires or is sold, terminated, or exercised, or no longer meets the criteria for fair value hedge accounting, or the designation is revoked, hedge accounting is prospectively discontinued. Any adjustment up to that point to a hedged item for which the effective interest method is used is amortised to profit or loss over the

period to maturity. The adjustment to the carrying amount of a hedged other comprehensive income security remains other comprehensive income until the disposal of the other comprehensive income security.
Certain derivative instruments are used for economical hedging purposes without applying hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in the profit or loss under net trading income.

The Bank entered into a micro fair value hedge relationship to protect itself against changes in the fair value of financial liabilities due to movement in interest rates. The Bank designates the benchmark rate as the hedged risk and accordingly enters into interest rate swaps whereby the fixed leg represents the economic risk of the hedged item. EIR includes all fees that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts.

During the reporting period the Bank did not apply cash flow and net investment hedge.

2.9 Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading (Note 2.12), are recognized within “interest income and similar revenues” and “interest expense and similar charges” in the profit or loss. For financial instruments with upfront fees or amortization schedules, the Effective Interest Rate (EIR) method is used to calculate interest income and interest expenses, in particular for financial instruments such as loans or bonds. It's a method that reflects the true economic cost or benefit of an interest rate over the life of the financial instrument.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.10 Fee and commission

Fee and commission income which are not part of the effective interest rate of a financial instrument and other operating income are accounted for in Profit and Loss as the entity satisfies the performance obligation embedded in the contract, according to “IFRS15 Revenue from Contracts with Customers” rules.

In particular:

- if the performance obligation is satisfied at a specific moment (point in time), the related revenue is recognized in Profit and Loss when the service is provided;
- if the performance obligation is satisfied over-time, the related revenue is recognized in Profit and Loss in order to reflect the progress of satisfaction of such obligation.

Due to the above-mentioned rules, transaction fees coming from trading in securities are typically booked in the moment when the service is provided while fees related to portfolios management, consulting or fund management are normally recognized during the term of the contract (input method).
For this second type of fees, in fact, it is deemed that the input which is necessary to provide the service incorporated in the performance obligation are evenly distributed during the term of the contract.

If the timing of cash-in is not aligned to the way the performance obligation is satisfied, the Bank accounts for a contract asset or a contract liability for the portion of revenue accrued in the period or to defer in the following periods.

The amount of revenues linked to fees and commissions income and other operating income is measured based on contractual provisions.
If the amount contractually foreseen is subject, totally or partially, to variability, a revenue has to be booked based on the most probable amount that the Bank expects to receive.
Such amount is determined on the basis of all facts and circumstances considered relevant for the evaluation, that depend on the type of service provided and, in particular, on the presumption that it is not highly probable that the revenue recognized will not be significantly reversed.
Please note, nevertheless, that for the services provided by the Bank such a variability is not usually foreseen.
Finally, if a contract regards different services whose performance obligations are not satisfied at the same time, the revenue is allocated among the different obligation proportionally to the stand-alone price of the single item delivered. These amounts will be accounted for in the Profit and Loss on the basis of the timing of satisfaction of each obligation.
Fee and commission are generally recognized on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are accrued over the life of the loan using the EIR methodology.
Commission and fees arising from negotiating a transaction for a third party are recognized on completion of the underlying transaction. Management and other service fees are recognized based on the applicable service contracts and are accrued over the time. Asset management fees related to investment funds are recognized pro-rata over the period in which the service is provided. The same principle is applied for wealth management and custody services.

The principles mentioned above are applicable also to commission expenses.

2.11 Dividend income

Dividend income is recognized in the profit when the Bank's right to receive the payment is established.

2.12 Net trading income

Net trading income includes all gains and losses from changes in the fair value of financial assets and financial liabilities held for trading. The Bank selected to present the full fair value movement of trading assets and liabilities in trading income, including any related interest income, expense and dividends.

2.13 Sale and repurchase agreements

Securities sold subject to repurchase agreements (repos) remain in the statement of financial position, the counterparty liability is included in deposits from banks. Securities purchased under agreements to resell (reverse repos) are recorded as loans and advances to banks. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements.

2.14 Impairment of financial assets

The Bank assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. In line with IFRS9, all financial assets that are measured at amortised cost (AC) or debt instruments at fair value through other comprehensive income (FV/OCI) and off-balance sheet exposures shall be considered as exposures subject to impairment.

1. A credit event does not have to occur in order for a credit loss to be recognized (i.e. Expected Credit Losses (ECLs) are recognized also for non-impaired financial assets).
2. ECLs are recalculated at each reporting date in order to reflect changes in credit risk since initial recognition of a financial instrument and are deducted from the related financial assets.
3. Forward-looking information and macro-economic factors are used for the determination of ECLs.

Stage allocation acts as the determinant for the appropriate ECL time horizon to be used.
For the purpose of IFRS9 Expected Credit Loss estimation, the Bank is required to appropriately allocate exposures into Stages, where:

Stage 1 – To this stage the Bank will allocate all exposures for which the Bank concludes that no significant increase in credit risk occurred since inception of the loan.

Stage 2 – To this stage the Bank would classify financial assets which exhibited significant increase in credit risk since initial recognition.

Stage 3 – To this stage the Bank would classify assets which are considered to be credit impaired.

The ECL model uses a dual measurement approach depending on the extent of credit deterioration since initial recognition:

Stage 1 – Double point 12 months expected credit losses.

Stage 2/3 – Lifetime expected credit losses.

Group model

The Bank uses the transfer logic of UniCredit Group for stage allocation between Stage 1 and Stage 2 for almost all exposures (Banks, Government and Multinational Corporates) with the exception of Private Banking exposures (local approach). The Group stage allocations model is based on the application of qualitative and quantitative measurement and is disclosed in its Financial Statements.

For the exposures not covered by the Group Model (local approach on Private Banking Exposures) the bank uses mainly a qualitative approach. It should be noted that in general the Private Banking exposures are fully collateralized by the clients pledged Assets under custody portfolio. Furthermore, the Stage 1 and 2 allocation for these clients requires approval of the Bank's Credit Committee. Risk Management proposes the allocation based on 30 days past due and/or significant credit deterioration. A loan to collateral (LtV) ratio at or above 80% is a quantitative indicator for a SICR (significant increase in credit risk) for stage 2 allocation.

For the purpose of identifying default of borrowers the Bank uses the rebuttable presumption as stipulated in IFRS 9.B5.5.37 as well as in Article 178 1(b) of REGULATION (EU) No 575/2013 of 90 days past due as an indicator of the default. It should be noted, that for the purpose of meeting the past due criterion, the Bank will assess whether the identified past due situation does not comprise a technical past due situation.

Provisioning for Stage 3

In line with UC Group guidelines, provisions have to be recognized whenever the estimated recoverable amount of an exposure is lower than its carrying amount. For a financial asset that is credit-impaired at the reporting date and that is not a purchased or originated credit-impaired financial asset, the estimated recoverable amount is the present value of future cash flows expected to be recovered, discounted at the original effective interest rate of the exposure.
Therefore, the main determinants of this value are:

- the expected cash flows;
- the expected timing of payments of these cash flows;
- the effective interest rate used for discounting.

ECL model application

In order to calculate the expected loss and the related loan loss provision, the Bank uses Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) parameters. The Bank applies two separate models to obtain aforementioned parameters. These two models cover all its exposures subject to impairment, including both balance sheet and off balance exposures. These models could be summarized as follows:

- Private Banking Model (PB Model)

The PB Model is determined by entity's key management personnel i.e. those persons having authority and responsibility for planning, directing and controlling the activities of the Bank and it is concluded to be held to collect contractual cash flows. In the PB Model collateral is deemed as key driver of credit risk. The expected future losses are mostly determined by the LtC (Loan To Collateral) ratio. This ratio is managed actively by the bank to ensure that there is always surplus collateral available to offset the loan exposure. In case the ratio increases either the client tops up the collateral, or the bank has the right to liquidate a part of the portfolio, thereby reducing the LtC ratio.

- Score-based model (based on group methodology and inputs) (Group Model)

A significant portion of Bank's exposures consists of loans and bonds with sovereigns, supranational institutions and banks. Application of such statistical model established by the Group is deemed appropriate in the Banks circumstances for counterparties like sovereigns and banks since such exposures would be homogeneous with the Group wide exposures within the same category and therefore Group-wide statistics are an appropriate measure of credit risk given limited default history observed locally. Group model is based on internal Group scores assigned to the counterparty and statistical methods applied in determination of risk parameters. The Bank would obtain credit risk parameters from the group which would then be applied locally in order to quantify the ECL.

Balance type	Counterparty type	Product type	Model type
On balance	Private Banking Clients	Lombard Loans	PB model (except for clients with Group Model)
		Term deposits	
		Current account/Credit Facility	
	Rated entities (Banks, Sovereigns and Supranational)	Bonds purchased	Group Model
		Balances with Central Bank	Group Model
		Balances with other banks	Group Model
Off-balance sheet	Private Banking Clients	Guarantees given	PB Model
		Loan commitments	PB Model

2.15 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance, controlled by the Bank and from which future economic benefits are probable.

Intangible assets include software, brands, patents and assets used by the Bank as lessee.

Intangible assets other than goodwill are recognized at purchase cost, i.e. including any cost incurred to bring the asset into use, less accumulated amortisation and any accumulated impairment loss. An intangible asset with a finite life is subject to straight-line amortisation over its estimated useful life. Software are amortised over 3-8 years. An intangible asset with indefinite life is not amortised.

An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use or sale in the future and any difference between sale proceeds and carrying value is recognized in the profit or loss. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

2.16 Property and equipment

All Property and equipment are measured at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to other operating expenses during the financial period in which they are incurred.

Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Office equipment and machines	3 - 8 years
Other fixtures and fittings	3 - 8 years

The assets' residual values, depreciation methods and useful lives are reviewed and adjusted if appropriate, at each statement of financial position date. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in other operating income or other operating expenses in the profit or loss.
In line with IFRS 16, the Bank books within this balance sheet item the right to use assets. Please also refer to Note 2.17.

2.17 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating units. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.18 Leases

The leases entered into by the Bank are operating leases. The Bank operates as lessee. The total payments made under operating leases are charged to other operating expenses in the profit or loss over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of a penalty is recognized as an expense in the period in which termination takes place.

IFRS 16 is applied to lease contracts of tangible assets, different from short term and/or including low value assets. The Bank calculates the initial recognition amount of the lease liability by discounting at the incremental borrowing rate, the future lease payments. The incremental borrowing rate is determined by considering its cost of funding for liabilities similar, in terms of duration and security, to the one implicit in the lease contract. The Bank recognizes a right of use asset as the sum of the lease liability, the lease payments made at or before the commencement date and the initial direct costs.

Subsequent to initial recognition the lease liability shall be subject to the calculation of amortized cost and subject to remeasurement so to consider changes in lease term, lease payments or contractual modification. Subsequent to initial recognition the right of use asset shall be subject to amortization along the lease term as well as assessment of the need to calculate impairment loss.

2.19 Defined Benefit pension plan

The Bank operates four defined benefit pension plans in favour of some employees. The pension plans are all funded through payments to an insurance company, determined by periodic actuarial calculations.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected UnitCredit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. The remeasurements of the net defined benefit obligation are recognized immediately in Other Comprehensive Income.

2.20 Contribution pension plan

In addition to the defined benefit pension plans, the Bank maintains also two defined contribution pension plans, under which the Bank pays fixed contributions into “LaLux Assurances-Vie” and “Foyer Vie” and will have no legal or constructive obligation to pay further amounts. The contributions payable are recognized in the statement of comprehensive income when they are due in respect of services rendered before the end of the reporting period.

2.21 Other liabilities

Compliant with IAS37, accruals and other items are shown under other liabilities. These reflect future expenditure of uncertain timing or amount, but the uncertainty is much less than for provisions. Accruals are carried at the amount likely to be used. Accruals are liabilities for goods and services received that have been neither paid for nor invoiced by the supplier, nor formally agreed. This also includes current liabilities to employees, such as flexi-time credits and outstanding vacation. Accruals are carried at the amount likely to be used.

2.22 Share-based payments

UC Group Medium & Long Term Incentive Plans for selected employees include the following category: Equity-Settled Share Based Payments, which provide for the delivery of shares.

This category includes the following:
Group Executive Incentive System (Bonus Pool) that offer to eligible Group Executives and relevant employees identified following regulatory rules, a bonus structure composed by upfront (following the moment of performance evaluation) and deferred payments in cash and in shares, to be paid over a period of 5 years. This payment structure will guarantee the alignment to shareholder interest and will be subjected to malus (which applies in case specific profitability, capital and liquidity thresholds are not met at both Group and Country/Division level) and claw back conditions (as legally enforceable) as defined in Plan Rules (both non-market vesting conditions).

Group Executive Incentive System (Bonus Pool)
Group Executive Incentive System (Bonus Pool) is offered to eligible Executives of the Bank.
The economic value of Performance Shares is measured considering the share market price at the grant date less the present value of the future dividends during the vesting period.

Economic and Net Equity effects will be accrued on the basis of instruments' vesting period.

The new Group Incentive System is based on a bonus pool approach, aligned with regulatory requirements and market practices, which defines:

- sustainability, through a direct link with entity results and alignment with relevant risk categories, utilizing specific indicators linked to risk-appetite framework;
- link between bonuses and organization structure, defining the pool at country/division level with further review at Group level;
- bonuses allocated to executives and other relevant employee, identified on a basis of European Bank Authority (EBA) rules, according to local regulations;
- payment structure has been defined in accordance with regulatory provisions qualified by Directive 2013/36/EU (CRD IV) and will be distributed in a period of six years by using a mix of shares and cash.

All profit or loss and net equity effects related to the plan will be booked during the vesting period.

2.23 Cash and cash equivalents

Cash and cash equivalents include the amount of all cash or other assets that are readily convertible into cash. For the purposes of the cash flow statement, cash and cash equivalents include balances with less than three months' maturity from the date of acquisition. Please refer to Note 5.

2.24 Provisions

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.25 Financial guarantees

The Bank issues financial guarantees, ensuring the beneficiary the payment obligation of a Bank's client. This obligation can arise from a debt, rental payments or other financial obligations. Such financial guarantees are given to banks, financial institutions and other corporates on behalf of clients. By receiving a guarantee issued by the Bank, the beneficiary does not run any credit risk on the client anymore. Financial guarantees are subject to ECL calculation as described in 3.1.9.

2.26 Income taxes

Income taxes include the current and deferred income taxes.
Current income tax is recognized as the expected tax payable on the taxable profit for the year using the enacted or substantively enacted tax rate at the statement of financial position date including adjustments to tax payable in respect of previous years.
Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. As the confirmation of the new applicable tax rate (as of 1 January 2025) has been received short before year end only, we have used the current tax rate in 2024. Otherwise, there would be a mismatch between the tax rate applied on current tax and the one used for deferred taxes. Deferred taxes will be adapted to the new tax rate in 2025.

The principal temporary differences arise from revaluation of certain financial assets and liabilities including derivative contracts, provisions for pensions. The rates enacted or substantively enacted at the statement of financial position date are used to determine deferred income tax. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. The tax effects of income tax losses available for carryforward are recognized as an asset when it is probable that future taxable profits will be available against which these losses can be utilized.

Deferred tax related to fair value re-measurement of FV/OCI investments, which are charged or credited directly to other comprehensive income, is also credited or charged directly to other comprehensive income and subsequently (once the asset at FV/OCI has been derecognized) recognized in the profit or loss together with the deferred gain or loss.

Please see Note 2.3.

2.27 Share issue costs

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

3 Credit & Financial risk management

The Bank's activities expose it to a variety of financial risks, and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance.

The Bank's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.
At Group level risk management is carried out by a central Risk management department of the Parent Company (The Parent Risk Management department) under policies approved by its Board of Directors. The Parent Risk Management department identifies, evaluates and monitors financial risks in close co-operation with other operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments.

The Bank's risk management is operated by the Risk Management department which reports to the Chief Risk Officer. The objective of Risk Management is to ensure that the Bank's financial activity remains within the guidelines established by Management Board. The Bank follows the Parent Company's policy and acts locally with a low risk appetite. Generally, its customers are already Parent Company customers. The Bank is mainly exposed to credit risk and to liquidity risk.

3.1 Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers, clients or counterparties failed to meet their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk, it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

In its banking business the Bank is exposed to the risk that its loans, regardless of their purpose, may not be repaid by debtors at maturity, and then must be fully or partially written off due to the deterioration of the debtor's financial conditions. The main reasons for default lie in the borrower's lacking the autonomous ability to repay the loan (due to a lack of liquidity, insolvency, etc.) or the occurrence of events that are unrelated to the debtor's operating and financial condition, such as country risk (defined as the inability of a borrower in another country to honor its obligations due, for example, to a deterioration in the country's economic situation or the local Government's adoption of restrictive measures). Defaults in relation to a large number of transactions, or one or more large transactions, could have a material adverse impact on the Bank's operations, financial condition and operating results.

The Bank monitors and manages credit quality, any specific risk relating to every counterparty and the overall risk of loan portfolios. The Bank established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. The credit quality review process allows the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

In 2024, all loans remain performing.
After the use of loans decreased slightly in 2023 due to higher interest rates, credit demand and the utilization of loans remained stable in 2024.

3.1.1 Credit risk measurement

(a) *Loans and advances*

According to the nature and duration of the transaction, Risk Management formulates its recommendations for credit proposals/annual reviews submitted by the relationship managers and submits them subsequently to the competent bodies of the Bank as defined by the Supervisory Board and in accordance with the Operating Guidelines (OG's) and Approval Matrix in place.

The measurement and follow-up of credit risk exposure is performed on a daily basis by control on each loan and related collateral. Each customer credit line with a maturity over one year is subject to an annual review. This review includes a detailed analysis of the customer's financial situation, the associated country risk and adherence to repayment requirements. The Bank also reviews the risk associated with all credit provided to a single customer.

Collateral received on customers' credit lines is monitored on a daily basis for each individual position. The market value of the pledged security portfolio is EUR 1.12 billion.

In order to avoid a too high concentration of risks, the Bank has to respect the following criteria: the total risk exposure towards a single client or group of connected clients must not exceed 25% of the own funds of the Bank. The Bank has received an exemption to this rule on its risk exposure towards the Parent undertaking and Group entities.

(b) *Debt securities and other bills*

The Bank defines and yearly reviews limits for debt securities in order to limit the credit risk linked to its securities portfolio.

3.1.2 Risk limit control and mitigation policies

The Bank manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and groups and to industries and geographical.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers and industry segments. The exposure to any borrower including banks is further restricted by sub-limits covering on- and off-balance sheet exposures.

The Bank monitors compliance with such limits on a daily basis. This monitoring is reviewed by the Risk Management department. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations.

Some other specific control and mitigation measures are outlined below.

(a) *Collateral*

The Bank employs a range of policies and practices to mitigate credit risk. With regard to the Lombard Loans, the Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Cash deposit at the Bank;
- Pledged securities portfolio;
- Pledged Insurance Policies;
- Financial guarantees received from the Parent Company or from an entity related to the borrower.

Collateral is monitored on a daily basis, and in order to minimize the exposure the Bank will seek additional collateral from the counterparty as soon as thresholds are broken for the relevant individual loans and advances.

(b) *Derivatives*

All derivatives have to be executed with a counterpart within UniCredit Group. In this context, the Bank maintains strict control limits on Counterparty Credit Risk Exposure. At any time, the amount subject to credit risk is limited to the current fair value of instruments that are favorable to the Bank (i.e. derivatives where their fair value is positive), which in relation to derivatives is only a small fraction of the notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall obligor limits with customers, together with potential exposures from market movements. Collateral in the form of cash or government bonds are usually exchanged for credit risk exposures on these instruments.

(c) *Credit-related commitments*

The primary purpose of these instruments is to ensure that credit is available to a customer as required subject to certain conditions in the form of loans, overdraft facilities and guarantees. With respect to credit risk on commitments, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

3.1.3 Impairment and provisioning policies

The Bank reviews regularly credit risk exposures and computes quarterly Expected Credit Losses (ECL) related to those exposures. Further reference to the impairment methodology can be found in 2.14 "Impairment of financial assets".

The Bank has daily controls performed to react quickly on an upcoming potential issue. In case of past due loans and/or Unlikely to Pay, subsequent to an analysis of the reasons leading to such event, the Bank, after consultation with the customer, impairs, renegotiates or starts legal procedures/collection of the loan with such customer, as the case may be.

Objective evidence of credit deterioration is based amongst others on the following criteria:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delays in interest or principal payments;
- The lender, for economic or legal reasons relating to the borrower's financial difficulty, grants concessions to the borrower, which the lender would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; the disappearance though of an active market due to the fact that a company's financial instruments are no longer traded publicly is no evidence of impairment;
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  - Adverse changes in the payment status of borrowers in the group; or
  - National or local economic conditions that correlate with defaults on the assets.

3.1.4 Maximum exposure to credit risk before collateral held or other credit enhancements

	Maximum exposure	
	2024	2023
	EUR	EUR
Credit risk exposures relating to the statement of financial position are as follows:		
Cash balances at central banks and other demand deposits	**24,571,324**	**17,484,124**
Loans and advances	**1,020,195,091**	**1,077,756,659**
Loans and advances to banks	31,653,897	429,673,511
Loans and advances to customers	988,541,194	648,083,148
of which Loans and advances to corporate entities	332,186,907	203,421,473
of which debt securities	656,354,287	444,661,675
Derivative financial instruments including trading assets	**49,677,444**	**60,277,427**
Other comprehensive income - Debt securities	**421,555,650**	**458,778,655**
Listed securities	421,555,650	458,778,655
Financial assets mandatorily at FV/PL	**2,266,692**	**-**
Other assets	**4,807,350**	**3,537,604**
	1,523,073,551	**1,617,834,469**
Credit risk exposures relating to off-balance sheet items are as follows:		
Financial guarantees	**2,870,564**	**2,448,080**
Loan commitments and other credit related liabilities	**74,325,898**	**103,887,762**
As at 31 December	**1,600,270,013**	**1,724,170,311**

The above table represents the worst-case scenario of credit risk exposure to the Bank at 31 December 2024 and 2023, without taking account of any collateral held or other credit enhancements attached. For assets included in the statement of financial position, the exposures set out above are based on net carrying amounts as reported in the statement of financial position. As shown above, the main part of the credit risk, before collateral held or other credit risk enhancement, is located within the loans and advances. Other assets reported above include only financial assets.
Starting from financial year ended 31 December 2023, the Bank is reporting in the above note also cash balances at central banks and other demand deposits. Comparative figures of the financial year ended 31 December 2023 have been modified.

Loans to customers are secured by collateral (cash, listed securities and financial guarantees). Please see Note 3.1.7.

3.1.5 Movements in allowances and provisions for credit losses

ECL for loans and advances are summarised as follows:

in EUR	Opening balance 2024	Increases due to origination and acquisition	Decreases due to derecognition	Changes due to change in credit risk (net)	Other adjustments	Closing balance 2024
Allowances for financial assets without increase in credit risk since initial recognition (Stage 1)	**75,816**	**106,534**	**- 39,407**	**2,883**	**-**	**145,826**
Demand deposits	***20***	***15***	***- 20***	***-***	***-***	***15***
Debt securities	***37,994***	***9,865***	***- 1,585***	***2,380***	***-***	***48,654***
Loans and advances	***37,802***	***96,654***	***- 37,802***	***503***	***-***	***97,157***
of which: individually measured allowances	75,816	106,534	- 39,407	2,883	-	145,826
Total allowance for debt instruments	**75,816**	**106,534**	**- 39,407**	**2,883**	**-**	**145,826**
Commitments and financial guarantees given (Stage 1)	28,057	9,853	- 9,631	- 13,171	-	15,108
Total provisions on commitments and financial guarantees given	**28,057**	**9,853**	**- 9,631**	**- 13,171**	**-**	**15,108**

in EUR	Opening balance 2023	Increases due to origination and acquisition	Decreases due to derecognition	Changes due to change in credit risk (net)	Other adjustments	Closing balance 2023
Allowances for financial assets without increase in credit risk since initial recognition (Stage 1)	**99,556**	**40,384**	**- 24,228**	**- 39,896**	**-**	**75,816**
Demand deposits	***-***	***20***	***-***	***-***	***-***	***20***
Debt securities	***47,561***	***8,435***	***- 7,481***	***- 10,521***	***-***	***37,994***
Loans and advances	***51,995***	***31,929***	***- 16,747***	***- 29,375***	***-***	***37,802***
of which: individually measured allowances	99,556	40,384	- 24,228	- 39,896	-	75,816
Total allowance for debt instruments	**99,556**	**40,384**	**- 24,228**	**- 39,896**	**-**	**75,816**
Commitments and financial guarantees given (Stage 1)	80,202	194	- 10,834	- 41,505	-	28,057
Total provisions on commitments and financial guarantees given	**80,202**	**194**	**- 10,834**	**- 41,505**	**-**	**28,057**

(a) *Impaired loans and advances*

The total allowance for loans and advances as of 31 December 2024 EUR 145,826 (2023 EUR: 75,816) and all of them are individually provisioned. The Bank has no loans and advances classified in stage 2 or in stage 3 as past due or non-performing as of 31 December 2024.

(b) *Loans and advances renegotiated*

Restructuring activities include the negotiation by the Bank and the customer of amended/deferred payment arrangements and the fixing of covenants to be observed by the customer. Once restructured, a previously overdue customer loan is reset to a normal status renegotiated loan that would otherwise be past due or impaired. Loans and advances renegotiated totalled zero as at 31 December 2024 and 31 December 2023.

3.1.6 Financial assets at fair value through other comprehensive income

The table below presents an analysis of financial assets at fair value through other comprehensive income by rating agency designation based on Standard & Poor's ratings or equivalent extracted by Group system UGRM.

	2024	**2023**
	EUR FV/OCI	**EUR FV/OCI**
A-	171,313,865	215,719,026
BBB	250,241,785	243,059,629
	421,555,650	**458,778,655**

3.1.7 Seized collateral

Total collateral held by the Bank as of 31 December 2024 was EUR 1,138,632,359 with the following distribution:

- Cash deposit EUR 15,243,302;
- Pledged securities portfolio EUR 1,123,389,057.

In 2024, collateral held on Private Banking Lombard loans was mainly composed by cash, equities and investment grade securities with no significant change in the quality of the collateral compared to the previous year. Loan to Value and Loan to Collateral indicators were regularly monitored during the year. During 2024 and 2023, the Bank did not use its right to seize collateral as no impaired loans required the Bank to do so.

3.1.8 Concentration of risks of financial assets with credit risk exposure

(a) *Geographical sectors*

The Bank's main credit exposure can be split between Luxembourg and Italy as majority of bank counterparties are based in Italy for banks and in Luxembourg for the customers.

In EUR	2024						2023
	Italy	Luxembourg	Spain	Germany	Other	Total	Total
Cash and balances at central banks	18,327,243	6,195,439	-	48,642	-	**24,571,324**	17,484,124
Financial assets at FV/PL	-	2,266,692	-	-	-	**2,266,692**	1,280,600
Financial assets at FV/OCI	250,241,785	-	171,313,865	-	-	**421,555,650**	458,778,655
Financial assets at amortised cost: loans to bank	31,653,897	-	-	-	-	**31,653,897**	429,673,511
Financial assets at amortised cost: loans to customer	116,029,354	212,484,588	-	-	3,672,965	**332,186,907**	203,421,473
Financial assets at amortised cost: debt securities	518,877,791	-	118,543,908	-	18,932,588	**656,354,287**	444,661,675
Hedging Derivative	49,677,444	-	-	-	-	**49,677,444**	58,996,827
Total	**984,807,514**	**220,946,719**	**289,857,773**	**48,642**	**22,605,553**	**1,518,266,201**	1,614,296,865

(b) *Industry sectors*

The Bank's main credit exposure can be split between banks, governments and other financial corporations. The following table breaks down the Bank's main credit exposure at its carrying amount, as categorised by the industry sectors of the counterparties.

In EUR	Banks	Government	Other financial corporations	Other customers	Total
As at 31 December 2023	**507,435,062**	**903,440,330**	**194,660,936**	**8,760,537**	**1,614,296,865**
Cash and balances at central banks	24,571,324	-	-	-	24,571,324
Financial assets at FV/PL	-	-	2,266,692	-	2,266,692
Financial assets at FV/OCI	-	421,555,650	-	-	421,555,650
Financial assets at amortised cost	31,653,897	656,354,287	238,096,010	94,090,897	1,020,195,091
Hedging Derivative	49,677,444	-	-	-	49,677,444
As at 31 December 2024	**105,902,665**	**1,077,909,937**	**240,362,702**	**94,090,897**	**1,518,266,201**

3.1.9 Financial guarantees & commitments

The total ECL on commitments and financial guarantees is EUR 15,108 (2023 EUR: 28,057) and each of them is individually provisioned. There were no changes between the stages during the year.

3.2 Market risk

The Bank takes market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market variables (interest rates, prices, exchange rates). Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads and foreign exchange rates.

3.2.1 Market risk measurement techniques

The Bank is primarily exposed to market risks through interest rate and foreign currency risks. The market risks are followed by the Bank on a daily basis by ways of reporting prepared by the Risk Management department. The Bank manages interest rate risk by setting value sensitivity limits per bucket. The choice of the instruments best suited to managing risk within the assigned limits is delegated to the treasury function.
Securities activities are controlled by means of securities portfolio global limits. In the interest of improving and complementing the various risk management and treasury tools, the Bank uses an integrated Risk management tool that is used by the Group, to measure, manage and simulate its liquidity and interest rate risk position.

Risk Management ensures that the exposure of the Bank is not above the limits defined by the Parent Company. With a monthly frequency, specific sensitivity analyses on capital and interest margins are produced. The parametric analysis, considering duration and convexity is used to evaluate the impact on the value of shareholders' equity of parallel shifts in the yield curve (change is identical for all nodes along the curve).
Shifts in the yield curve are almost never parallel:

- Monetary policy signals (restrictive or expansionary) are first transmitted to the money market, via open market operations, and only later to the financial market;
- The expectations of operators about yields over the short and long term affect the rates applying in different segments of the curve.

Therefore, sensitivity analysis by bucket is used to calculate the impact on the present value of each cashflow using the rates from two yield curves (the current curve at the analysis date and the shifted curve) and then comparing the two amounts (full valuation method).

3.2.2 Foreign currency exchange rate risk

Foreign exchange rate risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank is exposed to this risk when the amount of assets and liabilities per currency is not zero. The Management Board of the Bank sets limits on the level of exposure in aggregate which are monitored daily by the Risk Management department. The table below summarizes the Bank’s exposure to foreign currency exchange rate risk at 31 December. Included in the table are the Bank’s financial instruments at carrying amounts, categorized by currency.

As at 31 December 2024	EUR	USD	Other	Total
Assets				
Cash and cash equivalents	6,140,000	-	-	**6,140,000**
Other demand deposits	6,162,585	11,493,826	774,913	**18,431,324**
Financial assets held for trading	2,266,692	-	-	**2,266,692**
Financial assets at fair value through OCI	421,555,650	-	-	**421,555,650**
Financial assets at amortised cost	921,087,575	87,416,934	11,690,582	**1,020,195,091**
Hedging derivatives	49,677,444	-	-	**49,677,444**
Tax assets	15,856,914	-	-	**15,856,914**
Other assets	4,807,350	-	-	**4,807,350**
Total Assets	**1,427,554,210**	**98,910,760**	**12,465,495**	**1,538,930,465**

As at 31 December 2024	EUR	USD	Other	Total
Liabilities				
Financial liabilities at amortised cost	1,133,893,450	98,873,584	12,429,192	**1,245,196,226**
Hedging derivatives	10,522,040	-	-	**10,522,040**
Other liabilities	7,085,714	-	-	**7,085,714**
Total Liabilities	**1,151,501,204**	**98,873,584**	**12,429,192**	**1,262,803,980**

Net on-balance sheet financial position	276,053,006	37,176	36,303	**276,126,485**
Loan commitments and other credit related liabilities	74,325,898	-	-	**74,325,898**
Financial Guarantees	2,870,564	-	-	**2,870,564**

As at 31 December 2023	EUR	USD	Other	Total
Assets				
Cash and cash equivalents	6,749,600	-	-	**6,749,600**
Other demand deposits	638,455	9,811,856	284,213	**10,734,524**
Financial assets held for trading	1,280,600	-	-	**1,280,600**
Financial assets at fair value through OCI	458,778,655	-	-	**458,778,655**
Financial assets at amortised cost	1,011,395,461	65,900,401	460,797	**1,077,756,659**
Hedging derivatives	58,996,827	-	-	**58,996,827**
Tax assets	17,779,900	-	-	**17,779,900**
Other assets	3,537,604	-	-	**3,537,604**
Total Assets	**1,559,157,102**	**75,712,257**	**745,010**	**1,635,614,369**

As at 31 December 2023	EUR	USD	Other	Total
Liabilities				
Financial liabilities at amortised cost	1,220,428,307	75,775,625	662,261	**1,296,866,193**
Financial liabilities held for trading	1,280,600	-	-	**1,280,600**
Hedging derivatives	7,364,355	-	-	**7,364,355**
Other liabilities	7,676,085	-	-	**7,676,085**
Total Liabilities	**1,236,749,347**	**75,775,625**	**662,261**	**1,313,187,233**

Net on-balance sheet financial position	322,407,755	(63,368)	82,749	**322,427,136**
Loan commitments and other credit related liabilities	103,887,762	-	-	**103,887,762**
Financial Guarantees	2,448,080	-	-	**2,448,080**

Concentrations of currency risk – on- and off-balance sheet instruments

Under the assumptions, as defined hereabove, taking into account assets and liabilities as at 31 December 2024 (respectively 2023), a 10% strengthening in EUR to USD impact on profit or loss and equity by EUR (3,718) (2023 EUR: (118)) and a 10% weakening in EUR to USD would impact on profit or loss and equity by EUR +3,718 (2023 EUR: +118).

3.2.3 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposures to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value risks. Interest margins may increase as a result of such changes but may reduce in the event that unexpected movements arise. The Bank sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily by the Risk Management department.

The table below summarizes the Bank's exposure to interest rate risks. It includes the financial instruments at carrying amounts (including accrued interest), categorized by contractual date, taking into account repricing dates.

	Up to 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Non-interest	Total
As at 31 December 2024							
In EUR							
Assets							
Cash and cash equivalents	24,571,324	-	-	-	-	-	**24,571,324**
Financial assets at amortised cost - Banks	22,548,131	8,549,234	556,532	-	-	-	**31,653,897**
Financial assets at amortised cost - Customer	326,324,562	3,164,069	2,698,276	-	-	-	**332,186,907**
Financial assets at amortised cost Customer - Debt securities	-	-	30,053,600	243,102,927	383,197,760	-	**656,354,287**
Financial assets at FV/OCI	64,903,685	-	-	75,705,202	280,946,763	-	**421,555,650**
Derivative financial instruments	-	10,307,540	39,369,904	-	-	-	**49,677,444**
Other assets	-	-	-	-	-	4,807,350	**4,807,350**
Total financial assets	**438,347,702**	**22,020,843**	**72,678,312**	**318,808,129**	**664,144,523**	**4,807,350**	**1,520,806,859**
Liabilities							
Deposits from banks	351,792,249	239,427,087	-	-	-	-	**591,219,336**
Deposits from customers	452,833,273	115,835,092	68,085,636	17,105,813	-	-	**653,859,814**
Derivative financial instruments	-	-	10,522,040	-	-	-	**10,522,040**
Other liabilities	-	-	-	-	-	7,085,714	**7,085,714**
Total financial liabilities	**804,625,522**	**355,262,179**	**78,607,676**	**17,105,813**	**-**	**7,085,714**	**1,262,686,904**
Total interest repricing gap	**(366,277,820)**	**(333,241,336)**	**(5,929,364)**	**301,702,316**	**664,144,523**	**(2,278,364)**	**258,119,955**
As at 31 December 2023							
Total financial assets	**359,566,695**	**62,892,830**	**365,141,989**	**308,659,579**	**518,035,772**	**3,537,604**	**1,617,834,469**
Total financial liabilities	**839,963,793**	**261,118,561**	**204,309,897**	**-**	**-**	**7,676,086**	**1,313,068,337**
Total interest repricing gap	**(480,397,098)**	**(198,225,731)**	**160,832,092**	**308,659,579**	**518,035,772**	**(4,138,482)**	**304,766,132**

Under the assumptions, as defined hereabove, a 100 basis points increase or decrease in market interest rates would influence the net interest income before tax by EUR (3,483) mln (2023 EUR: (2,829) mln) and by EUR +3,508 mln (2023 EUR: +2,855 mln) respectively.

3.3 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

3.3.1 Liquidity risk management process

The Bank's policies for liquidity risk establish the responsibility of the Parent Company concerning both the observance of the consolidated limits and the strategic decisions for funding allocation. The Group's objective consists in maintaining a constant level of liquidity in order to carry out the normal business and to comply with international regulations and rules defined by the national central banks.

The Group liquidity risk is managed within a centralized location on behalf of all group entities. Liquidity risk is mitigated by various funding sources, by investing in readily marketable securities and closely monitoring maturities and limits related to asset and liability management.

The management of liquidity risk is not limited to cash management but also includes analysis of the strategic and long term liquidity forecast, in order to determine a possible surplus or shortage of liquidity. On a daily basis the Risk Management department of the Bank measures and monitors the exposure of the Bank to liquidity risk; it also ensures the Bank remains within the limits imposed by the Parent Company and applicable regulations.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

3.3.2 Cash flows on non-derivative financial assets and liabilities

The table below presents the residual life of receivables and payables of the Bank under non-derivative financial assets and liabilities, as well as other assets and liabilities, categorized by their remaining contractual maturities as of the statement of financial position date. The amounts disclosed in the table are on undiscounted and gross basis, and categorized by contractual maturity dates.

As at 31 December 2024 In EUR	Up to 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Total
Assets						
Cash and cash equivalents	24,571,324	-	-	-	-	24,571,324
Loans and advances to Banks	22,548,131	8,549,234	556,532	-	-	31,653,897
Loans and advances to Customer	326,324,562	3,164,069	2,698,276	-	-	332,186,907
Financial assets at amortised cost Customers - Debt securities	-	-	30,053,600	243,102,927	383,197,760	656,354,287
Non-trading financial assets mandatorily at FV/P&L	-	2,266,692	-	-	-	2,266,692
Financial assets at FV/OCI	64,903,685	-	-	75,705,202	280,946,763	421,555,650
Total financial assets	**438,347,702**	**13,979,995**	**33,308,408**	**318,808,129**	**664,144,523**	**1,468,588,757**
Liabilities						
Deposits from banks	351,792,249	239,427,087	-	-	-	591,219,336
Deposits from customers	452,833,273	115,835,092	68,085,636	17,105,813	-	653,859,814
Other liabilities (IFRS 16) - no maturity breakdown	117,076	-	-	-	-	117,076
Total financial liabilities	**804,742,598**	**355,262,179**	**68,085,636**	**17,105,813**	**-**	**1,245,196,226**

As at 31 December 2023 In EUR	Up to 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Total
Assets						
Cash and cash equivalents	17,484,124	-	-	-	-	17,484,124
Loans and advances to Banks	35,126,215	23,279,181	371,268,115	-	-	429,673,511
Loans and advances to Customer	194,320,157	5,829,778	-	1,771,888	1,499,650	203,421,473
Financial assets at amortised cost Customers - Debt securities	-	-	25,178,261	170,135,798	249,347,616	444,661,675
Financial assets at FV/OCI	51,566,718	-	-	138,523,781	268,688,156	458,778,655
Total financial assets	**298,497,214**	**29,108,959**	**396,446,376**	**310,431,467**	**519,535,422**	**1,554,019,438**
Liabilities						
Deposits from banks	300,239,634	211,315,643	-	-	-	511,555,277
Deposits from customers	538,667,519	44,947,816	170,690,394	1,770,824	1,497,142	757,573,695
Debt securities in issue	-	-	27,618,324	-	-	27,618,324
Other liabilities (IFRS 16) - no maturity breakdown	118,897	-	-	-	-	118,897
Total financial liabilities	**839,026,050**	**256,263,459**	**198,308,718**	**1,770,824**	**1,497,142**	**1,296,866,193**

The Bank is integrated in the liquidity's risk management processes of UniCredit S.p.A.. In case of liquidity shortfall, the liquidity contingency plan, which foresees a dedicated support from UniCredit S.p.A., will be activated.

3.3.3 Cash flows on derivative financial instruments

The table below analyses the Bank's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The cash flows included not only the fixed rate cash flow, but also the expected cash flows of the variable rate index that will be set in the future. This expected cash flow is based on the forward Euribor curve.

At 31 December 2024 In EUR	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total
Derivatives:					
Interest rate derivatives					
- Outflow	-	(11,262,054)	(58,136,888)	(35,505,305)	(104,904,247)
- Inflow	4,511,174	17,863,057	97,717,874	47,853,687	167,945,792
Total outflow	**-**	**(11,262,054)**	**(58,136,888)**	**(35,505,305)**	**(104,904,247)**
Total inflow	**4,511,174**	**17,863,057**	**97,717,874**	**47,853,687**	**167,945,792**

At 31 December 2023 In EUR	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total
Derivatives:					
Interest rate derivatives					
- Outflow	(2,025,853)	(5,488,835)	(25,702,117)	(7,009,708)	(40,226,513)
- Inflow	3,644,193	23,262,038	110,489,860	55,440,760	192,836,851
Total outflow	**(2,025,853)**	**(5,488,835)**	**(25,702,117)**	**(7,009,708)**	**(40,226,513)**
Total inflow	**3,644,193**	**23,262,038**	**110,489,860**	**55,440,760**	**192,836,851**

3.3.4 Off-balance sheet items

The details of the contractual amounts of the Bank's off-balance sheet financial instruments are summarised in the table below in EUR:

	2024		2023	
	Nominal amount of off-balance sheet commitments and financial guarantees	Provisions on off-balance sheet commitments and financial guarantees	Nominal amount of off-balance sheet commitments and financial guarantees	Provisions on off-balance sheet commitments and financial guarantees
Type of transactions/Value	Instruments without significant increase in credit risk since initial recognition (Stage 1)	Instruments without significant increase in credit risk since initial recognition (Stage 1)	Instruments without significant increase in credit risk since initial recognition (Stage 1)	Instruments without significant increase in credit risk since initial recognition (Stage 1)
Loan commitments given	**74,339,820**	**13,922**	**103,912,150**	**24,388**
Other financial corporations	53,016,226	4,428	89,546,252	17,639
Non-financial corporations	2,785,122	7,483	-	-
Households	18,538,472	2,011	14,365,898	6,749
Financial guarantees given	**2,871,750**	**1,186**	**2,451,750**	**3,670**
Other financial corporations	118,750	145	58,750	47
Non-financial corporations	33,000	12	33,000	54
Households	2,720,000	1,029	2,360,000	3,569

3.4 Fair value of financial assets and liabilities

3.4.1 Fair value versus carrying amounts

The carrying amounts of the financial assets and financial liabilities measured at amortised cost are deemed to be a reasonable estimate of their fair value considering their short-term maturity.

3.4.2 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);

- Level 3: inputs are unobservable inputs for the asset or liability. [IFRS 13:86]
    - Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. An entity develops unobservable inputs using the best information available in the circumstances, which might include the entity's own data, taking into account all information about market participant assumptions that is reasonably available. [IFRS 13:87-89]

UniCredit Group's objective when choosing and developing an appropriate valuation technique is to establish what a transaction price would have been on the measurement date in an arm's length transaction in normal business conditions. Selected valuation techniques are chosen among those commonly used by market participants, once it has been demonstrated they provide reliable estimates of prices obtained in actual market transactions. In addition, such selected valuation techniques need to reflect current market conditions, by making maximum use of observable market data.

Financial Assets at FV/PL & Financial Liabilities Held for Trading:
These Financial Instruments (Over The Counter Multi Asset Equity derivatives) are mapped to Level 2 based the indicator that the equity underlying in terms of volatility (including moneyness) and dividends and the relevant correlation pairs are liquid and up until the maturity date of the derivative.

Hedging Derivatives:
These Financial Instruments (Over the counter Fixed-Floating interest rate swaps) are mapped to Level 2 based the indicator that the underlying discount curve used value the transaction can be constructed from observable liquid Money Market and Fixed Income Instruments.

Inputs for the asset or liability that are not based on observable market data (unobservable inputs).
The policy elected for the transfer between the level of fair value hierarchy is the date when the entity realizes that there was an event or circumstance for a change in the classification of the level of an instrument.

There were no changes between the different stages during the year.

In EUR	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2024				
Financial assets				
Financial assets at FV/PL	-	-	2,266,692	2,266,692
Financial assets at FV/OCI	421,555,650	-	-	421,555,650
Hedging derivatives	-	49,677,444	-	49,677,444
	421,555,650	**49,677,444**	**2,266,692**	**473,499,786**
Financial liabilities				
Hedging derivatives	-	10,522,040	-	10,522,040
	-	**10,522,040**	**-**	**10,522,040**

In EUR	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2023				
Financial assets				
Financial assets at FV/PL	-	1,264,947	15,653	1,280,600
Financial assets at FV/OCI	458,778,655	-	-	458,778,655
Hedging derivatives	-	58,996,827	-	58,996,827
	458,778,655	**60,261,774**	**15,653**	**519,056,082**
Financial liabilities				
Financial liabilities held for trading	-	1,264,947	15,653	1,280,600
Hedging derivatives	-	7,364,355	-	7,364,355
	-	**8,629,302**	**15,653**	**8,644,955**

3.5 Capital management

The Bank's objectives when managing capital, are:

- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and;
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored monthly by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee and set as Regulatory Directive and Regulation by the European Parliament and Council. The required information is filed with the ECB and CSSF on a quarterly basis.

In 2024, the ECB, after finalization of the SREP process, has set for the Bank a Minimum Total Capital ratio of 8% plus capital conservation buffer of 2,5%. The Bank's regulatory capital is composed of subscribed capital, reserves and retained earnings.
The risk-weighted assets are measured by means of risk weights classified according to the nature of each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.
The table below summarizes the composition of regulatory capital and the ratios of the Bank for the year ended 31 December. During those two years, the Bank complied with all externally imposed capital requirements to which it is subject.

	2024 EUR	2023 EUR
Global Regulatory Capital	**302,491,511**	**301,236,714**
Capital requirement for the credit risk	203,738,706	287,809,766
Capital requirements for position,foreign exchange and commodities	91,038	136,872
Capital requirement for operational risk	46,608,769	45,551,613
Total capital requirement	**250,438,514**	**333,498,251**
Core Tier 1 (minimum being 8.00%)	**120.78%**	**90.33%**

4 Critical accounting estimates and judgments

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Fair value of unquoted financial instruments

The fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example models) are used to determine fair value, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments. The bank uses Group models for these calculations.

(b) Income taxes

The Bank is subject to income tax in Luxembourg. Estimates are required in determining the provision for income taxes. The provision has been calculated taking into account the applicable rate of 24.94% for the financial year.

(c) Defined benefit plan

The present value of the pension obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions used in determining the net cost/income for pensions include demographic assumptions, the discount rate, the inflation rate, expected rates of wage costs increase and expected cash flow linked to pension increases. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Bank determines the appropriate discount rate at the end of each year. This rate is used to determine the present value of estimated future cash flows expected to settle the pension obligations. In determining the discount rate, the Bank considers the interest rate of high-quality corporate bonds denominated in EUR and that have terms to maturity approximating the terms of the related pension liability. Assumptions and estimations are provided by an external insurance company. Additional information is disclosed in Note 17.1.

(d) Provisions

All provisions and potential litigations that the Bank could be involved in are analyzed at each reporting date and adjusted to reflect the current best estimate. When necessary, legal advice is sought, and provisions are recorded.

5 Cash and cash equivalents

	2024 EUR	2023 EUR
a) Cash and cash equivalents	18,431,324	10,734,524
b) Balances with central banks	6,140,000	6,749,600
Total	**24,571,324**	**17,484,124**

Cash and cash equivalents of the year as reported in the Cash Flow Statement also includes loans with banks below 3 months and overall sum up to EUR 55,668,688 (2023 EUR: 75,889,520).

6 Financial assets at fair value through profit or loss

The Bank trades mainly in the following types of derivatives:

- Interest rate Swaps;
- Equity linked swaps (which expired in 2024);
- Equity linked options (which expired in 2024).

Derivatives are linked to ELN or asset swaps. Equity linked swaps and Equity linked options are linked to ELN. No exchange of principal takes place. The Bank’s credit risk represents the potential cost to replace the swap contracts if counterparties fail to fulfil their obligation. In order to mitigate this Counterparty Credit Risk, the bank has entered into netting agreements (ISDA Agreement) and a collateral exchange agreement (ISDA Collateral Support Annex). On a daily basis, the replacement value is calculated, and variation margin is exchanged, if the difference between collateral and replacement value exceeds the contractual threshold.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognized on the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms.
The aggregate contractual or notional amount of derivative financial instruments, the extent to which instruments are favorable or unfavorable, and thus the aggregate fair value of derivative financial assets and liabilities, can fluctuate significantly from time to time. The fair values of derivative instruments held are set out below.

There were no changes in the level classification during the year.

The following other Business Models are defined by the Bank for FV/PL:

- Subordinated Loans

The Bank classifies Loans and Receivables which initially are concluded to fail SPPI criteria into FV P&L category. Regarding the business model assessment, the area that required significant assessment was the subordinated loan business and the fact that such loans should be accounted for at fair value because they do not fulfil all the conditions to pass SPPI testing.

6.1. Financial assets held for trading: breakdown by product

	AMOUNTS AS AT 31.12.2024			AMOUNTS AS AT 31.12.2023		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
A. Financial assets (non-derivatives)						
1. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**
3. Units in investment funds	**-**	**-**	**-**	**-**	**-**	**-**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
4.1 Reverse Repos	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total (A)	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivative instruments						
1. Financial derivatives	**-**	**-**	**-**	**-**	**1,264,947**	**15,653**
1.1 Trading	-	-	-	-	-	-
1.2 Linked to fair value option	-	-	-	-	-	-
1.3 Other	-	-	-	-	1,264,947	15,653
2. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Trading	-	-	-	-	-	-
2.2 Linked to fair value option	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
Total (B)	**-**	**-**	**-**	**-**	**1,264,947**	**15,653**
Total (A+B)	**-**	**-**	**-**	**-**	**1,264,947**	**15,653**

6.2. Breakdown for derivative hedging and trading with maturity

At 31 December 2024 In EUR	Contract/ notional amount	Fair value	
		Assets	Liabilities
Interest rate Swaps			
- Hedging	830,000,000	49,677,444	10,522,040
Total derivatives	**830,000,000**	**49,677,444**	**10,522,040**
Maturity >1 year	765,000,000	48,936,924	10,522,040
Maturity < 1 year	65,000,000	740,520	-
		49,677,444	**10,522,040**

At 31 December 2023 In EUR	Contract/ notional amount	Fair value	
		Assets	Liabilities
Equity Options			
-Trading	57,038,000	1,280,600	1,280,600
Interest rate Swaps			
- Hedging	703,519,000	58,996,827	7,364,355
Total derivatives	**760,557,000**	**60,277,427**	**8,644,955**
Maturity >1 year	625,000,000	58,996,827	5,187,673
Maturity < 1 year	135,557,000	1,280,600	3,457,282
		60,277,427	**8,644,955**

6.3. Other financial assets mandatorily at fair value: breakdown by product

ITEMS/VALUES	AMOUNTS AS AT		31.12.2024	AMOUNTS AS AT		31.12.2023
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Debt securities	**-**	**-**	**-**	**-**	**-**	**-**
Structured securities	-	-	-	-	-	-
Other debt securities	-	-	-	-	-	-
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**
Units in investment funds	**-**	**-**	**-**	**-**	**-**	**-**
Loans	**-**	**-**	**2,266,692**	**-**	**-**	**-**
Structured	-	-	-	-	-	-
Subordinated loans	-	-	2,266,692	-	-	-
Total	**-**	**-**	**2,266,692**	**-**	**-**	**-**
Total Level 1, Level 2 and Level 3	-	-	**2,266,692**			**-**

7 Financial assets at fair value through other comprehensive income

	2024 EUR
Securities at FV/OCI	
Listed debt securities	421,555,650
Total securities at FV/OCI	**421,555,650**

	2024 EUR
At 1 January	**458,778,654**
Additions	19,648,000
Disposals (sale and redemption)	(66,206,000)
Changes in fair value allocated to profit or loss	11,816,681
Changes in fair value allocated to other comprehensive income	(823,857)
Change in accrued interest	(1,657,828)
As at 31 December 2024	**421,555,650**

Change in the FV/OCI reserve	2024 EUR
At 1 January	**4,450,231**
(Increase) in unrealised losses on FV/OCI portfolio	(823,857)
Deferred taxes	205,470
As at 31 December 2024	**3,831,844**

	2023 EUR
Securities at FV/OCI	
Listed debt securities	458,778,655
Total securities at FV/OCI	**458,778,655**

	2023 EUR
At 1 January	**563,758,656**
Additions	-
Disposals (sale and redemption)	(132,618,500)
Changes in fair value allocated to profit or loss	31,755,539
Changes in fair value allocated to other comprehensive income	(2,444,871)
Change in accrued interest	(1,672,169)
As at 31 December 2023	**458,778,655**

Change in the FV/OCI reserve	2023 EUR
At 1 January	**6,285,351**
(Increase) in unrealised losses on FV/OCI portfolio	(2,444,871)
Deferred taxes	609,751
As at 31 December 2023	**4,450,231**

During the year, the Bank disposed EUR 20 million (notional amount) of Spain Government Bonds booked in the FV/OCI portfolio.

8 Financial assets at amortised cost: Loans and advances to banks

	AMOUNTS AS AT 31.12.2024	
	CARRYING VALUE	
	STAGE 1	STAGE 2 AND 3
Loans and advances to Central Banks	**6,140,000**	**-**
Other	6,140,000	-
Loans and advances to banks	**50,085,221**	**-**
Current accounts and demand deposits	18,431,324	-
Time deposits	31,653,897	-
Total	**56,225,221**	**-**
Loans to banks net of cash and loans to central banks (note 5)	31,653,897	-

	AMOUNTS AS AT 31.12.2023	
	CARRYING VALUE	
	STAGE 1	STAGE 2 AND 3
Loans and advances to Central Banks	**6,749,600**	**-**
Other	6,749,600	-
Loans and advances to banks	**440,408,035**	**-**
Current accounts and demand deposits	10,734,524	-
Time deposits	384,172,557	-
Other loans	45,500,954	-
Total	**447,157,635**	**-**
Loans to banks net of cash and loans to central banks (note 5)	429,673,511	-

There were no changes between the stages during the year.

9 Financial assets at amortised cost: Loans and advances to customers and debt securities

	AMOUNTS AS AT 31.12.2024	
	CARRYING VALUE	
	STAGE 1	STAGE 2 AND 3
Loans and advances	**332,186,907**	**-**
Current accounts	238,243,205	-
Other loans	93,943,702	-
Debt securities	**656,354,287**	**-**
Other debt securities	656,354,287	-
Total	**988,541,194**	**-**

	AMOUNTS AS AT 31.12.2023	
	CARRYING VALUE	
	STAGE 1	STAGE 2 AND 3
Loans and advances	**203,421,473**	**-**
Current accounts	193,814,230	-
Other loans	9,607,243	-
Debt securities	**444,661,675**	**-**
Other debt securities	444,661,675	-
Total	**648,083,148**	**-**

Amounts shown in the current accounts are mainly related to revolving credit facilities with the technical form of overdraft in current accounts.

In 2024, the Bank restructured the revolving credit facility of one of its clients. In the new set-up, part of the exposure has been transferred to another legal entity of the Group via a funded silent sub-participation.

10 Deferred tax assets

Deferred income tax assets are disclosed separately in the statement of financial positions. Applicable income tax rate is 24.94%. More details regarding the deferred tax liabilities are provided in the Note 18 of these financial statements.

EUR	Tax asset 2024		Tax asset 2023	
	Posted to P&L	Posted to Net Equity	Posted to P&L	Posted to Net Equity
Breakdown				
Financial assets and liabilities (different from Loans and Deposits)	12,134	96,242	320,607	177,628
Loans and advances to and deposits from banks and customers	25,115	-	9,433	-
Hedging and hedged item revaluation	13,651,028	-	16,289,142	-
Other assets and Other liabilities	-	7,615	-	110,417
Provisions, pension funds and similar	759,234	-	806,765	-
Total	**14,447,511**	**103,857**	**17,425,947**	**288,045**
TOTAL		**14,551,368**		**17,713,992**
Change				
Opening balance	17,425,947	288,045	28,111,644	689,673
Financial assets and liabilities (different from Loans and Deposits)	(308,473)	(81,386)	(1,028,111)	(467,498)
Loans and advances to and deposits from banks and customers	15,682	-	(3,534)	-
Hedging and hedged item revaluation	(2,638,114)	-	(9,695,389)	-
Other assets and Other liabilities	-	(102,802)	-	65,870
Provisions, pension funds and similar	(47,531)	-	41,337	-
Closing balance	**14,447,511**	**103,857**	**17,425,947**	**288,045**
TOTAL		**14,551,368**		**17,713,992**

11 Property and equipment

	Changes in 2024		
	Office furniture and fittings	Electronic systems	Total
Gross opening balance	**181,507**	**484,968**	**666,475**
Total net reduction in value	(130,165)	(301,188)	(431,353)
Net opening balance	51,342	183,780	235,122
Reductions	**13,812**	**97,995**	**111,807**
Depreciation	13,812	97,995	111,807
Net final balance	**37,530**	**85,785**	**123,315**
Total net reduction in value	(143,977)	(399,183)	(543,160)
Gross closing balance	181,507	484,968	666,475

	Changes in 2023		
	Office furniture and fittings	Electronic systems	Total
Gross opening balance	**333,489**	**549,520**	**883,009**
Total net reduction in value	(268,335)	(295,409)	(563,744)
Net opening balance	65,154	254,111	319,265
Increases	**151,982**	**95,649**	**247,631**
Purchases	-	15,548	15,548
Other changes	151,982	80,101	232,083
Reductions	**165,794**	**165,980**	**331,774**
Disposals	151,982	80,100	232,082
Depreciation	13,812	85,880	99,692
Net final balance	**51,342**	**183,780**	**235,122**
Total net reduction in value	(130,165)	(301,188)	(431,353)
Gross closing balance	181,507	484,968	666,475

	Changes in 2024		
	Buildings - Right of use	Other - Rights to use	Total
Gross opening balance	**-**	**282,045**	**282,045**
Total net reduction in value	-	(163,959)	(163,959)
Net opening balance	-	118,086	118,086
Increases	**-**	**237,250**	**237,250**
Purchases	-	100,599	100,599
Other changes	-	136,651	136,651
Reductions	**-**	**240,246**	**240,246**
Depreciation	-	83,207	83,207
Other changes	-	157,039	157,039
Net final balance	**-**	**115,090**	**115,090**
Total net reduction in value	-	(110,515)	(110,515)
Gross closing balance	-	225,605	225,605

	Changes in 2023		
	Buildings - Right of use	Other - Rights to use	Total
Gross opening balance	**2,356,713**	**306,884**	**2,663,597**
Total net reduction in value	(2,091,080)	(191,965)	(2,283,045)
Net opening balance	265,633	114,919	380,552
Increases	**37,647**	**258,953**	**296,600**
Purchases	-	117,057	117,057
Other changes *	37,647	141,896	179,543
Reductions	**303,280**	**255,786**	**559,066**
Disposals*	92,966	141,896	234,862
Depreciation	210,314	113,890	324,204
Net final balance	**-**	**118,086**	**118,086**
Total net reduction in value	-	(163,959)	(163,959)
Gross closing balance	-	282,045	282,045

*Certain prior figures have been reclassified to conform with the current financial year's presentation for comparative purposes.

12 Intangible assets

	CHANGES IN 2024	
	OTHER INTANGIBLE ASSETS	
	FINITE LIFE	TOTAL
Gross opening balance	**15,608,714**	**15,608,714**
Total net reduction in value	(6,981,575)	(6,981,575)
Net opening balance	8,627,139	8,627,139
Increases	**2,485,723**	**2,485,723**
Purchases	610,267	610,267
Other changes	1,875,456	1,875,456
Reduction	**4,775,940**	**4,775,940**
Disposals	1,875,456	1,875,456
Write-downs	2,897,019	2,897,019
- Amortization	2,897,019	2,897,019
- Other changes	3,465	3,465
Net closing balance	**6,336,922**	**6,336,922**
Total net write-down	8,003,138	8,003,138
Gross closing balance	**14,340,060**	**14,340,060**

	AMOUNTS AS AT 31.12.2024	AMOUNTS AS AT 31.12.2023
	Finite life	Finite life
Other intangible assets	**6,336,922**	**8,627,139**
Assets carried at cost	6,336,922	8,627,139
Total	**6,336,922**	**8,627,139**
Total finite and indefinite life	**6,336,922**	**8,627,139**

Intangible assets are mainly related to software used by the Bank and to the investments needed to move the Luxembourg applications to the Group data center.

13 Other assets

13.1 Equity investment

In 2020, the Bank, with the aim to support UniCredit Group Wealth Management, established a 100% participation in UC Group Wealth Management Investments S.à.r.l (GP S.à.r.l), principal place of business Luxembourg, which acts as General Partner of GWM Opportunities SCS-SICAV-SIF (GWM Opportunities) with its principal place of business in Luxembourg. The Bank holds a 100% proportion of ownership interest. With this new set-up UniCredit Group Wealth Management will offer alternative investments to its clients. The GWM Opportunities (in the legal form of a société en commandite simple) will allow to create different sub-funds (funds which invest solely in one or more closed-ended funds) that can be distributed in the countries covered by GWM Opportunities.

In December 2023, the Bank and UniCredit Bank GmbH signed a Share Purchase Agreement for the transfer of 100% of the shares in Structured Invest S.A. (S.I.), principal place of business Luxembourg, from UniCredit Bank GmbH to the Bank. The aggregate consideration for the purchase of the transferring shares was EUR 45,298,103 million.

Closing of the transaction occurred in April 2024, following the formal approval received from the regulatory authorities (CSSF/ECB).
The transaction intends to take full advantage of the synergies:

- between the two Luxembourg-based entities (corporate/control/legal/IT functions) by extending UCInt's Luxembourg compliance framework to S.I.;
- with UCInt's customers by facilitating access to S.I.'s new product range.

Moreover, the transaction will enable to:

- align the holding structure with the new global strategy regarding the asset management business and, in particular, the OneMarket funds;
- bring S.I. within the perimeter of the Italy division, ensuring better alignment between ownership and distribution.

In line with IAS36, the Bank recognizes the participations at the purchase price net of impairments. As per IFRS 10 4 (a) and in line with the rules for exemption in the article 80 of the banking Law dated 17 June 1992, the Bank considers that the exemption from the obligation to prepare a consolidated Financial Statement applies.

13.2 Other assets

	AMOUNTS AS AT	
	31.12.2024	**31.12.2023**
Interest and changes to be debited to Customers	3,765,238	3,009,883
Items in processing	859,336	469,292
Tax items	154,226	9,645
Other assets	28,550	48,784
Total	**4,807,350**	**3,537,604**

14 Financial liabilities at amortised cost: Deposits from banks

	AMOUNTS AS AT 31.12.2024	AMOUNTS AS AT 31.12.2023
	CARRYING VALUE	CARRYING VALUE
Deposits from banks	**591,219,336**	**511,555,277**
a) Current accounts and demand deposits	130,555,228	63,838,796
b) Time deposits	127,579,043	238,731,481
c) Loans	333,085,065	208,985,000
- Repos	333,085,065	208,985,000
Total	**591,219,336**	**511,555,277**

15 Financial liabilities at amortised cost: Deposits from customers

	AMOUNTS AS AT 31.12.2024	AMOUNTS AS AT 31.12.2023
Current accounts and demand deposits	83,732,773	115,842,154
Time deposits	570,127,041	641,731,541
Total	**653,859,814**	**757,573,695**

16 Debt securities in issue

	2024 EUR	2023 EUR
Equity linked notes	-	27,618,324
	-	**27,618,324**

	2024 EUR	2023 EUR
At 1 January	**27,618,324**	**127,961,669**
Redemption	(28,519,000)	(102,900,000)
Change in fair value allocated to profit or loss	687,582	1,813,587
Change in accrued interest	213,094	743,068
At 31 December	**-**	**27,618,324**

As at 31 December 2024, the Bank had not on its books any debt instruments issued. All debt issued by the Bank were guaranteed by the Parent company. Therefore, a change in the Bank's own credit risk does not change the value of the issued debt and no entries are reported into OCI related to Own Credit Risk.

17 Provisions for risks and charges

In line with the organizational changes undertaken by the Group within the Strategic Plan "UniCredit Unlocked 2022-2024", internal reorganization has been planned to foster the business effectiveness and improve the alignment with the Holding. The financial effects related to the reorganization are included in the category "Other provisions for risks and charges".

	AMOUNTS AS AT	
	31.12.2024	**31.12.2023**
Provisions for credit risk on commitments and financial guarantees given	15,107	28,057
Pensions and other post-retirement benefit obligations	3,029,136	3,206,766
Other provisions for risks and charges	2,872,760	2,842,387
Legal and tax disputes	72,760	42,387
Staff expenses	2,800,000	2,800,000
Total	**5,917,003**	**6,077,210**

17.1 Post Retirement benefit obligations

8 employees of the Bank (2023: 8) participate in four defined benefit plans set up and operated in accordance with Luxembourg law and regulations. The Bank has also two defined contribution plans for 49 employees.

	2024 EUR	2023 EUR
Balance sheet obligations for pension benefits	3,029,136	3,206,766
Income statement charged for pension benefits	358,289	283,648

The amounts recognised in the balance sheet are determined as follows:

	2024 EUR	2023 EUR
Present value of defined benefit obligations	4,026,318	4,149,973
Fair value of plan assets	(997,182)	(943,207)
	3,029,136	**3,206,766**
Liability in the balance sheet	**3,029,136**	**3,206,766**

The movement in the defined benefit obligation is as follows:

	2024 EUR	2023 EUR
Beginning of year	4,149,974	3,636,016
Interest cost	145,601	138,887
Current service cost	250,582	170,102
Actual benefit payments by the fund	(46,902)	(92,535)
(Gain) on change of financial assumptions	(15,619)	(110,171)
(Gain) or loss on experience adjustment	(457,318)	407,674
End of year	**4,026,318**	**4,149,973**

The movement in the fair value of plan assets of the year is as follows:

	2024 EUR	2023 EUR
Beginning of year	943,208	647,141
Actual total benefit payments	(46,902)	(92,535)
Actual Bank contributions (including benefits paid directly by the Bank)	62,656	329,870
Interest income	37,894	25,341
Return on plan assets	326	33,390
	997,182	**943,207**

The charges recognised in the statement of comprehensive income are as follows:

	2024 EUR	2023 EUR
Current service cost	250,582	170,102
Net interest cost:	107,707	113,546
- Interest cost on defined benefit plan	145,601	138,887
- Interest income on plan assets	(37,894)	(25,341)
Total charges recognised and included in staff costs	**358,289**	**283,648**

The movement recognised in Other Comprehensive income is as follows:

	2024 EUR	2023 EUR
Beginning of year	**(442,729)**	**(178,616)**
Loss or (Gain) on experience adjustment	457,318	(407,674)
Loss on change of financial assumptions	15,619	110,171
Return on plan assets	326	33,390
	30,534	**(442,729)**

(Gain) or loss due to change on Demographic assumption is nil as at 31 December 2024 (2023: nil).

The actuarial assumptions used are as follows:

	2024 % p.a.	2023 % p.a.
Inflation rate	2.15	2.25
Discount rate	3.40	3.55
Expected rate of salary increases	4.65	4.75
Expected rate of social security increases	2.15	2.25
Longevity at age 65 (in years):		
-Male	19.65	19.65
-Female	22.41	22.41

The mortality table is ERM90 for males and ERF90 for females.

As of 31 December 2024, sensitivity analysis is as follows:

	Increase	Increase
Discount rate (0,25% movement)	117,655	126,612
Future salary growth (0,25% movement)	300,300	302,288
Inflation rate growth (0,25% movement)	215,958	(213,130)
Future mortality (1 year movement)	(10,839)	(11,213)

Expected cash flow and other information as of 31 December 2024 are as follows:

Employer contributions to plan assets	65,570	345,539
Benefit payments from plan assets	49,111	97,089

As of 31 December 2024, the duration of the Defined benefit plan (liabilities) is 11.88 years.

18 Deferred tax liabilities

Deferred income tax assets and liabilities are disclosed separately in the statement of financial positions. Applicable income tax rate is 24.94%. More details regarding the deferred tax assets are provided in the Note 10 of these financial statements.

	Tax liabilities 2024		Tax liabilities 2023	
	Posted to P&L	Posted to Net Equity	Posted to P&L	Posted to Net Equity
Breakdown				
Financial assets and liabilities (different from Loans and advances and Deposits)	-	1,369,441	482,614	1,656,297
Hedging and hedged item revaluation	13,687,471	-	16,097,518	-
Other assets and Other liabilities	-	7,615	-	110,417
Total	**13,687,471**	**1,377,056**	**16,580,132**	**1,766,714**
TOTAL		**15,064,527**		**18,346,846**
Change				
Opening balance	16,580,132	1,766,714	28,003,413	2,778,093
Financial assets and liabilities (different from Loans and advances and Deposits)	(482,614)	(286,856)	(2,368,698)	(1,077,249)
Hedging and hedged item revaluation	(2,410,047)	-	(9,054,583)	-
Other assets and Other liabilities	-	(102,802)	-	65,870
Total	**13,687,471**	**1,377,056**	**16,580,132**	**1,766,714**
TOTAL		**15,064,527**		**18,346,846**

19 Other liabilities

	AMOUNTS AS AT	
	31.12.2024	31.12.2023
Accrued expenses other than those to be capitalised for the financial liabilities concerned	260,968	834,498
Other liabilities due to employees	1,863,336	1,980,676
Interest and amounts to be credited to Banks	1,909,786	1,097,377
Other liabilities	1,936,917	3,104,557
Other Tax items	1,114,707	658,978
Total	**7,085,714**	**7,676,086**

Other liabilities to employees are mainly composed by salary, bonus and social charges payable. Other liabilities are related to accounts payable to suppliers.

20 Share capital

Authorized share capital includes only ordinary shares. The total number of ordinary shares in issue at year-end was 134,066 (2023: 134,066) with a par value of EUR 100 per share (2023 EUR: 100 per share). All issued shares are fully paid.

21 Legal reserves

21.1 Legal reserve

	AMOUNTS AS AT	
	31.12.2024	31.12.2023
Legal Reserve	1,340,660	1,340,660
Total	**1,340,660**	**1,340,660**

Under the Luxembourg Law, the Bank must book into a restricted reserve an amount equivalent to at least 5% of the annual net profit until such reserve is equal to 10% of the share capital. This booking is made in the following year. Distribution of the restricted reserve is restricted for the proportion equal to 10% of the share capital.

21.2 Net wealth tax reserve

In accordance with paragraph 8a of the Luxembourg tax law, the Bank uses the possibility to reduce net wealth tax incurred during the financial year up to the amount of the tax on profit of the precedent year. Such a deduction is subject to the allocation of an amount equal to five times the reduced net wealth tax to a non-distributable reserve. The respective decision is taken at the Annual General Meeting of shareholders. Such a reserve is required to be maintained during 5 years.
The net wealth tax reserve for 2024 is EUR 28,702,750 (2023 EUR: 32,802,750).

21.3 Share premium

The total share premium as at 31 December 2024 is EUR 205,644,462 (2023 EUR: 205,644,462).

21.4 Revaluation Reserve

The change in revaluation reserve came mainly from sold and matured securities in 2024 and from the change in market value between 2024 and 2023 on the FV/OCI portfolio (more details are provided in the Statement of changes in equity).

	AMOUNTS AS AT	
	31.12.2024	31.12.2023
Financial Assets (other than equity instruments) at fair value through other comprehensive income	3,499,537	4,450,237
Actuarial gains (losses) on defined-benefit plans	355,230	(332,312)
Total	**3,854,767**	**4,117,925**

21.5 Retained earnings

The change is due to the profit brought forward in previous years.

22 Net interest income

22.1 Interest income and similar revenues: breakdown

	YEAR 2024						
	Interest income calculated using EIR method			Other Interest income			
	DEBT SECURITIES	LOANS	OTHER TRANSACTIONS	DEBT SECURITIES	LOANS	OTHER TRANSACTIONS	TOTAL
Financial assets at fair value through profit or loss	**-**	**74,857**	**-**	**-**	**-**	**-**	**74,857**
Other financial assets mandatorily at fair value	-	74,857	-	-	-	-	74,857
Financial assets at FV/OCI	**5,623,727**	**-**	**-**	**-**	**-**	**-**	**5,623,727**
Financial assets at amortised cost	**15,423,154**	**11,698,528**	**-**	**-**	**12,139,489**	**-**	**39,261,171**
Banks	-	-	-	-	12,139,489	-	12,139,489
Customers	15,423,154	11,698,528	-	-	-	-	27,121,682
Hedging derivatives	**-**	**-**	**32,832,339**	**-**	**-**	**-**	**32,832,339**
Financial liabilities (negative interest rates)	**-**	**-**	**-**	**-**	**-**	**61**	**61**
Total	**21,046,881**	**11,773,385**	**32,832,339**	**-**	**12,139,489**	**61**	**77,792,155**

	YEAR 2023						
	Interest income calculated using EIR method			Other Interest income			
	DEBT SECURITIES	LOANS	OTHER TRANSACTIONS	DEBT SECURITIES	LOANS	OTHER TRANSACTIONS	TOTAL
Financial assets at FV/OCI	**7,775,348**	**-**	**-**	**-**	**-**	**-**	**7,775,348**
Financial assets at amortised cost	**9,264,067**	**27,445,404**	**-**	**-**	**13,142,263**	**-**	**49,851,734**
Loans and advances to banks	-	-	-	-	13,142,263	-	13,142,263
Loans and advances to customers	9,264,067	27,445,404	-	-	-	-	36,709,471
Hedging derivatives	**-**	**-**	**28,231,541**	**-**	**-**	**-**	**28,231,541**
Financial liabilities (negative interest rates)	**-**	**-**	**-**	**-**	**-**	**263,774**	**263,774**
Total	**17,039,415**	**27,445,404**	**28,231,541**	**-**	**13,142,263**	**263,774**	**86,122,397**

22.2 Interest expense and similar charges: breakdown

	YEAR 2024						
	Interest expenses calculated using EIR method			Other Interest expense			
	DEPOSITS	SECURITIES	OTHER TRANSACTIONS	DEPOSITS	SECURITIES	OTHER TRANSACTIONS	TOTAL
Financial liabilities at amortised cost	**-**	**(296,114)**	**-**	**(45,228,624)**	**-**	**(4,346)**	**(45,529,084)**
Deposits from banks	-	-	-	(21,777,648)	-	-	(21,777,648)
Deposits from customers	-	-	-	(23,450,976)	-	-	(23,450,976)
Debt securities in issue	-	(296,114)	-	-	-	-	(296,114)
Other liabilities (IFRS 16)	-	-	-	-	-	(4,346)	(4,346)
Hedging derivatives	**-**	**-**	**(15,523,104)**	**-**	**-**	**-**	**(15,523,104)**
Total	**-**	**(296,114)**	**(15,523,104)**	**(45,228,624)**	**-**	**(4,346)**	**(61,052,188)**

	YEAR 2023						
	Interest expenses calculated using EIR method			Other Interest expense			
	DEPOSITS	SECURITIES	OTHER TRANSACTIONS	DEPOSITS	SECURITIES	OTHER TRANSACTIONS	TOTAL
Financial liabilities at amortised cost	**-**	**(826,090)**	**-**	**(52,169,142)**	**-**	**(4,667)**	**(52,999,899)**
Deposits from banks	-	-	-	(34,194,590)	-	-	(34,194,590)
Deposits from customers	-	-	-	(17,974,552)	-	-	(17,974,552)
Debt securities in issue	-	(826,090)	-	-	-	-	(826,090)
Other liabilities (IFRS 16)	-	-	-	-	-	(4,667)	(4,667)
Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**	**(310,139)**	**(310,139)**
Hedging derivatives	**-**	**-**	**(13,300,455)**	**-**	**-**	**-**	**(13,300,455)**
Financial assets (negative interest rates)	**-**	**-**	**-**	**-**	**-**	**(2,660,985)**	**(2,660,985)**
Total	**-**	**(826,090)**	**(13,300,455)**	**(52,169,142)**	**-**	**(2,975,791)**	**(69,271,478)**

23 Net fee and commission income

23.1 Fee and commission income: breakdown

TYPE OF SERVICES/VALUES	YEAR 2024	YEAR 2023
Financial Instruments	1,240,842	1,282,631
Placement of securities	335	835
Without irrevocable commitment	335	835
Reception and transmission of orders	966,766	1,072,833
Reception and transmission of orders of financial instruments	966,766	1,072,833
Other fees related to activities linked to financial instruments	273,741	208,963
Collective portfolio management	7,673,578	5,748,924
Custody and administration of securities	3,264,532	2,951,682
Custodian Bank	1,211,225	1,290,234
Other fee and commission income in relation to corporate finance	2,053,307	1,661,448
Distribution of third party services	1,794,886	4,534,086
Insurance products *	1,794,886	2,010,091
Other products	-	2,523,995
Lending transaction	46,500	-
Currency trading	55,697	86,879
Other fee income	703,355	259,974
Total	**14,779,390**	**14,864,176**

*Certain prior figures have been reclassified to conform with the current financial year's presentation for comparative purposes.

23.2 Fee and commission expense: breakdown

SERVICES/VALUES	YEAR 2024	YEAR 2023
Financial instruments	(159,749)	(183,509)
of which: individual Portfolio management	*(159,749)*	*(183,509)*
own portfolio	(159,749)	(183,509)
Portfolio management: collective	(6,100,541)	(4,674,601)
Own portfolio	(6,100,541)	(4,674,601)
Custody and Admnistration	(1,387,709)	(1,174,915)
Collection and payments services	(94,496)	(71,984)
Financial guarantees received	(89,884)	(433,352)
Off - site distribution of financial instruments, products and services *	-	(7,105)
Other commission expenses	(773,718)	(186,617)
Total	**(8,606,097)**	**(6,732,083)**

*Certain prior figures have been reclassified to conform with the current financial year's presentation for comparative purposes.

24 Net gains on trading income

	2024 EUR	2023 EUR
Net (loss) or gain on derivatives equity linked notes	(30)	309,928
Gain on foreign exchange transactions	259,202	403,876
	259,172	**713,804**

25 Other result

The position includes:

a) Gains on disposal of securities
b) Net gains (losses) on hedge accounting
c) Other operating income/expense

25.1 Gains on disposal of securities

During the year, the Bank sold EUR 20 million of Spanish Government securities booked in Fair Value to Other Comprehensive Income, realizing a gain of EUR 184,687. EUR 40 million of Poland Government securities and EUR 10 million of Spanish Government securities booked in Fair Value to Other Comprehensive Income matured. EUR 25 million Italian BTP securities booked in Amortized Cost (AC) matured. The total amount realized during 2024 equals to a gain of EUR 184,687 which compares to a gain of EUR 1,466,472 realized in 2023.

25.2 Net gains (losses) on hedge accounting

The Bank hedges part of its existing interest rate risk resulting from any potential decrease in the fair value of fixed rate assets and liabilities using interest rate swaps. As at 31 December 2024, the impact on the Profit and Loss coming from hedge accounting was EUR 225,121 which compares to a EUR (336,651) booked in 2023.

25.3 Other operating income/expense

Other operating income of EUR 1,055,852 (2023 EUR: 1,026,418) mainly includes expenses recoveries with other companies belonging to UniCredit Group; other operating expense of EUR 856,197 (2023 EUR: 80,274) mainly includes non-deductible tax and other fiscal charges.

25.4 Net losses on non-trading financial assets mandatorily at fair value through profit or loss

Losses on non-trading financial assets mandatorily at fair value through profit or loss of are EUR 3,528 (2023: EUR 0).

26 Staff costs

	YEAR 2024	YEAR 2023
Employees	**(11,048,258)**	**(11,314,041)**
Wages and salaries	(8,785,682)	(8,853,632)
Social charges	(1,011,922)	(1,232,983)
Provision for retirements and similar provisions	(411,913)	(285,716)
- Defined benefit	(411,913)	(285,716)
Payments to external pension funds	(338,605)	(202,621)
- Defined contribution	(338,605)	(202,621)
Costs arising from share-based payments	(38,750)	(289,867)
Other employee benefits	(461,386)	(449,222)
Other staff	**(1,136)**	**(88,467)**
Supervisory Board Members	**(60,000)**	**(57,059)**
Total	**(11,109,394)**	**(11,459,567)**

In 2024, the decrease of personnel expenses was mainly due to lower staff costs for senior managers.

	AMOUNTS AS AT	
	31.12.2024	**31.12.2023**
Employees	**75**	**71**
Senior managers	2	3
Managers	16	16
Remaining employees staff	57	52
Total	**75**	**71**

Remuneration paid during the year 2024 to Management and other executives of the Bank (overall 18 persons during 2024) amounted to EUR 2,809,416 (2023: overall 19 persons, EUR 3,378,697). Remuneration paid during the year 2024 to members of the Supervisory Board amounted to EUR 60,000 (2023 EUR: 57,059).

The Supervisory Board had the following composition at the beginning of the financial year 2024:

- Mr Patrick SANTER – President
- Mr Massimiliano MASTALIA – Vice-President
- Ms Federica CORTI – Member
- Ms Michaela EHRHARDT – Member
- Mr Ivan TARDIVO – Member

Following the resignation of Mr Simone MARCUCCI, with effect on July 14th, 2024, from his functions as CEO and President of the Management Board, and in order to ensure full compliance with Article 12, first paragraph of the Articles of Association of the Bank stating that the Management Board is composed of at least two Members, the Supervisory Board resolved by written resolution taken on July 15th, 2024 the appointment of one of its Members, i.e. Ms Federica CORTI, as Temporary Member of the Management Board, in compliance with Article 22, third paragraph of the Articles of Association of the Bank.
As a consequence, Ms Federica CORTI was suspended from her functions as Member of the Supervisory Board.

As a result of the change occurred, the Supervisory Board had the following composition at the end of the financial year 2024:

- Mr Patrick SANTER – President
- Mr Massimiliano MASTALIA – Vice-President
- Ms Michaela EHRHARDT – Member
- Mr Ivan TARDIVO – Member

The mandates of all the members of the Supervisory Board will expire on the date of the Annual General Meeting of Shareholders which will be held in 2026.

The Management Board had the following composition at the beginning of the financial year 2024:

- Mr Simone MARCUCCI – CEO and President of the Management Board
- Mr Luigi COLAVOLPE – CFO and General Manager

Mr Simone MARCUCCI resigned for personal reasons from his functions as CEO and President of the Management Board with effect on July 14th, 2024.

Ms Federica CORTI was appointed, by written resolution taken by the Supervisory Board on July 15th, 2024, as Temporary Member of the Management Board in compliance with Article 22, third paragraph of the Articles of Association of the Bank, to fill the vacancy generated by the resignation of Mr Simone MARCUCCI.

In addition, Mr Flavio BONOMO was appointed, by written resolution taken by the Supervisory Board on July 15th, 2024, as new Member of the Management Board, subject to the receipt by the Bank of the formal decision from the ECB (still pending at the end of the financial year 2024).

Furthermore, Ms Alessandra PROTOPAPA was appointed, in the context of the ordinary Supervisory Board meeting held on October 21st, 2024, as new Member of the Management Board and CEO of the Bank, subject to the receipt by the Bank of the formal decision from the ECB (still pending at the end of the financial year 2024).

As a result of the changes occurred, the Management Board had the following composition at the end of the financial year 2024:

- Mr Luigi COLAVOLPE – CEO and President of the Management Board
- Ms Federica CORTI – Temporary Member of the Management Board

The mandate of Ms Federica CORTI as Temporary Member of the Management Board expired on February 10th 2025 when the Bank was notified that ECB didn't object to the appointment of Ms Alessandra Protopapa as Chair of the Management and Mr Flavio Bonomo as Member of the Management Board.

The mandate of all the Members of the Management Board will expire on the date of the Annual General Meeting of Shareholders which will be held in 2026.

27 Other administrative expenses

	YEAR 2024	YEAR 2023
Contributions to Resolution Fund and FGDL	**(16,216)**	**(579,007)**
Miscellaneous costs and expenses	**(8,826,610)**	**(9,624,574)**
Advertising marketing and communication	(23,480)	(33,966)
Indirect expenses relating to personnel	(116,220)	(53,665)
Information & Communication Technology expenses	(6,497,457)	(6,777,451)
Lease of ICT equipment and software	(114,223)	(202,096)
Software expenses: lease and maintenance	(3,942,366)	(3,235,365)
ICT communication systems	(305,364)	(265,644)
Services ICT in outsourcing	(1,427,358)	(2,462,623)
Financial information providers	(708,146)	(611,723)
Consulting and professionals services	(371,655)	(445,392)
Consulting	(261,184)	(289,510)
Legal expenses	(110,471)	(155,882)
Real estate expenses	(836,765)	(611,750)
Premises rentals	(615,433)	(510,118)
Utilities	(206,137)	(72,905)
Other real estate expenses	(15,195)	(28,727)
Operating costs	(981,033)	(1,702,350)
Surveillance and security services	(1,488)	(75,607)
Printing and stationery	(15,902)	(41,997)
Postage and transport of documents	(28,158)	(43,583)
Administrative and logistic services	(390,187)	(1,096,159)
Insurance	(61,512)	(58,997)
Association dues and fees and contributions to the administrative expenses deposit guarantee funds	(419,112)	(374,700)
Other administrative expenses - other	(64,674)	(11,308)
Total	**(8,842,826)**	**(10,203,581)**

28 Income tax expense

The effect of deductible differences is due to diverging tax valuation and depreciation rules. The income tax rate of the Bank for current and deferred taxes in 2024 was 24.94% (2023: 24.94%).

	2024 EUR	2023 EUR
Current tax	(663,414)	(570,667)
Deferred tax	324,477	(11,557)
	(338,937)	**(582,224)**

	2024 EUR	2023 EUR
Profit before tax	637,055	2,252,939
Income Tax (current and Deferred)	(338,937)	(561,886)
Tax effect of deductible differences	(202,236)	(20,338)
	(541,173)	**(582,224)**

29 Segment reporting

Starting from 2020, the Bank reports segmented figures into the Tagetik Group system in the following segments: Commercial Banking and Client Risk Management & Treasury. Revenue generation is entrusted to three different profit centers: Wealth Management (WM) and Family Office & Holdings which are included in the division Commercial Banking, Strategic Funding & Treasury (SF&T) which is part of the division Client Risk Management & Treasury. In May 2021 UniCredit Group announced its new organizational structure by geographic areas, which became fully operational in the second half of the year, as follows:

- Italy (including Italy and Luxembourg);
- Germany;
- Central Europe (including Austria, Czech Republic and Slovakia, Hungary, Slovenia);
- Eastern Europe (including Bosnia and Herzegovina, Bulgaria, Croatia, Romania, Serbia, Russia).

The Segment Reporting at UniCredit Group level has been re-shaped according to the new Group organization. Locally, the Management Board is still regularly reported about the revenues generated by the profit centers.

(a) Local Segment reporting methodology

The total revenues shown in the segments, such as net fees and commissions and net trading profit, are based almost exclusively on transactions involving external customers. Net interest income is assigned to the segments in accordance with the market interest calculation method on the basis of the external interest income and interest expenses.

Operating costs, which contain staff expenses, other operating costs, amortization, depreciation and impairment losses on intangible and tangible assets, are split between the segments according to where they have incurred. For costs that are not directly allocable, overheads allocation keys are set for each segment in the budgeting process and applied on the direct and indirect costs for the financial year in question.

Corporate & Investment Banking – Strategic Funding and Treasury

SF&T is predominantly a client driven business. The activities of SF&T form an integral part of the CRM & T value chain. Consistently with the mission decided by the Holding Company, the business of the Strategic Funding & Treasury is based on the following activities.

- The Bank performs selective investments for its own portfolio. The investments are usually carried out in fixed rate European Government Bonds. The Investment Strategy is related to instruments purchased either for liquidity purpose or for capital Investment.
- The Bank issues Structured Notes.
- The Bank manages the WM & Family Office & Holdings' clients orders (bonds, equities, funds) through an automated solution to route the orders to the standard UniCredit market platform used within CRM & T.

Commercial Banking – Wealth Management Clients

The mission of the Wealth Management business is threefold:

- To provide Private Banking services, focusing exclusively on fully transparent International activities aiming at providing customers with a high level of efficiency;
- To provide services to insurance companies (investment management of insurance funds and custody services);
- To provide investment management services to funds.

Commercial Banking - Family Office & Holdings

Luxembourg is the place where many families of entrepreneurs have placed their holding company and more generally, its own center of economic interest. To develop this business, the Italian and German Corporate Banking, traditionally more attentive to satisfy the operational needs of the Corporate structures, Wealth Management and Group Client Solutions will be involved.

In cooperation with the relevant Group Client Solutions units, UCInt offers to its clients investment banking products and services – financing capital markets, M&A and hedging solutions – to support them in corporate finance and capital markets transactions and fulfil their financial needs.

(b) Income statement by segment

in EUR	Client Risk Management & Treasury	Commercial Banking		TOTAL
	Strategic Funding & Treasury	Family Office & Holdings	Wealth Management Clients	
OPERATING INCOME				
2024	12,194,123	1,121,311	10,263,278	**23,578,712**
2023	11,765,921	5,283,451	9,777,264	**26,826,636**
OPERATING COSTS *				
2024	(10,443,416)	(3,238,854)	(7,153,714)	**(20,835,984)**
2023	(9,237,172)	(4,204,560)	(8,237,459)	**(21,679,191)**
OPERATING PROFIT **				
2024	1,750,708	(2,117,543)	3,109,563	**2,742,728**
2023	2,528,750	1,078,892	1,539,805	**5,147,447**
Net write-downs on loans and provisions				
2024	-	-	(70,010)	**(70,010)**
2023	75,885	-	-	**75,885**
Net provisions for risks and charges and Integration Expenses				
2024	-	-	(2,035,663)	**(2,035,663)**
2023	-	-	(2,970,393)	**(2,970,393)**
PROFIT BEFORE TAXES				
2024	1,750,708	(2,117,543)	1,003,889	**637,054**
2023	2,604,635	1,078,892	(1,430,587)	**2,252,940**
TAXES				
2024	(624,329)	442,442	(157,050)	**(338,937)**
2023	(670,148)	(269,723)	357,647	**(582,224)**
NET PROFIT				
2024	1,126,379	(1,675,101)	846,839	**298,117**
2023	1,934,487	809,169	(1,072,941)	**1,670,715**

* The Net provisions for risks and charges and Integration Expenses that are included in the Financial Statements in the category Operating costs are excluded in the Segment reporting

** Operating profit = Profit before tax - Net write-downs on loans and provisions - Net provisions for risks and charges and Integration Expenses

(c) Income statement for “Client Risk Management & Treasury– Strategic Funding and Treasury”

in EUR	YEAR	
	2024	2023
Net interest margin	**11,779,979**	**10,250,852**
Net fees and commissions	(251,308)	(258,026)
Net trading income	665,452	1,773,096
Net non-interest income	**414,144**	**1,515,070**
OPERATING INCOME	**12,194,123**	**11,765,922**
Staff expenses	(355,837)	(327,641)
Other operating costs and amortisation, depreciation and impairment losses on intangible and tangible assets	(2,642,380)	(1,656,306)
Cost allocation	(7,445,199)	(7,253,225)
Operating expenses *	**(10,443,416)**	**(9,237,172)**
OPERATING PROFIT **	**1,750,708**	**2,528,750**
Net write-downs on loans and provisions	-	75,885
PROFIT BEFORE TAXES	**1,750,708**	**2,604,635**
TAXES	(624,329)	(670,148)
NET PROFIT	**1,126,379**	**1,934,487**

* The Net provisions for risks and charges and Integration Expenses that are included in the Financial Statements in the category Operating costs are excluded in the Segment reporting

** Operating profit = Profit before tax - Net write-downs on loans and provisions - Net provisions for risks and charges and Integration Expenses

(d) Income statement for "Commercial Banking- Family Office & Holdings"

Net Interest Margin and Net fees and commissions decreased versus 2023 due to the transfer of the credit exposure of a client to another legal entity of UniCredit Group.

in EUR	YEAR	
	2024	2023
Net interest margin	**1,173,211**	**3,097,775**
Net fees and commissions	(51,900)	2,185,677
Net non-interest income	**(51,900)**	**2,185,677**
OPERATING INCOME	**1,121,312**	**5,283,452**
Staff expenses	(154,180)	(212,340)
Other operating costs and amortisation, depreciation and impairment losses on intangible and tangible assets	(622,903)	(636,073)
Cost allocation	(2,461,771)	(3,356,147)
Operating expenses *	**(3,238,854)**	**(4,204,560)**
OPERATING PROFIT **	**(2,117,542)**	**1,078,891**
PROFIT BEFORE TAXES	**(2,117,542)**	**1,078,891**
TAXES	442,442	(269,723)
NET PROFIT	**(1,675,100)**	**809,168**

* The Net provisions for risks and charges and Integration Expenses that are included in the Financial Statements in the category Operating costs are excluded in the Segment reporting

** Operating profit = Profit before tax - Net write-downs on loans and provisions - Net provisions for risks and charges and Integration Expenses

(e) Income statement for “Commercial Banking – Wealth Management Clients”

in EUR	YEAR	
	2024	2023
Net interest margin	**3,786,775**	**3,502,292**
Net fees and commissions	6,476,501	6,204,442
Net trading income	-	70,530
Net non-interest income	**6,476,501**	**6,274,972**
OPERATING INCOME	**10,263,276**	**9,777,264**
Staff expenses	(10,599,377)	(10,915,312)
Other operating costs and amortisation, depreciation and impairment losses on intangible and tangible assets	(6,461,307)	(7,931,519)
Cost allocation	9,906,970	10,609,372
Operating expenses *	**(7,153,714)**	**(8,237,459)**
OPERATING PROFIT **	**3,109,562**	**1,539,805**
Net provisions for risks and charges and Integration Expenses	(2,035,663)	(2,970,393)
Net write-downs on loans and provisions	(70,010)	-
PROFIT BEFORE TAXES	**1,003,889**	**(1,430,588)**
TAXES	(157,050)	357,647
NET PROFIT	**846,839**	**(1,072,941)**

* The Net provisions for risks and charges and Integration Expenses that are included in the Financial Statements in the category Operating costs are excluded in the Segment reporting

** Operating profit = Profit before tax - Net write-downs on loans and provisions - Net provisions for risks and charges and Integration Expenses

(f) Volumes figures by segment

in EUR	Client Risk Management & Treasury	Commercial Banking		TOTAL
	Strategic Funding & Treasury	Family Office & Holdings	Wealth Management Clients	
Loans and receivables to banks				
2024	31,653,897	-	-	**31,653,897**
2023	429,673,511	-	-	**429,673,511**
Loans and receivables to customers				
2024	-	180,411,380	151,775,527	**332,186,907**
2023	-	148,649,796	54,771,677	**203,421,473**
Deposits from banks				
2024	591,219,336	-	-	**591,219,336**
2023	511,555,277	-	-	**511,555,277**
Deposits from customers				
2024	-	98,211,344	555,648,470	**653,859,814**
2023	-	65,126,426	692,447,269	**757,573,695**
Risk-weighted assets				
2024	66,247,594	-	96,463,229	**162,710,823**
2023	251,254,390	30,558,498	5,996,750	**287,809,638**

30 Related party transactions

The Bank is controlled by UniCredit S.p.A., the ultimate parent, which owns 100% of the ordinary shares.

The Related Parties are identified in compliance with the relevant Bank of Italy regulation and IAS 24, as the sum of the “Related Parties” strictly defined, i.e.:

1) The corporate officers of UniCredit S.p.A. as well as of the supervised banks and intermediaries;
2) The stakeholders of UniCredit S.p.A. as well as of the banks and supervised intermediaries;
3) The persons, other than the stakeholders, which are able to appoint one or more members of the management body or of the body with strategic supervisory function of UniCredit S.p.A., and of the Supervised Banks and Intermediaries, also on the basis of agreements whatever their form or of statutory clauses whose subject matter or effect is the exercise of such rights or powers;
4) Companies or other corporate entities, also existing as non-corporate entities, on which UniCredit S.p.A. or Supervised Banks and Intermediaries or companies belonging to the Banking Group can exercise control or significant influence;

and the “Associated Persons” defined by the Bank of Italy regulation as:

1. Companies and enterprises, regardless of whether incorporated, controlled by any related party mentioned in above points 1), 2) and 3).
2. The persons controlling a related party among those mentioned above or the persons subject to, directly or indirectly, the joint control with said related party.
3. Close family members of a related party mentioned in above points 1), 2) and 3) and the companies or other corporate entities controlled by them.

Transactions with related parties are always conducted at market rates. During the year there were no transactions with key management personnel. A number of banking transactions are entered into with the related parties in the normal course of business. These include loans, deposits and derivative instruments. The Bank and UniCredit S.p.A. entered into not guaranteed short and medium/long term financing transactions in which both parties may provide short and medium/long term finance to each other. In addition, the Bank as borrower entered into repurchase agreements. The Bank entered into derivative transactions for hedging purposed with entities of the group in relation to hedging interest rate risk or price risk (equity options) negotiated jointly with government securities and equity linked notes included into the bank assets or liabilities.

Additionally, during the year the Bank entered in the following transactions types with UniCredit SpA or other Group legal entities: guarantee transactions, secondment of employees, transaction for Corporate support services, transaction for investment advisory services, clients referral, investment management services.

The outstanding balances at year-end and related expense and income for the year are as follows:

Related-party transactions: profit or loss items In EUR	2024 TOTAL P&L ITEM	2023 TOTAL P&L ITEM
Operating income	**59,691,682**	**48,720,586**
Unicredit SPA	12,077,642	13,285,740
Unicredit Bank GmbH	18,026,405	21,194,848
Unicredit Bank GmbH (Milan branch)	22,053,799	9,562,268
Structured Invest	7,533,836	4,677,730
Operating costs	**(66,628,418)**	**(54,598,163)**
Unicredit SPA	(23,167,234)	(35,284,886)
Unicredit Bank GmbH	(11,881,277)	(15,794,045)
Unicredit Bank GmbH (Milan branch)	(31,461,179)	(3,518,182)
Structured Invest	(94,442)	-
Weicker S.à r.l.	(24,286)	(1,050)

Related-party transactions: balance sheet items In EUR	2024 TOTAL BS ITEM	2023 TOTAL BS ITEM
Total - Assets	**101,512,305**	**501,420,597**
Unicredit SPA	(99,537,294)	(431,641,243)
Unicredit Bank GmbH	(1,975,011)	(60,759,660)
Unicredit Bank GmbH (Milan branch)	-	(7,584,823)
Structured Invest	-	(1,434,871)
Total - Liabilities	**613,233,177**	**523,545,935**
Unicredit SPA	602,384,763	453,731,982
Unicredit Bank GmbH	753,972	68,757,314
Unicredit Bank GmbH (Milan branch)	10,094,442	1,056,639

31 Fees billed by the réviseur d’entreprises agréé

The fees (VAT included) recorded in the financial year under other administrative expenses for the independent statutory auditor KPMG Audit S.à r.l., breaks down as follows:

	2024	2023
Statutory audit of financial statements	178,425	178,425
	178,425	**178,425**

32 Deposit guarantee scheme

The Bank is a member of the “Fonds de garantie des dépôts Luxembourg” (FGDL), introduced by the law of 18 December 2015 to enact in national law the EU Directive of the European Parliament 2014/49/EU, which established a Deposit Guarantee Scheme (DGSD).

FGDL will cover eligible deposits of each depositor up to an amount of EUR 100,000. The Law also provides that deposits resulting from specific transactions or fulfilling a specific social or other purpose are covered for an amount above EUR 100,000 for a period of 12 months. To be funded until a target level of 0.8% of covered deposits, as defined in article 163 number 8 of the Law, FGDL is collecting annual contributions of the relevant credit institutions until the end of 2018. When the level of 0.8% is reached, the Luxembourgish credit institutions should continue to contribute for 8 additional years in order to constitute an additional safety buffer of 0.8% of covered deposits as defined in article 163 number 8 of the Law.

Covered deposits at year-end summed up to EUR 6.5 million. In 2024, the Bank contributed with EUR 16 thousands to FGDL for DGSD. The contribution to FGDL is reported under item Other Administrative expenses as per Note 27.

The Bank is reporting yearly to *Système d'indemnisation des investisseurs Luxembourg* (SIIL).

33 Single Resolution Mechanism

The law of 18 December 2015 Luxembourg transposed EU Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms (BRRD) into local law. The directive authorities should be provided with comprehensive and effective arrangements to deal with failing banks at national level and to be able to handle in cooperation cross-border banking failures. One measure is the setup of national resolution funds funded by the contribution of all financial institutions based on their size and risk profile.

The Bank did not contribute to the national resolution fund in 2024 (2023 EUR: 0.57 million).

34 Advances and loans granted to the members of the administrative, managerial and supervisory bodies

There were no advances nor loans granted to the members of the administrative, managerial and supervisory bodies.

35 Events after the reporting period

No events which could have a material influence on the financial position, results of operations or cash flows occurred between the balance sheet date and the date on which the financial statements were authorised for issue.