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UniCredit International Bank
Luxembourg

Financial Statements and Report of the *réviseur d'entreprises agréé* 31 December 2022

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2022 Report of the Management Board

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2022 Report of the Management Board

I. Macroeconomic environment

The global economy

In the international financial markets, the year 2022 was characterized by a decrease in stock indices and a parallel rise in interest rates and bonds yields. Those evolutions were largely triggered from one side by the invasion of Ukraine by Russian troops, which was unexpected for most observers and from the other by market expectations about a sudden increase of inflation which reached level not experienced since decades.

During its conference at the beginning of February, the European Central Bank "ECB" partially anticipated a change in monetary policy orientation. As a result, in particular bond markets declined in anticipation of higher interest rates. Additional pressure and distortions on the international financial markets came from the start of the war in Ukraine. Besides the significant increase of energy prices and bottlenecks for intermediate goods, the threat of a loss of purchasing power resulted in sharply increased food prices which overall led to a noticeable decline of consumer sentiment.

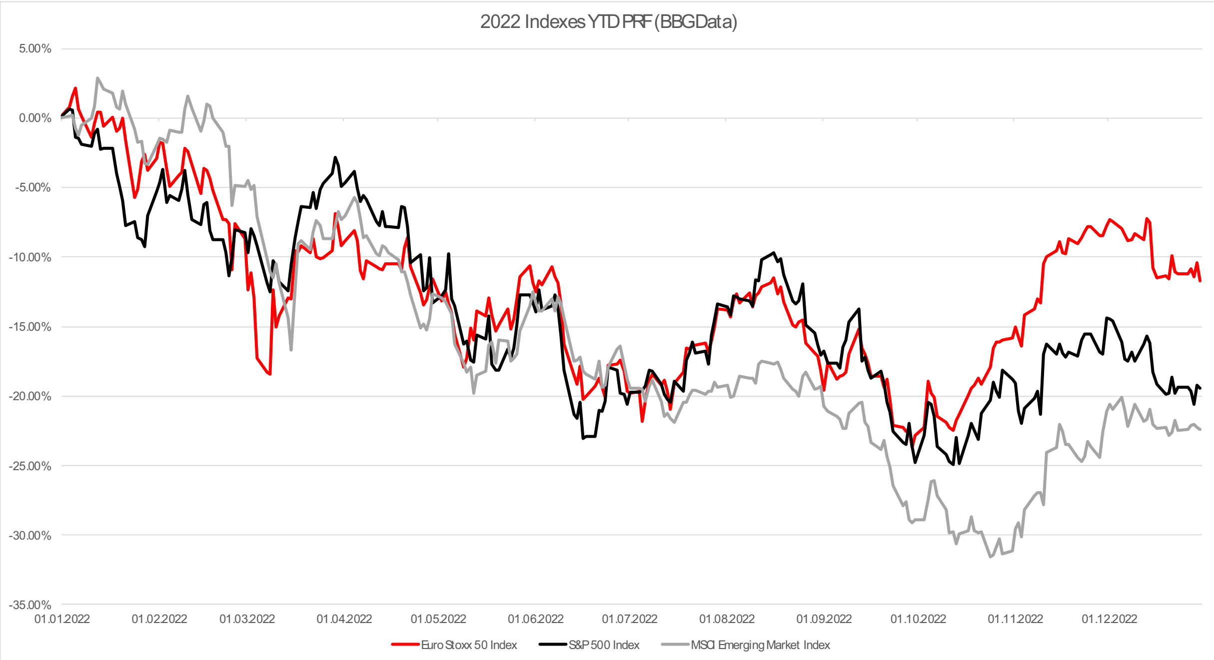
High nervousness and risk aversion by market participants increased in the second quarter of the year also as a result of further increasing long-term inflation expectations, a steady downward pressure at the economic outlook, and the expectation of a further economic cool-down in China triggered by Chinese government's Zero-Covid-Strategy. Further disconcerting for Europe was the decision by the Russian President Vladimir Putin to suspend gas supplies to Poland and Bulgaria from one day to another, leading to a massive rise in gas prices.

Also in the third quarter of the year markets were moved on the one hand by a fear of inflation and stronger monetary measures and on the other hand by recession concerns. In July, a 50 bps rate hike by the ECB, the first increase after eight years, closed the era of negative interest rates. To fight uncertainty and fragmentation in the European government Bond market, the ECB introduced a new measure - the so-called "Transmission Protection Instrument" (TPI), allowing the ECB to keep the spread between "strong" European countries and "weak" ones between certain boundaries.

Markets in Europe entered into a recovery at the beginning of the fourth quarter and were characterized by declining fears of rising rates. This sentiment was supported by decreasing inflation pressure, stronger German GDP and higher than expected CPI data. However, in December, following the press conference of ECB chairwoman Christine Lagarde, the expectations of an even stronger rate hiking cycle increased substantially, contributing to depressed markets.

Equity markets

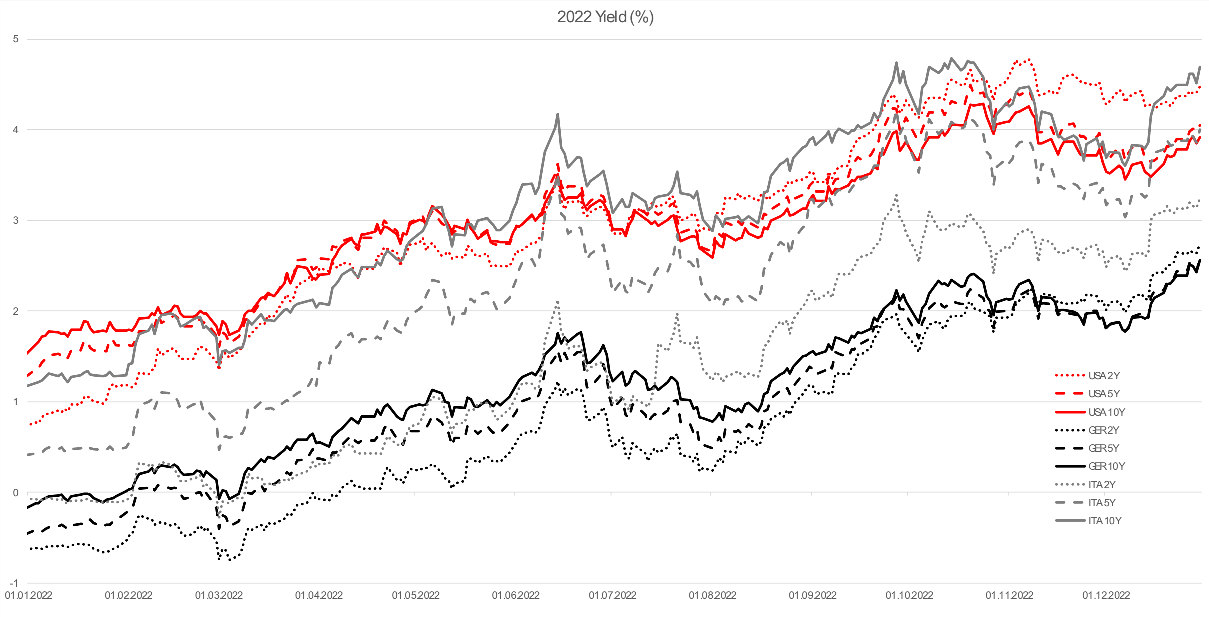
During the reporting period, equity markets were dominated by a constantly high level of volatility. In the course of the first three quarters, stocks remarkably lost in values in all geographic regions. Over the fourth quarter, a recovery period started and parts of the previous losses could be compensated. Anyway, all main regional core indices clearly lost in value on a yearly basis. The Euro Stoxx 50 Index declined by 13.14% and thus outperformed its American counterpart, the S&P 500 Index, which lost 19.90% on a USD-basis. The MSCI Emerging Markets Index even dropped by 22.56% (in USD).



Fixed income and interest rates

Fixed income instruments were highly influenced by the prevailing market environment with increasing inflation figures and strong interest rate hikes of the central banks all over the world. The shift away from a negative interest rate environment to positive rates was associated with erratic rises of bond yields and strong price drops of fixed income investments. The projection of higher interest rate levels lead to an inversion of government bond yield curves with two-year bonds yielding above their counterparts with a ten-year maturity.

During the whole year 2022, the yields of ten-year German government bonds rose by 2.75% to 2.57% and Italian BTPs by 3.55% to 4.72%. Measured with the Markit iTraxx Europe Index, the credit spreads of European corporate bonds with a maturity of five years increased from 0.48% to 1.38% in September and quoted at 0.91% at the end of the year.



Outlook 2023

The market volatility both on the equity as well as on the fixed income markets is expected to remain on a high level during 2023. Although the peak in inflation rates appear to be overcome, the levels are still above the central bank´s target rates, so that further expansionary monetary measures and corresponding negative market reactions cannot be excluded. With high energy prices, a decline in core inflation rates is expected. Federal Reserve “Fed” fund rates as well as the main refinancing rate of the ECB should stabilize at slightly higher levels at the beginning of the year.

Besides monetary policy and purchasing power stability, geopolitical threats remain a big risk factor for the investors. Especially the uncertainties regarding the war in the Ukraine will continue to influence financial markets. Furthermore, a weak economic growth is likely to continue during 2023. Supply chain bottlenecks as well as constantly high energy prices weigh on the economic development. At the beginning of the year, the GDP in the Euro area as well as in the US is expected to further decline before a stabilization in the second half of the year.

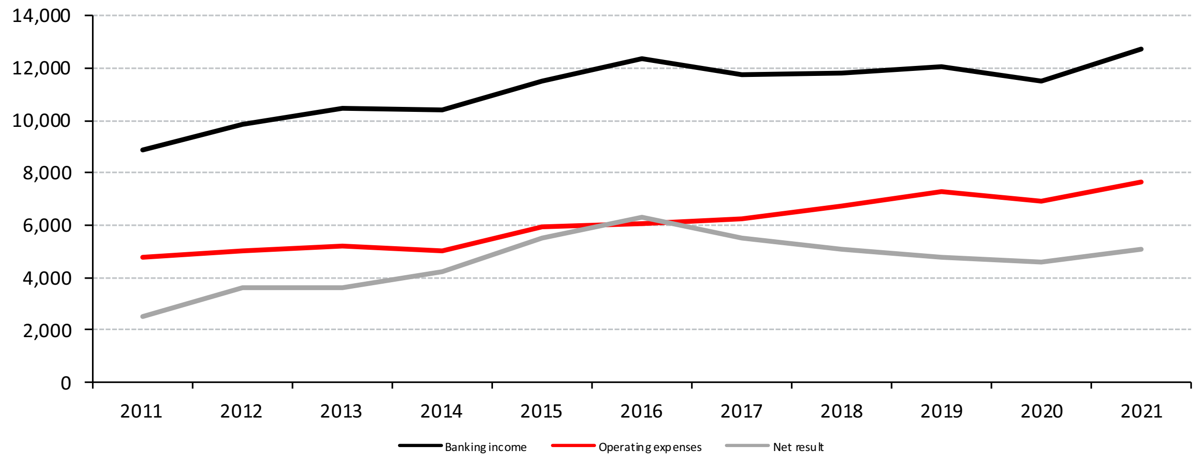
Stock markets should progress in the course of the forthcoming year and achieve a positive performance contribution especially in the second half of 2023. Also fixed income markets are expected to recover during the new year with government bond yields and corporate credit spreads gradually decreasing until year-end.

II. Luxembourg's financial centre

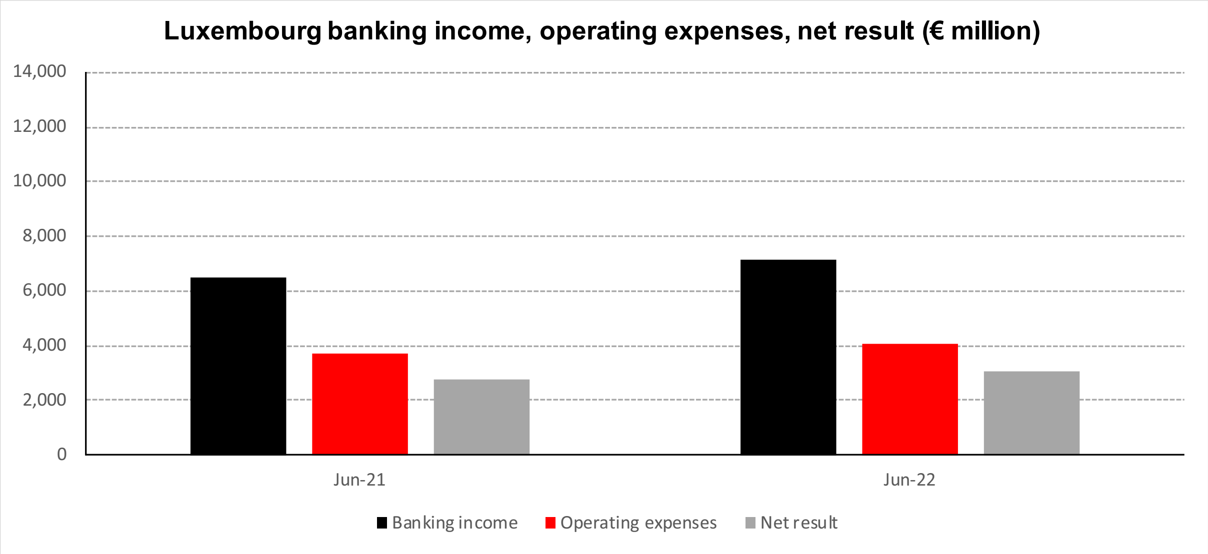
In 2022, Luxembourg's financial centre had to cope, as the other European countries, with new challenges coming from geopolitical and sudden changes in macroeconomic factors. In a completely different economic scenario characterized by a sharp rise of inflation and of the interest rates, in Luxembourg GDP in 2022 is expected to increase by 1.7%, below the rise of the average of the European Union. This evolution compares to the 5.1% growth of 2021, rebounding after Covid 19. The inflation should reach 6.5%, with a substantial increase compared to the 2.5% of the previous year[1].

Despite the pressure on costs coming from increasing regulatory requirements, the profitability of the Luxembourg Banking sector slightly improved in 2022 mainly thanks to the increase of Net Interest Income. Income in the Banking industry as of June 2022 amounted to € 7.1 billion, increasing versus the almost 6.5 billion as of June 2021.

Luxembourg banking income, operating expenses, net result (€ million)



[1] Source: Statec, December 2022



Source: CSSF

In the latest figures published by the *Commission de Surveillance du Secteur Financier* (CSSF) in September 2022, the balance sheet total of the Banking system in Luxembourg amounted around € 999 billion[2] (September 2022), revealing an increase compared to the previous year (September 2021). In 2022, the Luxembourg Banking system continued to cope with increased regulatory requirements. The number of Banks decreased by 4 entities compared to the previous year. In the Banking labour market the number of employees decreased from 26,147 in September 2021 to 25,992 in September 2022.

[2] Source: CSSF, December 2022

III. Report on operations

Key performance indicators

Statement of comprehensive income

	31/12/2022	31/12/2021	Δ 2022 vs 2021%
Operating income	**27.244**	24.074	13%
Operating costs	**20.933**	20.796	1%
Operating profit *	**6.809**	4.156	64%
Profit before tax	**6.581**	3.224	104%
Cost/income	**76,8%**	86,4%	-11%

Statement of financial position

	31/12/2022	31/12/2021	Δ 2022 vs 2021%
Total assets	**2.482.293**	2.416.705	3%
Loans and receivables with customers	**1.344.529**	1.078.564	25%
Deposits from customers	**374.358**	475.187	-21%
Shareholders´equity	**307.358**	307.183	0%

Ratios

	31/12/2022	31/12/2021	Δ 2022 vs 2021%
Core Tier 1/total risk-weighted assets	**82,6%**	80,8%	2,2%
Total capital ratio	**82,6%**	80,8%	2,2%
LCR ratio	**838,9%**	149,6%	460,8%
Leverage ratio	**11,6%**	11,5%	0,9%
ROA	**0,2%**	0,1%	92,9%

2022 Report of the Management Board

The Bank's operations

In 2022, the Bank ("UCInt") continued in its effort to develop the Wealth Management ("WM") and the Fund Management ("FM") businesses.

In order to ensure sustainable growth, the Bank continued to enlarge the customer basis and focus:

- both in term of customer segment, extending the perimeter also to corporate and institutional clients;
- and geographically by accessing new markets (Luxembourg local clients, CEE pilot countries).

For WM clients in particular, leveraging on the good results achieved in past years with Italy, the Bank developed a similar cooperation framework with CEE, starting from pilot countries Romania and Czech. 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.

For Fund Management, after the successful growth achieved in the last years, UCInt consolidated the business and looked for new business opportunities with clients especially in the Italian market.

In addition, the Bank reinforced the cooperation with the Group Product Factories and ensured strong support for the implementation of key initiatives such as OneMarket Funds. In September 2022 UniCredit Group (UCG), set up a UCITS umbrella fund as an investment company with variable capital (Onemarkets Fund SICAV S.A.), externally managed by Structured Invest S.A. (S.I. a UniCredit Bank AG fully owned Management company). The umbrella fund will launch a number of 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.

UCInt has been the initial and sole shareholder of the Onemarkets Fund SICAV S.A. for a short period starting from its incorporation until the first closing with external investors at the end of September 2022. The economic rationale for UCInt taking this initial participation is to comply with the Luxembourg minimum capital requirements at the time of the incorporation of the UCITS.

The Bank holds a 100% proportion of 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. In 2022 the Bank didn't acquire own shares and didn't perform any activity in the field of research and development.

In 2022 the Bank started an ESG project in full alignment with WM Italy ESG project, with the target to assess how the clients' portfolios embed ESG criteria and to define a methodology for mapping the WM's portfolios to MiFID Questionnaire. In the second half of 2022 the Bank defined criteria included in a local comprehensive ESG strategy focusing on both Environmental, Social and Governance aspects.

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, with the exception of 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 in order to optimize all the processes, formalize them in Operating Guidelines and implement Group guidelines in relation to its Business model. A permanent monitoring of strategies, guiding principles, policies and internal procedures in force is in place, in order 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.

In 2022, ICT infrastructure and Disaster Recovery remained outsourced to the Luxembourg branch of UniCredit Bank AG ("HVBL").

Combined teams composed by employees of the Bank and of HVBL are covering the following areas in order to leverage on the existing know-how and expertise:

- Human Resources
- Compliance
- ICT Applications

In compliance with the applicable regulations, the combined teams are governed by Service Level Agreements (hereinafter: the "SLA"), which specifies all details in relation with the involved activities.

To ensure an enhanced framework, aligned with all regulatory requirements and capable of dealing appropriately with UHNWI needs, the Bank did significant investments both in human capital and in upgrading needed software.
The Bank continued to work on the digital transformation towards a Data Driven Bank and in responding to the growing demand for reliable and up to date information to support business. The transformation is supported by significant investments related to digitalization.
In term of Data Quality and Lineage, the Bank further strengthened Data Governance Standards in order to reach high quality and governed data with a coverage and automation level at about 80%.

Process simplifications and automation continued in 2022 mainly thanks to enhanced ICT tools managed in CFO, CPL and Operations.
In particular, in CFO several initiatives contributed to ensure excellence and connection to the Group platforms in order to avoid fragmented approach. The successful implementation of Granular FinRep “GREG” under Umbrella project, currently under final test, will allow streamlined and integrated processes in consolidated regulatory reporting, substantially decreasing the probability of mistakes. Enhancements in the SAP tool will ensure smoother processes for asset management and budget monitoring.
In the Operation Area, the module Corporate Actions has been used since December 2021; additional enhancements are planned in order to maximize the automation of the Corporate Action management.
In the area of Compliance, after the upgrade performed in 2021 of MDS, in 2022 the Bank successfully upgraded TCM.
Enhanced digital experience is offered to our clients with the successful implementation of the new version of Equalizer for e-banking and the deployment of Equalizer mobile app on Google and Apple platforms.

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 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, CoI, GDPR, Anti-Corruption, etc.) were reviewed and further enhanced.

In 2022, the Bank continued to deliver its loan portfolio data to the Group. This information is used by the Group both for managerial as well as Regulatory purposes.
In 2022, the Group decided to roll-out the Centralized Last Mile Engine (CLME) to the Bank after the feasibility study in 2021. The CLME is scheduled to be implemented at the end of 2024.

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 and QI 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 disclose 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.

The safety of the employees and the continuity of the activities of the UCInt continued to be a top priority, especially in consideration of the pandemic Coronavirus. Dedicated plans has been put in place in order to ensure the safety of the employees, and the business continuity.

During 2022, Government has progressively lifted all the restrictions and the state of crisis was ended in March 2022. In line with the indications of the Luxembourgish Government, the presence in the premises was restored for all the employees.
Considering that the spreading of virus during 2022 was limited but still present, some recommendation on taking precautionary measures were still issued and kept in place.

After the end of the COVID emergency, new rules for remote working ensured a smoothed transition back to the office, facilitating work-life balance.

During 2022 the Bank 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 2022, the Bank was fully operational and had no operational disruptions and no losses due to collateral deterioration, counterparty defaults or credit losses. With regard to liquidity risk management, 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 had sufficient liquidity for more than one month.

The Bank also performed a wider risk assessment and implemented mitigation actions.

In 2022, the Bank continued to focus on operational risk management and to enhance and adapt processes. In case of need, additional controls have been implemented to mitigate operational risks. The Bank also faced higher market risk and business risk in consideration of the increased volatility in the markets due to the war in Ukraine.

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 2022. 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 2022, the AFR was € 293 million. Risk-bearing capacity (coverage of calculated economic capital by the AFR) was always well above the limit of 100% in the course of 2022.

The control of the identified risks is centralised in Risk Management. By monitoring of the Bank's activities, Risk Management is not only tasked to control actual compliance of the Bank's activities with the risk appetite but also 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 ("UC SpA") and the relevant subsidiaries in the Eurozone are supervised by the ECB. In 2022, the ECB carried out an assessment of the Banks, which fall under its direct supervision. The Bank received the results of this supervisory review, SREP, in December 2022 and was informed that no additional supervisory requirements are set to the Bank's Prudential Capital and Liquidity ratios.

The steering and management of liquidity risk remained a point of attention in 2022. In line with the local liquidity policy, the Bank continued to maintain a positive cumulative liquidity gap on the liquidity ladder up to the three-month, monitored and forecasted on a daily basis its liquidity coverage ratio (LCR).

As part of the Bank's risk appetite, the Bank defined for the LCR, in addition to the regulatory minimum requirement of 100%, two other managerial restrictions: an internal limit of 115% and an internal trigger level at 124% aligned with the Group's Risk appetite. The Bank has escalation procedures in case of activation of the trigger or overdraft of the internal limit.

In order 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 2022 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 limits approved, which are 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 relevant Group functions.

In order 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 does not have 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.

At 31 December 2022 the Bank's LCR was:

Liquidity buffer	€ 383 mn
Net liquidity outflow	€ 46 mn
Liquidity coverage ratio (%)	838.9%

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 on a daily basis, 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 2022 the Bank continued to use the Standard Approach for the measurement of its regulatory Capital Adequacy for its credit portfolio.

With regard to its credit exposure, the Bank has to 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. This mitigates the concentration risk. The Bank's large exposure limit was € 75 million in December 2022. The Bank obtained a credit guarantee for one Group customer to ensure that the Bank continuously meets the large exposure limit. The second constraint is the Total Capital Ratio. The Bank's TCR was 83% as at 31 December 2022 much higher than the minimum requirement and leaving room for growth in full compliance with minimum capital requirements.

The Bank is exposed to market risks through Credit Spread Risk 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. Investment 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 2022, the amount of capital absorbed by operational risk calculated according to the Capital Requirements Regulation ("CRR") was € 3.0 million.

During 2022 a special focus was on Operational risk. The Risk Committee was reshaped with the newly established Non Financial Risk & Controls committee "NFRC" with the target to further enhance operational excellence. 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 either to identify elements of vulnerability presented by the processes involved in Banking activity in the various business segments with the potential to result in operational loss events, or to ensure the continuity of the critical processes in case of disaster or any event that could put at risk the Bank functioning.

The Internal Control System (ICS) relates to the operational monitoring and management of risk.

In conformity with the regulations in force, and in particular with the CSSF Circulars 12/552 as amended by Circulars CSSF 13/563, 14/597, 16/642, 16/647, 17/655, 20/750, 20/759, 21/785 and 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 monitoring 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

- Daily controls by the responsible personnel (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 Control and Compliance.

Compliance monitors the following Compliance Perimeter unless activities are internally delegated:

- 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:

- Assess whether necessary internal controls have been implemented within business processes;
- Assess whether controls in place are effective and support adequately to achieve control targets;
- Risk assessment in case of divergence.

In 2022 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, provides assistance 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 2022.

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 have to 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 new 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 data 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 COO ("chief operating officer") 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's contribution to the national resolution fund in 2022 amounted to € 0.7 million.

Employees

Below are the staff figures as at 31 December 2022:

Bank's staff	2022	2021
Top management	2	2
Employees	67	65
Total	**69**	**67**

As of 31 December 2022, the Bank employed 25 female and 44 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 2022 as shown by the broad geographical origin (14 nationality including Portuguese, Polish, Romanian, Croatian, Belgian, etc.). In particular, balanced gender distribution was increased in 2022. A balanced gender distribution was ensured also in talent pools. Diverse and sustainable Succession Pipeline regularly reviewed.

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

The Management Board wishes to express its sincere thanks to all of the Bank’s employees for their contribution to the Bank’s performance over the past year. The success of the Bank would not have been possible without their personal efforts and commitment.

IV. Report on Internal Profit Centers

Wealth Management & GIS

The Bank ensures proximity to international-minded 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 is able to 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 clients or customer allocated to UCInt by different Group entities, with a high quality of service, including insurance and asset management services. Accounts could be opened both for private individuals, holdings, corporate or 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 Luxembourgish Group entities, as S.I.. The activities of UCI do not overlap with the ones of the on-shore networks but complement their offering through products and services designed to meet the needs of selected customers in a unique way.

Leveraging on Luxembourg financial centre 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 centre (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 centre;
- 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, 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.

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 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 clients orders (bonds, equities, funds) through an automated solution to route the orders to the standard UniCredit market platform used within CIB.

V. Statement of financial position

ASSETS	AMOUNTS AS AT 31.12.2022	31.12.2021
Cash and cash equivalents	4,654	5,170
Financial assets at fair value through profit or loss:	1,651	8,903
a) financial assets held for trading	1,651	8,903
Financial assets at fair value through other comprehensive income	563,759	701,345
Financial assets at amortised cost:	1,780,574	1,670,175
a) loans and advances to banks	149,123	338,530
b) loans and advances to customers	1,344,529	1,078,564
c) loans and advances to customers - Debt securities	286,922	253,081
Hedging derivatives	89,193	7,964
Equity investments	12	12
Property and equipment	700	1,709
Intangible assets	8,440	8,112
Tax assets:	29,584	9,673
a) current	783	1,111
b) deferred	28,801	8,562
Other assets	3,728	3,643
Total assets	**2,482,293**	**2,416,705**

LIABILITIES	AMOUNTS AS AT 31.12.2022	31.12.2021
Financial liabilities at amortised cost:	2,125,714	2,053,583
a) deposits from banks	1,623,007	1,371,825
b) deposits from customers	374,358	475,187
c) debt securities in issue	127,962	205,246
d) other liabilities	387	1,325
Financial liabilities held for trading	2,045	9,214
Hedging derivatives	4,538	24,201
Tax liabilities:	30,782	11,527
a) current	-	-
b) deferred	30,782	11,527
Other liabilities	7,441	6,981
Provisions for risks and charges:	4,416	4,015
a) commitments and guarantees given	80	32
b) post-retirement benefit obligations	2,989	3,082
c) other provisions for risks and charges	1,347	900
Valuation reserves	6,151	10,729
Reserves	77,404	74,974
Share premium	205,644	205,644
Share capital	13,407	13,407
Profit for the year	4,752	2,430
Total liabilities and shareholders' equity	**2,482,293**	**2,416,705**

The balance sheet total of 2.5 billion at 31 December 2022 showed a slight increase of € 0.1 billion, or 2.6%, compared to the previous year-end. The evolution of total assets can be mainly explained by the increase of loans to customers.

The Bank’s total committed volume for loans with customers was € 2.1 billion (of which € 0.8 billion consisted of unused off-balance-sheet credit lines).

Overall, in 2022, the very good quality of the Bank’s assets portfolio was maintained. More than 95% 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 2022 amounted to € 0.4 billion mainly composed of deposits with WM and Corporate clients.

VI. Income Statement

ITEMS	YEAR 2022	YEAR 2021
Interest income and similar revenues	40,447	28,929
Interest expenses and similar charges	20,590	(17,722)
Net interest margin	**19,857**	**11,207**
Fees and commissions income	15,482	15,436
Fees and commissions expenses	(8,618)	(8,834)
Net fees and commissions	**6,864**	**6,602**
Net gains on trading	53	382
Net gains/(loss) on hedge accounting	92	46
Gains on disposal of securities at FV/OCI	377	5,837
Operating income	**27,244**	**24,074**
Net (losses)/recoveries on credit impairment	269	(54)
Net profit from financial activities	**27,514**	**24,020**
Administrative expenses:	(18,176)	(18,495)
a) staff costs	(10,443)	(10,165)
b) other administrative expenses	(7,733)	(8,330)
Net provisions for risks and charges:	(498)	(878)
Net value adjustments/write-backs on property and equipment	(769)	(962)
Net value adjustments/write-backs on intangible assets	(1,729)	(1,108)
Other operating income/(expense)	240	647
Operating costs	**(20,933)**	**(20,796)**
Profit before tax from continuing operations	**6,581**	**3,224**
Tax expenses (income) of the year from continuing operations	(1,829)	(794)
Profit for the year	**4,752**	**2,430**

Revenues

Net interest income amounted to € 19.9 million at the end of 2022 with an increase of € 8.7 million, compared to the previous year. The development is mainly explained by the positive dynamics on ALM, the commercial margin from deposits on clients due to the increase of interest rates, and increasing interest on the government securities portfolio.

Net commission income amounted to € 6.9 million in 2022 with a € 0.3 million or 4% rise compared to 2021 figure as a result of increasing fees in each profit centre.

At the end of 2022, net gains on disposal of financial assets at fair value through other comprehensive income amounted to € 0.4 million. This is mainly explained by one-off revenues from disposal of a minor part of the bond portfolio.

Operating income amounted to € 27.2 million at the end of 2022. This represents an increase of € 3.2 million or compared with the previous year's figure.

Operating costs

Operating costs summed up to € 20.9 million in 2022 compared to € 20.8 million in 2021.

Staff costs increased by € 0.3 million. Depreciation on tangible and intangible assets amounted to € 2.5 million as of 31 December 2022, compared with € 2.1 million in 2021 mainly due to new investments to enhance the IT infrastructure and to digitalize and automatize most of the processes of the Bank.

In 2022, the profit from continuous operations was € 6.6 million. This represents a € 3.4 million increase versus the 2021 result of € 3.2 million.

After accounting for provisions, depreciation, amortisation and taxes, the Bank's net profit of € 4.8 million was € 2.3 million higher compared to the € 2.4 million reported in 2021.

The Bank's net profit of € 4.8 million is to be appropriated as follows, subject to the approval of the Extraordinary General Shareholders' Meeting:

Retained earnings: € 4.8 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 dissolve the reserve created in 2018 for 2018 amounting to € 1.363.505 and to create a new net wealth tax reserve for 2023 amounting to € 4.750.000. The total amount of this non-distributable reserve will amount to € 31.202.750, which corresponds to five times the net wealth tax due for the financial years 2019 to 2023.

VII. Outlook for 2023

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 ensures 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 2023 the Bank is going to implement business initiatives according to four pillars:

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

The immediate focus for 2023 and following years is 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.

After starting cooperation with the networks of the first CEE countries, in the medium term, the Bank should leverage on the entire existing UniCredit group network. It is foreseen to enlarge the clients' basis with customers from other markets also 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 2022, 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 this respect, 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 will use the Foundation IRB approach for the Bank's Multi-National Clients segment in 2024, whereas for the other Credit exposures the Bank will continue to use the current Standard Approach. Application of the Foundation IRB for Capital Adequacy.

Last but not least, the Bank sees a high potential from continuing to be a major actor in the Group value chain for Asset Management. A further driver of growth will be the offer of tailor-made fund solutions in partnership with S.I.., the Management Company 100% owned by UniCredit Group. 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 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 mandates 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 in 2022, 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. It is foreseen a direct involvement of UCInt as investment manager for part of the new funds launched 2023.

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*”.

For Treasury business, in 2023, the Bank will continue to carry out and develop the activities related to investments for its own portfolio.

In parallel with the development of business with clients, the Bank will continue to strengthen its ICT backbone by implementing all regulatory relevant projects and security relevant projects.

At the same time, the IT investments will be addressed to support the business by enhancing the operations processes and the tools available to the clients.

A key project for 2023 is the finalization of the Bank applications relocation currently hosted by a local infrastructure into the Group infrastructure. This project will allow the Bank to leverage on two approaches meaning leveraging on existing Group applications or to re-host the existing applications within the target infrastructure.
The target is to avoid to maintain dedicated local Data Centers and ensure full adherence to Group Standards.

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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 2022, and the income statement and 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 a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2022 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) 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 ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier ("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.

1. Valuation of financial instruments held for trading

Description

The Bank has set up a Medium-Term Note (MTN) program including Equity Linked Notes (ELN) containing embedded cash-settled index options and additional equity swaps and equity options (“the Derivatives”).

The positive fair value of these derivatives amounts to EUR 1,651,014 recorded in “Financial assets at fair value through profit or loss: a) financial assets held for trading”, and the negative fair value of EUR 2,045,443 recorded in “Financial liabilities held for trading”.

The valuation of the derivatives linked to the ELNs is performed through the application of complex valuation techniques based on internal models which involve the exercise of management judgement in relation to the valuation models used, and the corresponding market parameters used.

For this reason, we considered the valuation of these financial instruments as a particularly significant matter in the Bank's financial statements.

The Bank’s disclosures on the accounting policy for the derivatives financial instruments are provided in Notes 2.7, 6 and 16 within the notes to the financial statements.

How our audit addressed the area of focus

Our audit approach included audit procedures relating to the bank's internal control system as well as substantive audit procedures for assessing the fair value of the derivatives linked to the ELNs.

Our audit procedures relating to the Bank's internal control system focused on key controls within the framework of the valuation and the determination of the necessary revaluation, which were tested for their design, implementation and effectiveness.

Regarding substantive testing, we have involved internal specialists and the following audit procedures were performed:

- We assessed the appropriateness of the bank’s valuation model as well as the key assumptions and data used.
- Performing an independent valuation, on a sample basis, based on the contractual documents and market parameters. The objective was to use a valuation technique consistent with the generally accepted valuation methodologies for pricing financial instruments and which incorporates all factors, assumptions and data that knowledgeable willing market participants would consider in setting the price.
- Considering the adequacy of disclosures in the financial statements of the Bank with reference to the requirements of the prevailing accounting standards.

Other matter relating to comparative information

The financial statements of the Bank for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on 21 February 2022.

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 IFRSs 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's 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 one year.

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, 28 February 2023

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

M. Weber
Partner

UniCredit International Bank (Luxembourg) S.A.

Statement of financial position

As of 31 December 2022 (EUR)

ASSETS	NOTES	AMOUNTS AS AT 31.12.2022	AMOUNTS AS AT 31.12.2021
Cash and cash equivalents	5,8	**4.653.776**	**5.170.254**
Financial assets at fair value through profit or loss:	6	**1.651.014**	**8.903.084**
a) financial assets held for trading	6	1.651.014	8.903.084
Financial assets at fair value through other comprehensive income	7	**563.758.656**	**701.345.455**
Financial assets at amortised cost:	8, 9	**1.780.573.860**	**1.670.174.772**
a) loans and advances to banks	8	149.123.419	338.529.797
b) loans and advances to customers	9	1.344.528.594	1.078.563.964
c) loans and advances to customers - debt securities	9	286.921.847	253.081.011
Hedging derivatives	3.2.2	**89.192.781**	**7.963.694**
Equity investments	13.1	**12.000**	**12.000**
Property and equipment	11	**699.817**	**1.708.639**
Intangible assets	12	**8.439.719**	**8.111.586**
Tax assets:	10	**29.583.949**	**9.672.896**
a) current		782.632	1.111.126
b) deferred	10	28.801.317	8.561.770
Other assets	13.2	**3.727.835**	**3.642.848**
Total assets		**2.482.293.406**	**2.416.705.227**

LIABILITIES & SHAREHOLDERS' EQUITY	NOTES	AMOUNTS AS AT 31.12.2022	AMOUNTS AS AT 31.12.2021
Liabilities			
Financial liabilities at amortised cost:	14, 15, 16	**2.125.713.563**	**2.053.583.436**
a) deposits from banks	14	1.623.006.755	1.371.825.447
b) deposits from customers	15	374.357.717	475.186.838
c) debt securities in issue	16	127.961.669	205.245.711
d) other liabilities	3.3.2	387.422	1.325.440
Financial liabilities held for trading	3.2.2	**2.045.443**	**9.214.015**
Hedging derivatives	3.2.2	**4.537.825**	**24.201.423**
Tax liabilities:		**30.781.506**	**11.527.318**
a) current		0	0
b) deferred	18	30.781.506	11.527.318
Other liabilities	19	**7.440.751**	**6.981.061**
Provisions for risks and charges:	17	**4.416.244**	**4.014.504**
a) commitments and guarantees given	17	80.202	32.138
b) post-retirement benefit obligations	17	2.988.874	3.082.366
c) other provisions for risks and charges	17	1.347.168	900.000
Total liabilities		**2.174.935.332**	**2.109.521.757**
Equity			
Valuation reserves	21.4	6.151.288	10.728.661
Reserves	21.5	77.403.747	74.973.544
Share premium	21.3	205.644.462	205.644.462
Share capital	20	13.406.600	13.406.600
Profit for the year		4.751.977	2.430.203
Total equity		**307.358.074**	**307.183.470**
Total liabilities and shareholders' equity		**2.482.293.406**	**2.416.705.227**

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 2022 (EUR)

	NOTES	YEAR	
		2022	2021
Interest income and similar revenues	22.1	40.446.922	28.928.665
Interest expense and similar charges	22.2	20.589.672	(13.580.437)
Net interest income	**22**	**19.857.250**	**15.348.228**
Fees and commission income	23.1	15.481.868	15.436.242
Fees and commission expense	23.2	(8.617.611)	(8.834.132)
Net fees and commission income	**23**	**6.864.257**	**6.602.110**
Net gains on trading	24	53.305	382.143
Net gains/(loss) on hedge accounting	25.2	91.956	14.616
Gains on disposal of securities	25.1	377.383	1.727.057
Operating income		**27.244.151**	**24.074.154**
Net (losses)/recoveries on credit impairment		269.388	(54.058)
Net profit from financial activities		**27.513.539**	**24.020.096**
Administrative expenses:		(18.176.086)	(18.494.871)
a) staff costs	26	(10.443.213)	(10.165.254)
b) other administrative expenses	27	(7.732.873)	(8.329.617)
Net provisions for risks and charges		(498.064)	(878.130)
Net value adjustments/write-backs on property and equipment	11	(769.023)	(962.114)
Net value adjustments/write-backs on intangible assets	12	(1.729.272)	(1.107.944)
Other operating income/(expense)	25.3	239.516	646.742
Operating costs		**(20.932.929)**	**(20.796.317)**
Profit before tax from continuing operations		**6.580.610**	**3.223.779**
Tax expenses of the year from continuing operations	28	(1.828.633)	(793.577)
Profit for the year		**4.751.977**	**2.430.203**

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 2022 **(EUR)**

	YEAR	
	2022	2021
Profit of the year	**4.751.977**	**2.430.203**
Movement in Defined benefit Plans	169.040	111.825
Fair value reserve- net change in fair value	-4.415.356	(187.085)
Other changes in FV reserve	-331.056	(1.476.687)
Total other comprehensive income	**-4.577.372**	**(1.551.947)**
Total comprehensive income for the year	**174.605**	**878.256**
Total comprehensive income for the year attribuable to the parent	**174.605**	**878.256**

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

UniCredit International Bank (Luxembourg) S.A.

Statement of changes in equity

As of 31 December 2022 (EUR)

	Share capital	Share premium	Revaluation reserve	Restricted reserve	Retained earnings	Profit for the year	Total
At 1 January 2022	13,406,600	205,644,462	10,728,661	1,340,660	73,632,884	2,430,203	307,183,470
Profit for the year	-	-	-	-	-	4,751,977	4,751,977
Total comprehensive income for the year	**-**	**-**	**(4,577,372)**	**-**	**-**	**4,751,977**	**174,604**
Contributions by and distributions to equity holders							
Allocation to retained earnings	-	-	-	-	2,430,203	(2,430,203)	-
Dividends to equity holders	-	-	-	-	-	-	-
At 31 December 2022	**13,406,600**	**205,644,462**	**6,151,288**	**1,340,660**	**76,063,087**	**4,751,977**	**307,358,074**

UniCredit International Bank (Luxembourg) S.A.

Statement of changes in equity

As of 31 December 2021 **(EUR)**

(continued)

	Share capital	Share premium	Revaluation reserve	Restricted reserve	Retained earnings	Profit for the year	Total
At 1 January 2021	13,406,600	205,644,462	12,280,608	1,340,660	67,218,136	6,414,748	306,305,214
Profit for the year	-	-	-	-	-	2,430,203	2,430,203
Total comprehensive income for the year	**-**	**-**	**(1,551,947)**	**-**	**-**	**2,430,203**	**878,256**
Contributions by and distributions to equity holders							
Allocation to retained earnings	-	-	-	-	6,414,748	(6,414,748)	-
Dividends to equity holders	-	-	-	-	-	-	-
At 31 December 2021	**13,406,600**	**205,644,462**	**10,728,661**	**1,340,660**	**73,632,884**	**2,430,203**	**307,183,470**

UniCredit International Bank (Luxembourg) S.A.

Statement of cash flows
As of 31 December 2022 (EUR)

	Notes	2022	2021
		EUR	EUR
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		**4,751,977**	**2,430,203**
Adjustments for:			
Income tax expense	28	1,828,633	793,577
Depreciation and amortisation	11,12	2,498,295	2,070,058
Net provisions for risks and charges	17	498,064	878,130
Reversal of loan impairment		(269,388)	54,058
Reversal of loan impairment - loans and advances to customers	30	-	-
Net impairement loss in investment securities	7	-	-
Defined benefit expense	17	199,855	239,229
Net (gain)/(loss) on derivatives	7,16	96,347,818	14,268,685
Net interest income - interest to be received	7,22	(39,788,309)	(11,149,147)
Net interest expenses - interest to be paid	16,22	22,333,772	15,817,887
Recycling effect OCI reserve	7	1,908,134	2,216,591
Changes in operating assets and liabilities:			
Net (increase)/decrease in deposit with central banks	5,8	516,478	1,188,000
Net (increase)/decrease in derivative financial instruments	6	(100,892,686)	(27,426,446)
Net (increase)/decrease in loans and advances to banks	5,8	230,742,722	(11,059,467)
Net (increase)/decrease in loans and advances to customers	9	(299,805,466)	171,287,555
Net (increase)/decrease in other assets	10,13	(774,976)	5,439,148
Paid taxes		(1,661,281)	(2,256,132)
Net increase/(decrease) in deposits from banks	14	251,181,308	66,795,167
Net increase/(decrease) in amounts due to customers	15	(100,829,121)	(99,091,855)
Net increase/(decrease) in other liabilities	18,19	19,713,878	(7,652,986)
Net increase/(decrease) in defined benefit plan	17	(293,347)	(181,915)
Net cash provided (used) by operating activities		**88,206,360**	**124,660,340**

UniCredit International Bank (Luxembourg) S.A.

Statement of cash flows

As of 31 December 2022 **(EUR)**

(continued)

	Notes	2022	2021
		EUR	EUR
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of securities classified as FV/OCI	7	(28.315.500)	(220.310.500)
Purchase of property and equipment	11,12	(38.463)	(302.718)
Purchase of intangible assets	12	(2.060.278)	(4.617.125)
Proceeds from sale and redemption of securities classified as FV/OCI	7	59.142.500	107.662.000
Net cash (used) provided by investing activities		**28.728.259**	**(117.568.343)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Redemption of debt securities	16	(75.598.274)	-
Net cash (used) provided by financing activities		**-75.598.274**	**-**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**41.336.344**	**7.091.997**
Cash and cash equivalents at beginning of year		**85.350.019**	**78.258.022**
Cash and cash equivalents end of year		**126.686.363**	**85.350.019**

Starting from 2022, in the Cash Flow Statement are reported the effects from interest received, interest paid and paid taxes. For comparison purpose, the representation of 2021 figures was restated accordingly.

Please refer to note 2.22 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.

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 reorganisation 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 3 February 2023, the Management Board has approved the financial statements and the Supervisory Board has reviewed them on 10 February 2023. At the same date, the Supervisory Board has 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 significant 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.

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 (IFRS) as adopted by the European Union ("EU"). 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 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 recognised retrospectively in the first set of financial statements authorised 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;
- Recognised 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 recognised at the present value of the defined benefit obligation less the net total of the plan assets, plus unrecognised actuarial gains, less unrecognised past service cost and unrecognised actuarial losses.

The Management has, at the time of approval and authorisation 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 recognised 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 amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised 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 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 recognised prospectively.

2.1.5 Changes in accounting policies and presentation

New and amended IFRS Standards that are effective for the current year

In 2022 the following standards, amendments or interpretations came into force:

- Amendments to IFRS3 Business Combinations; IAS16 Property and Equipment; IAS37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020" (EU Regulation 2021/1080); whose adoption has not determined substantial effects on the amounts recognised in balance sheet or income statement.

New and revised IFRS Standards in issue but not yet effective

As at 31 December 2022, the following documents have been endorsed by the European Commission:

- Amendments to IAS1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (EU Regulation 2022/357) applicable to reporting starting from 1 January 2023;
- Amendments to IAS8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (EU Regulation 2022/357) applicable to reporting starting from 1 January 2023;
- Amendments to IAS12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (EU Regulation 2022/1392) applicable to reporting starting from 1 January 2023;
- Amendments to IFRS17 Insurance contracts: Initial Application of IFRS17 and IFRS9 - Comparative Information (EU Regulation 2022/1491) applicable to reporting starting from 1 January 2023;

The Bank does not expect any significant impact due to the entry into force of the amendments to the accounting standards reported above.

As at 31 December 2022 the International Accounting Standards Board (IASB) issued the following accounting standards whose application is subject to completion of the endorsement process by the competent bodies of the European Commission, which is still ongoing:

- Amendments to IAS1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (January 2020 and July 2020 respectively) and Non-current Liabilities with Covenants (issued on 31 October 2022);
- Amendments to IFRS16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022).

The Management does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Bank in future periods.

Interbank Offered Rates (IBORs) transition

Following the concerns raised about the integrity and reliability of major financial market benchmarks the Financial Stability Board (FSB) started a comprehensive reference rates reform. In order to assess the relevant risks associated with the benchmark reforms and taking appropriate actions to ensure an adequate transition to alternative or reformed benchmark rates ahead of the deadline of the end of 2021 specified in the revised EU Benchmark Regulation (BMR), during 2018 UniCredit group launched a Group wide project in order to manage the IBORs discontinuation with a multiyear roadmap defined based on both Group exposure (mainly focused on Euro) and transition timeline.

It is worth to mention that the "European Working Groups on Euro Risk-Free Rates" issued its recommendations on Euribor fallbacks and cessation triggers, while other international working groups and bodies (e.g., International Swaps and Derivatives Association - *ISDA*; ICE Benchmark Administration - *IBA*; London Clearing House - LCH) issued recommendations, focused on LIBOR discontinuation, to be considered while envisaging market practices to consider on transition.

At the same time, the Benchmark Regulation was amended to allow the EU Commission to provide for statutory replacement rates, while the other mainly involved international market authorities (e.g., Financial Conduct Authority and Bank of England in the UK, New York State Department of Financial Services in the US) defined amendments to the applicable laws in order to support a smooth transition.

Specifically, on 5 March 2021[1], the Financial Conduct Authority (FCA), in its capacity as LIBOR regulator, announced that LIBOR settings process would have not been available (ceased to be provided or no longer representative) according with the following discontinuation path:

- immediately after 31 December 2021, in the case of all Sterling, Euro, Swiss Franc and Japanese Yen settings, and the 1-week and 2-month US Dollar settings; and
- immediately after 30 June 2023, in the case of the remaining US Dollar settings.

With reference to USD Libor, the FCA is discussing about using its powers under the UK Benchmarks Regulation to compel ICE Benchmark Administration (IBA) to continue to publish the 1-, 3- and 6-Months settings under a "synthetic" methodology for a temporary period after the end of June 2023, until the end of September 2024.

With reference to JPY and GBP Libor, in September 2021, the FCA initially deliberated to require IBA until end of 2022 for the publication under a changed methodology basis (also known as 'synthetic')

[1] On the same day, ISDA echoed stating that the FCA announcement constituted a trigger event under the ISDA 2020 IBOR Fallbacks Protocol; as a result, the fallback spread adjustment on relevant derivatives (also applicable on cash instrument considering the recommendations of major national working group), would have been fixed starting from the same day for all Euro, Sterling, Swiss Franc, US Dollar and Japanese Yen LIBOR settings.

of the mentioned six Libor settings made available by IBA for use in legacy contracts other than cleared derivatives. Synthetic settings availability provides some relief on LIBOR contracts repapering effort (in particular for contracts subject to UK law). Afterward, FCA announced:

- to require IBA to continue to publish 1- and 6-Months “synthetic” GBP LIBOR settings until March 31, 2023, after which these settings will permanently cease;
- to require IBA to continue to publish the 3 -Month “synthetic” GBP LIBOR setting for the duration of 2023, and
- that it intends to require IBA to continue to publish this setting until the end of March 2024, after which it would permanently cease.

Publication of the 1-, 3- and 6-Months “synthetic” JPY LIBOR settings ceased after 30 December 2022.

The continuing discussions and consultations, while aimed to bring further stability in the market and reduce conduct risk, still represent source of possible uncertainty, with reference to the timing and/or fallback rules applied to outstanding stock of assets, liability and derivatives linked to other IBOR agreements (yet to be transformed or transitioned).

The European Commission adopted an Implementing Act of the BMR that has been published in the Official Journal of the European Union on 22 October 2021; the Implementing Act provides legal ground for a Statutory Replacement Rate for legacy contracts indexed to CHF LIBOR and EONIA that have not yet been repapered or do not contain adequate fallback rates.

Such a replacement rate operating by law brought further stability in the market and reduced the conduct risk associated with the outstanding stock of assets, liabilities and derivatives transformed or transitioned or yet to be transformed or transitioned.

In order to address the potential source of uncertainty on the effect of the IBOR reform on existing accounting hedge relationships the “Amendments to IFRS9, IAS39 and IFRS7 Interest Rate Benchmark Reform” (the Amendment) clarifies that the reform does not require to terminate such hedge relationships.

IASB issued “Interest Rates benchmark Reform - Phase 2; Amendments to IFRS9, IAS39 and IFRS7” including indications to manage changes in financial instruments that are directly required by the Reform and providing for (i) exceptions to standard rules dealing with accounting for changes of the contractual cash flows of assets and liabilities and (ii) reliefs from discontinuing hedge relationships.

As long as contractual terms (i) are amended as a direct consequence of interest rate benchmark reform and (ii) the new basis (to determine the contractual cash flows) is economically equivalent to

the previous basis[2], they will be treated as changes to a floating interest rate arising from movement in the market rate of interest (meaning the EIR will be updated prospectively without adjusting the carrying amount)[3].
Similarly, the Amendments requires an assessment whether a modification of a financial instrument might lead to its derecognition (i.e., when the modification results in a "substantial change" in the expected cash flows) to be applied only to changes beyond those resulting from the market-wide reforms of an interest rate benchmark[4].
As a result, changes that do qualify for the practical expedient will not be regarded as sufficiently substantial that the instrument would be derecognised and, consequently, IFRS9 classification requirements (to be run at initial recognition of a financial asset, including SPPI test) does not have to be conducted.

The major relief Amendments introduced in respect of hedge relationships is that changes to the documentation neither result in the discontinuation of hedge accounting nor (in) the designation of a new hedge relationship as long as it only refers to:

- designating an alternative benchmark rate as the hedged risk, or
- amending the description (i) of the hedged item/portion of the cashflows or fair value being hedged, (ii) of the hedging instruments or (iii) how the entity will assess hedge effectiveness[5] as a consequence of changes to hedged and hedging instruments induced by the Reform (including the addition of a fixed spread to compensate for the basis difference).

In order to closely follow the developments on IBORs and to proper manage the transition and the discontinuation impacts, UniCredit group is continuously monitoring the market, also attending the European working groups, the industry working groups (e.g., International Swaps and Derivatives Association - ISDA) and participating to the relevant public consultations if any.

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

[2] Including replacement of the benchmark, addition of a fixed spread to compensate for the "basis difference" among former and new benchmark duration, and changes to the reset period, reset dates or the number of days between coupon payment dates, addition of a fallback provision.
[3] Ref. IFRS9.5.4.7-8.
[4] Ref. IFRS9.5.4.9.
[5] Ref. IFRS9.6.9.1, IAS39.102P.

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 organisational 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 International Financial Reporting Standards (IFRS).

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 Trade date and settlement date of accounting

All regular transactions on non-derivative financial instruments are recognised and derecognised 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 recognised at value date. Derivative instruments held for trading are recognised on trade date.

2.4 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 categorised 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 FVP&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 FVOCI 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 FVOCI.

(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.

2.5 Financial assets and financial liabilities measurement

Financial assets are initially recognised 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 recognised at fair value, and transaction costs are expensed in the profit or loss.

Financial assets are derecognised 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 derecognised 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 FVOCI are recognised directly in other comprehensive income, until the financial asset is derecognised or impaired. At this time, the cumulative gain or loss previously recognised in other comprehensive income is recognised 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 recognised in the profit or loss. Dividends on other comprehensive income instruments are recognised 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 recognised less, when appropriate, the cumulative amount of income recognised 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 recognised less, when appropriate, the cumulative amount of income recognised 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 2.7).

2.6 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 recognised 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.

2.7 Derivative financial instruments and hedge accounting

Derivatives are initially recognised 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 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 recognised in the profit or loss unless the Bank chooses to designate the hybrid contracts 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 recognised assets or liabilities or firm commitments (fair value hedge);
(b) hedges of highly probable future cash flows attributable to a recognised 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 recognised 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.

2.8 Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading (Note 2.11), are recognised within "interest and similar income" and "interest and similar charges" in the profit or loss using the effective interest method.

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 recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.9 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 P&L 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 P&L when the service is provided;
- if the performance obligation is satisfied over-time, the related revenue is recognized in P&L 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 P&L on the basis of the timing of satisfaction of each obligation.
Fee and commission are generally recognised 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 recognised on completion of the underlying transaction. Management and other service fees are recognised based on the applicable service contracts and are accrued over the time. Asset management fees related to investment funds are recognised pro-rata over the period in which the service is provided. The same principle is applied for wealth management and custody services.

2.10 Dividend income

Dividend income is recognised in the profit when the Bank’s right to receive the payment is established.

2.11 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.

2.12 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.

2.13 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 (FVOCI) 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.
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.

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 "Loan To Collateral" LtC 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.

<table>
<tr><th>Balance type</th><th>Counterparty type</th><th>Product type</th><th>Model type</th></tr>
<tr><td rowspan="6">On balance</td><td rowspan="3">Private Banking Clients</td><td>Lombard Loans</td><td rowspan="3">PB model (except for clients with Group Model)</td></tr>
<tr><td>Term deposits</td></tr>
<tr><td>Current account/Credit Facility</td></tr>
<tr><td rowspan="3">Rated entities (Banks, Sovereigns and Supranational)</td><td>Bonds purchased</td><td>Group Model</td></tr>
<tr><td>Balances with Central Bank</td><td>Group Model</td></tr>
<tr><td>Balances with other banks</td><td>Group Model</td></tr>
<tr><td rowspan="2">Off-balance sheet</td><td rowspan="2">Private Banking Clients</td><td>Guarantees given</td><td>PB Model</td></tr>
<tr><td>Loan commitments</td><td>PB Model</td></tr>
</table>

2.14 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 under finance leases or as lessor under operating leases (rental/hire).

Intangible assets other than goodwill are recognised at purchase cost, i.e. including any cost incurred to bring the asset into use, less accumulated amortisation and impairment losses. 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.

If there is objective evidence that an asset has been impaired, the carrying amount of the asset is compared with its recoverable value, equal to the greater of its fair value less selling cost and its value in use, i.e. the present value of future cash flows expected to originate from the asset. Any impairment loss is recognised in the profit or loss.

If the value of a previously impaired intangible asset, other than goodwill is restored, its increased carrying amount cannot exceed the net carrying amount it would have had if there were no losses recognised on the prior year impairment.

An intangible asset is derecognised 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 recognised in the profit or loss. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

2.15 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 recognised 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.

2.16 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 recognised 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.

2.17 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 recognised 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 recognises 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.

2.18 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.

2.19 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.

2.20 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.

2.21 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 ranging from 1 to 7 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.

2.22 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.

2.23 Provisions

Provisions are recognised 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 recognised as interest expense.

2.24 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.

2.25 Income taxes

Income taxes include the current and deferred income taxes.

Current income tax is recognised 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 realised or the deferred income tax liability is settled.

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 carry-forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred tax related to fair value re-measurement of FVOCI 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 FVOCI has been derecognised) recognised in the profit or loss together with the deferred gain or loss.

2.26 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 minimise potential adverse effects on the Bank's financial performance.

The Bank's risk management policies are designed to identify and analyse 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 honour 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 2022, the ongoing Covid-19 pandemic and the energy crisis combined with increased costs led to an increase of inflation and a deterioration of the economic environment.

This difficult economic situation did not lead to an observable credit deterioration in the Bank's loan portfolio. All loans remain performing. The economic situation resulted in general in a lower market value of the pledged collateral.

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 guarantees. 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 6.6 bn.
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 review 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;
- 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 minimise 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 favourable 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: Unlikely to Pay, Defaults and Work-out

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 2.13 “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 reorganisation;
- 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	
	2022	2021
	EUR	EUR
Credit risk exposures relating to the statement of financial position are as follows:		
Cash balances at central banks and other demand deposits	**4,653,776**	**5,170,254**
Loans and advances	**1,780,573,860**	**1,670,174,772**
Loans and advances to banks	149,123,419	338,529,797
Loans and advances to customers	1,631,450,441	1,331,644,975
of which Loans and advances to corporate entities	1,344,528,594	1,078,563,964
of which debt securities	286,921,847	253,081,011
Derivative financial instruments including trading assets	**90,843,795**	**16,866,778**
Other comprehensive income - Debt securities	**563,758,656**	**701,345,455**
Listed securities	563,758,656	701,345,455
Other assets	**3,667,681**	**3,642,848**
	2,443,497,767	2,397,200,106
Credit risk exposures relating to off-balance sheet items are as follows:		
Financial guarantees	**2,521,750**	**5,654,750**
Loan commitments and other credit related liabilities	**788,241,427**	**1,076,354,919**
As at 31 December	**3,234,260,944**	**3,479,209,775**

The above table represents the worst-case scenario of credit risk exposure to the Bank at 31 December 2022 and 2021, 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 includes only financial assets. Starting from financial year ended 31 december 2022, 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 2021 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 Loans and advances

ECL for loans and advances are summarised as follows:

in EUR	Opening balance 2022	Increases due to origination and acquisition	Decreases due to derecognition	Changes due to change in credit risk (net)	Other adjustments	Closing balance 2022
Allowances for financial assets without increase in credit risk since initial recognition (Stage 1)	**368,944**	**22,028**	**- 172,428**	**- 118,988**	**-**	**99,556**
Debt securities	***194,376***	***5,281***	***- 25,757***	***- 126,339***	***-***	***47,561***
Loans and advances	***174,568***	***16,747***	***- 146,671***	***7,351***	***-***	***51,995***
of which: individually measured allowances	368,944	22,028	- 172,428	- 118,988	-	99,556
Allowances for credit-impaired debt instruments (Stage 3)	**-**	**-**	**-**	**-**	**-**	**-**
Total allowance for debt instruments	**368,944**	**22,028**	**- 172,428**	**- 118,988**	**-**	**99,556**
Commitments and financial guarantees given (Stage 1)	32,139	7,213	- 4,971	45,822	-	80,202
Total provisions on commitments and financial guarantees given	**32,139**	**7,213**	**- 4,971**	**45,822**	**-**	**80,203**

(a) Impaired loans and advances

The total allowance for loans and advances as of December 31, 2022 EUR 99.556 (2021: EUR 368.944) 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 2022.

(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 2022 and 31 December 2021.

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.

	2022 EUR FV/OCI	2021 EUR FV/OCI
AA	-	-
A	41,191,485	54,646,364
A-	199,225,458	241,698,275
BBB+	-	-
BBB	323,341,714	405,000,816
BBB-	-	-
BB	-	-
B+	-	-
Not rated	-	-
	563,758,656	**701,345,455**

3.1.7 Seized collateral

Total collateral held by the Bank as of 31.12.2022 was EUR 6,581,654,659 with the following distribution:

• Cash deposit EUR 27,567,715;

• Pledged securities portfolio EUR 6,554,086,944.

In 2022, 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 2022 and 2021, 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	2022						2021
	Italy	Luxembourg	Spain	Germany	Other	Total	Total
Cash and Cash equivalents	881,364	3,714,507	-	42,578	15,327	**4,653,776**	5,170,254
Financial assets at FV/PL	-	-	-	1,651,014	-	**1,651,014**	8,903,084
Financial assets at FV/OCI - Debt securities	323,341,713	-	199,225,458	-	41,191,485	**563,758,656**	701,345,455
Financial assets at amortised cost: loans to banks	144,250,301	-	-	4,873,118	-	**149,123,419**	338,529,797
Financial assets at amortised cost: loans to customers	26,743,355	1,314,937,158	-	-	2,848,080	**1,344,528,593**	1,078,563,964
Financial assets at amortsed cost: debt securities	249,861,736	-	18,453,807	-	18,606,304	**286,921,847**	253,081,011
Hedging derivatives	19,630,741	-	-	69,562,040	-	**89,192,781**	7,963,694
Total	**764,709,210**	**1,318,651,665**	**217,679,265**	**76,128,750**	**62,661,196**	**2,439,830,086**	2,393,557,259

(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 2021	**360,566,829**	**954,426,466**	**1,036,031,745**	**42,532,219**	**2,393,557,259**
Cash and balances at central banks	4,653,776	-	-	-	4,653,776
Financial assets at FV/PL	1,651,014	-	-	-	1,651,014
Financial assets at FV/OCI	-	563,758,656	-	-	563,758,656
Financial assets at amortised cost	149,123,419	286,921,847	1,316,971,882	27,556,712	1,780,573,860
Hedging Derivative	89,192,781	-	-	-	89,192,781
As at 31 December 2022	**244,620,990**	**850,680,503**	**1,316,971,882**	**27,556,712**	**2,439,830,087**

3.1.9 Financial guarantees & commitments

The total ECL on commitments and financial guarantees is EUR 80,203 (2021: EUR 32,139) 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 2022	**EUR**	**USD**	**Other**	**Total**
Assets				
Cash and cash equivalent	3,685,558	-	-	**3,685,558**
Other demand deposits	483,899	111,480	372,839	**968,218**
Financial assets held for trading	1,651,014	-	-	**1,651,014**
Financial assets at fair value through OCI	563,758,656	-	-	**563,758,656**
Financial assets at amortised cost	1,700,952,378	78,381,113	1,240,368	**1,780,573,859**
Hedging derivatives	89,192,781	-	-	**89,192,781**
Other assets	3,727,835	-	-	**3,727,835**
Total Assets	**2,363,452,121**	**78,492,593**	**1,613,207**	**2,443,557,921**

As at 31 December 2022	**EUR**	**USD**	**Other**	**Total**
Liabilities				
Financial liabilities at amortised cost	2,045,690,355	78,509,035	1,514,172	**2,125,713,562**
Financial liabilities held for trading	2,045,443	-	-	**2,045,443**
Hedging derivatives	4,537,825	-	-	**4,537,825**
Other liabilities	7,440,751	-	-	**7,440,751**
Provisions for risks and charges	4,416,244	-	-	**4,416,244**
Total Liabilities	**2,064,130,618**	**78,509,035**	**1,514,172**	**2,144,153,825**

Net on-balance sheet financial position	299,321,502	(16,442)	99,035	**299,404,095**
Loan commitments and other credit related liabilities	788,241,427	-	-	**788,163,013**
Financial Guarantees	2,521,750	-	-	**2,519,961**

As at 31 December 2021				
Total financial assets	2,351,914,754	56,197,670	8,592,803	2,416,705,227
Total financial liabilities	2,044,709,568	56,435,380	8,376,810	2,109,521,758
Net on-balance sheet financial position	**307,205,186**	**(237,710)**	**215,993**	**307,183,469**
Financial Guarantees	**5,654,750**	**-**	**-**	**5,654,750**
Loan commitments and other credit related liabilities	**1,076,354,919**	**-**	**-**	**1,076,354,919**

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 2021 (respectively 2020), a 10% strengthening in EUR to USD would influence income before tax by EUR -1,644 (2021 EUR -23,771) and a 10% weakening in EUR to USD would influence income before tax by EUR +1,644 (2021 EUR +23,771).

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 summarises the Bank's exposure to interest rate risks. It includes the financial instruments at carrying amounts (including accrued interest), categorised 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 2022							
In EUR							
Assets							
Cash and cash equivalent	968,218	3,685,558	-	-	-	-	**4,653,776**
Financial assets at amortised cost - Banks	90,669,210	36,017,154	22,437,055	-	-	-	**149,123,419**
Financial assets at amortised cost - Customers	1,334,393,987	6,306,990	3,827,617	-	-	-	**1,344,528,594**
Financial assets at amortised cost Customers - Debt securities	-	-	14,844,091	115,782,631	156,295,125	-	**286,921,847**
Financial assets at FV/OCI	-	-	50,174,500	196,868,152	316,716,004	-	**563,758,656**
Derivative financial instruments	36,864,219	49,094,513	3,676,738	1,208,325	-	-	**90,843,795**
Other assets	-	-	-	-	-	3,727,835	**3,727,835**
Total financial assets	**1,462,895,634**	**95,104,215**	**94,960,001**	**313,859,108**	**473,011,129**	**3,727,835**	**2,443,557,922**
Liabilities							
Deposits from banks	612,065,864	770,419,522	240,521,369	-	-	-	**1,623,006,755**
Deposits from customers	275,278,575	59,305,826	39,773,316	-	-	-	**374,357,717**
Debt securities in issue	-	12,778,953	88,690,930	26,491,786	-	-	**127,961,669**
Derivative financial instruments	2,438,689	2,501,248	435,005	1,208,325	-	-	**6,583,267**
Other liabilities	7,440,751	-	-	-	-	-	**7,440,751**
Total financial liabilities	**897,223,879**	**845,005,549**	**369,420,620**	**27,700,111**	**0**	**-**	**2,139,350,159**
Total interest repricing gap	**565,671,755**	**(749,901,334)**	**(274,460,619)**	**286,158,997**	**473,011,129**	**3,727,835**	**304,207,763**
As at 31 December 2021							
Total financial assets	**1,228,947,956**	**128,836,895**	**94,551,106**	**440,725,645**	**500,495,656**	**3,642,848**	**2,397,200,106**
Total financial liabilities	**981,475,620**	**318,681,020**	**610,296,351**	**182,201,506**	**-**	**-**	**2,092,654,497**
Total interest repricing gap	**247,472,336**	**(189,844,125)**	**(515,745,245)**	**258,524,139**	**500,495,656**	**3,642,848**	**304,545,609**

Under the assumptions, as defined hereabove, taking into account assets and liabilities as at 31 December 2022 and 2021, respectively a 100 basis points increase or decrease in market interest rates would influence the net interest income before tax by EUR 3,202 mln (2021 EUR 0,588 mln) and by EUR -3,021 mln (2021 EUR 2,214 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 into 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 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 initial contractual cash flows receivable/payable (interest not included) by the Bank under non-derivative financial assets and liabilities and other assets/liabilities and by remaining contractual maturities at the statement of financial position date. The amounts disclosed in the table are on undiscounted and gross basis, and categorised by contractual maturity dates.

As at 31 December 2022 In EUR	Up to 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Total
Assets						
Cash and cash equivalents	968,218	3,685,558	-	-	-	4,653,776
Loans and advances to Banks	53,469,484	36,017,154	22,437,055	37,199,726	-	149,123,419
Loans and advances to Customer	1,334,393,988	6,306,990	-	-	3,827,617	1,344,528,595
Financial assets at amortised cost Customers - Debt securities	-	-	14,844,091	115,782,631	156,295,125	286,921,847
Non-trading financial assets mandatorily at FV/P&L	-	-	-	-	-	-
Financial assets at FV/OCI	-	-	50,174,500	196,868,152	316,716,004	563,758,656
Total financial assets	**1,388,831,690**	**46,009,702**	**87,455,646**	**349,850,509**	**476,838,746**	**2,348,986,292**
Liabilities						
Deposits from banks	310,999,964	407,724,759	904,282,032	-	-	1,623,006,755
Deposits from customers	275,278,575	59,305,826	35,949,842	-	3,823,474	374,357,717
Debt securities in issue	-	12,778,952	88,690,930	26,491,786	-	127,961,668
Financial liabilities designated at FV	-	-	-	-	-	-
Other liabilities (IFRS 16) - no maturity breakdown	387,422	-	-	-	-	387,422
Total financial liabilities	**586,665,961**	**479,809,537**	**1,028,922,804**	**26,491,786**	**3,823,474**	**2,125,713,563**

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 2022 **In EUR**	**Up to 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Derivatives:	-	-	-	-	0
Interest rate derivatives	-	-	-	-	-
- Outflow	(3,578,650)	(3,230,752)	(12,806,486)	(7,422,311)	(27,038,199)
- Inflow	2,845,079	17,651,857	64,224,491	43,715,640	128,437,067
Total outflow	**(3,578,650)**	**(3,230,752)**	**(12,806,486)**	**(7,422,311)**	**(27,038,199)**
Total inflow	**2,845,079.0**	**17,651,857.0**	**64,224,491.0**	**43,715,640.0**	**128,437,067**

At 31 December 2021 **In EUR**	**Up to 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Derivatives:	-	-	-	-	0
Interest rate derivatives	-	-	-	-	0
- Outflow	(4,027,310.00)	(1,892,757.00)	(14,923,240.00)	(9,762,426.00)	(30,605,733)
- Inflow	-	817,806.00	9,076,343.00	14,681,632.00	24,575,781
Total outflow	**(4,027,310.00)**	**(1,892,757.00)**	**(14,923,240.00)**	**(9,762,426.00)**	**(30,605,733)**
Total inflow	**-**	**817,806.00**	**9,076,343.00**	**14,681,632.00**	**24,575,781**

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:

	2022		2021	
	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	**788,241,427**	**78,414**	**1,076,354,919**	**29,995**
Other financial corporations	755,196,354	15,918	1,032,260,185	8,103
Non-financial corporations	358,000	65	25,700,000	2,513
Households	32,687,073	62,431	18,394,734	19,379
Financial guarantees given	**2,521,750**	**1,789**	**5,654,750**	**2,144**
Other financial corporations	**48,750**	**31**	**2,886,750**	**41**
Non-financial corporations	**33,000**	**12**	**148,000**	**90**
Households	**2,440,000**	**1,746**	**2,620,000**	**2,013**

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);

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.

- Level 3: 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	Total
31 December 2022			
Financial assets			
Financial assets at FV/PL	-	1,651,014	1,651,014
Financial assets at FV/OCI	563,758,656	-	563,758,656
Hedging derivatives	-	89,192,781	89,192,781
	563,758,656	**90,843,795**	**654,602,451**
Financial liabilities			
Financial liabilities held for trading	-	2,045,443	2,045,443
Financial liabilities designated at FV	-	-	-
Hedging derivatives	-	4,537,825	4,537,825
	-	**6,583,267**	**6,583,267**

In EUR	Level 1	Level 2	Total
31 December 2021			
Financial assets			
Financial assets at FV/PL	-	8,903,084	8,903,084
Financial assets at FV/OCI	701,345,455	-	701,345,455
Hedging derivatives	-	7,963,694	7,963,694
	701,345,455	**16,866,778**	**718,212,233**
Financial liabilities			
Financial liabilities held for trading	-	9,214,015	9,214,015
Financial liabilities designated at FV	-	-	-
Hedging derivatives	-	24,201,423	24,201,423
		33,415,438	**33,415,438**

3.5 Capital management

The Bank’s objectives when managing capital, which is a broader concept than the ‘equity’ on the face of the statement of financial positions, 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 2022, 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 summarises 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.

	2022 EUR	2021 EUR
Global Regulatory Capital	**298,420,557**	**301,434,259**
Capital requirements	-	-
Capital requirement for the credit risk	323,265,138	335,882,215
Capital requirements for position, foreign exchange and commodities	113,996	236,365
Capital requirement for operational risk	38,017,515	37,031,568
Total capital requirement	**361,396,649**	**373,150,148**
Core Tier 1 (minimum being 8.00%)	**82.57%**	**80.78%**

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 analysed 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

	2022 EUR	2021 EUR
a) Cash and cash equivalent	968,218	937,254
b) Balances with central banks	3,685,558	4,233,000
Total	**4,653,776**	**5,170,254**

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 126.686.363 (2021: EUR 85.350.019).

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;
- Equity linked options.

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 recognised 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 favourable (assets) or unfavourable (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 favourable or unfavourable, 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.

	AMOUNTS AS AT 31.12.2022			AMOUNTS AS AT 31.12.2021		
	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	**-**	**1,651,014**	**-**	**-**	**8,903,084**	**-**
1.1 Trading	-	-	-	-	-	-
1.2 Linked to fair value option	-	-	-	-	-	-
1.3 Other	-	1,651,014	-	-	8,903,084	-
2. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Trading	-	-	-	-	-	-
2.2 Linked to fair value option	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
Total (B)	**-**	**1,651,014**	**-**	**-**	**8,903,084**	**-**
Total (A+B)	**-**	**1,651,014**	**-**	**-**	**8,903,084**	**-**

At 31 December 2022 **In EUR**	**Contract/ notional amount**	**Fair value**	
		Assets	**Liabilities**
Equity Swaps			
-Trading	28.216.000	82.033	218.084
Equity Options			
-Trading	234.622.000	1.568.980	1.827.358
Interest rate Swaps			
- Hedging	737.292.000	89.192.781	4.537.825
Cross currency swap			
-Hedging	-	-	-
Total derivatives	**1.000.130.000**	**90.843.794**	**6.583.267**
Maturity >1 year	675.557.000	89.280.886	4.291.219
Maturity < 1 year	324.573.000	1.562.908	2.292.048
		90.843.794	**6.583.267**

At 31 December 2021 **In EUR**	**Contract/ notional amount**	**Fair value**	
		Assets	**Liabilities**
Equity Swaps			
-Trading	52.500.000	1.805.790	0
Equity Options			
-Trading	362.100.000	7.097.293	9.214.015
Interest rate Swaps			
- Hedging	824.800.000	7.963.694	24.201.423
Cross currency swap	0	0	0
-Hedging	0	-	0
Total derivatives	877.300.000	**9.769.484**	**24.201.423**
Maturity >1 year	1.103.000.000	14.560.236	31.063.836
Maturity < 1 year	136.400.000	2.306.542-	2.351.602
		16.866.778	**33.415.438**

7 Financial assets at fair value through other comprehensive income

	2022 EUR
Securities at FV/OCI	
Listed debt securities	563,758,656
Total securities at FV/OCI	**563,758,656**

	2022 EUR
At 1 January	**701,345,455**
Additions	28,315,500
Disposals (sale and redemption)	(59,142,500)
Changes in fair value allocated to profit or loss	(99,777,699)
Changes in fair value allocated to other comprehensive income	(6,323,490)
Change in accrued interest	(658,613)
At 31 December	**563,758,653**

Change in the FV/OCI reserve	2022 EUR
At 1 January	**11,031,765**
(Increase) decrease in unrealised losses on FV/OCI portfolio	(6,323,490)
Deferred taxes	1,577,076
At 31 December	**6,285,351**

	2021 EUR
Securities at FV/OCI	
Listed debt securities	701,345,455
Total securities at FV/OCI	**701,345,455**

	2021 EUR
At 1 January	**608,660,192**
Additions	220,310,500
Disposals (sale and redemption)	(107,662,000)
Changes in fair value allocated to profit or loss	(15,946,940)
Changes in fair value allocated to other comprehensive income	(2,216,591)
Change in accrued interest	(1,799,706)
At 31 December	**701,345,455**

Change in the FV/OCI reserve	2021 EUR
At 1 January	**12,695,538**
(Increase) decrease in unrealised losses on FV/OCI portfolio	(2,216,591)
Deferred taxes	552,818
At 31 December	**11,031,765**

During the year, the Bank disposed EUR 50 million (notional amount) of Italian Government Bonds and EUR 10 million (notional amount) of Polish Government bonds booked in the FV/OCI portfolio.

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

	AMOUNTS AS AT 31.12.2022	
	CARRYING VALUE	
	STAGE 1	STAGE 2 AND 3
Loans and advances to Central Banks	**3,685,558**	**-**
Other	3,685,558	-
Loans and advances to banks	**150,091,637**	**-**
Current accounts and demand deposits	968,218	-
Time deposits	100,676,608	-
Other loans	48,446,811	-
Total	**153,777,194**	**-**
Loans to banks net of cash and loans to central banks (note 5)	149,123,419	-

	AMOUNTS AS AT 31.12.2021	
	CARRYING VALUE	
	STAGE 1	STAGE 2 AND 3
Loans and advances to Central Banks	**4,233,000**	**-**
Other	4,233,000	-
Loans and advances to banks	**339,467,051**	**-**
Current accounts and demand deposits	937,254	-
Time deposits	64,142,763	-
Other loans	274,387,034	-
Total	**343,700,051**	**-**
Loans to banks net of cash and loans to central banks (note 5)	338,529,797	-

There were no changes between the stages during the year.

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

	AMOUNTS AS AT 31.12.2022	
	CARRYING VALUE	
	STAGE 1	STAGE 2 AND 3
Loans	**1,344,528,594**	**-**
Current accounts	1,334,393,988	-
Other loans	10,134,606	-
Debt securities	**286,921,847**	**-**
Structured securities	-	-
Other debt securities	286,921,847	-
Total	**1,631,450,441**	**-**

	AMOUNTS AS AT 31.12.2021	
	CARRYING VALUE	
	STAGE 1	STAGE 2 AND 3
Loans	**1,078,563,964**	**-**
Current accounts	1,066,130,808	-
Other loans	12,433,156	-
Debt securities	**253,081,011**	**-**
Structured securities	-	-
Other debt securities	253,081,011	-
Total	**1,331,644,975**	**-**

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

In 2021, 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 2022		Tax asset 2021	
	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	1,348,718	645,126	1,057,071	167,402
Loans and advances to and deposits from banks and customers	12,967	-	43,537	-
Financial liabilities designated at fair value through profit or loss	-	-	-	-
Hedging and hedged item revaluation	25,984,531	-	6,416,290	-
Other assets and Other liabilities	-	44,547	-	100,713
Provisions, pension funds and similar	765,428	-	776,758	-
	-	-	-	-
Total	**28,111,644**	**689,673**	**8,293,656**	**268,115**
TOTAL		**28,801,317**		**8,561,771**
Change	-	-	-	-
Opening balance	**8,293,656**	**268,115**	**13,090,228**	**137,869**
Financial assets and liabilities (different from Loans and Deposits	22,920,548	477,724	(781,288)	167,402
Loans and advances to and deposits from banks and customers	(30,570)	-	(10,200)	-
Financial liabilities designated at fair value through profit or loss	-	-	-	-
Hedging and hedged item revaluation	(3,060,660)	-	(4,013,924)	-
Retirement benefit obligations	-	-	-	-
Other assets and Other liabilities	-	(56,166)	-	(37,156)
Provisions, pension funds and similar	(11,330)	-	8,840	-
Closing balance	**28,111,644**	**689,673**	**8,293,656**	**268,115**
TOTAL		**28,801,317**		**8,561,771**

11 Property and equipment

	Changes in 2022		
	Office furniture and fittings	Electronic systems	Total
Gross opening balance	**332,170**	**556,974**	**889,144**
Total net reduction in value	(254,647)	(238,027)	(492,674)
Net opening balance	77,523	318,947	396,470
Increases	**1,319**	**-**	**1,319**
Purchases	1,319	-	1,319
Reductions	**13,688**	**64,836**	**78,524**
Disposals	-	7,454	7,454
Depreciation	13,688	58,680	72,368
Other changes	-	(1,298)	(1,298)
Net final balance	**65,154**	**254,111**	**319,265**
Total net reduction in value	(268,335)	(295,409)	(563,744)
Gross closing balance	333,489	549,520	883,009

	Changes in 2022		
	Buildings - Right of use	Other - Rights to use	Total
Gross opening balance	**3.113.099**	**352.326**	**3.465.425**
Total net reduction in value	(1.993.172)	(160.083)	(2.153.255)
Net opening balance	1.119.927	192.243	1.312.170
Increases	**32.664**	**122.368**	**155.032**
Purchases	-	38.463	38.463
Other changes	32.664	83.905	116.569
Reductions	**886.958**	**199.692**	**1.086.650**
Disposals	306.090	83.905	389.995
Depreciation	580.868	115.787	696.655
Net final balance	**265.633**	**114.919**	**380.552**
Total net reduction in value	(2.091.080)	(191.965)	(2.283.045)
Gross closing balance	2.356.713	306.884	2.663.597

12 Intangible assets

	CHANGES IN 2022		
	OTHER INTANGIBLE ASSETS		
	FINITE LIFE	INDEFINITE LIFE	TOTAL
Gross opening balance	**11,925,899**	-	**11,925,899**
Total net reduction in value	(3,814,313)	-	(3,814,313)
Net opening balance	8,111,586	-	**8,111,586**
Increases	**2,060,278**	-	**2,060,278**
Purchases	2,060,278	-	2,060,278
Reduction	**1,732,145**	-	**1,732,145**
Disposals	2,873	-	2,873
Write-downs	1,729,272	-	1,729,272
- Amortization	1,729,272	-	1,729,272
Net closing balance	**8,439,719**	-	**8,439,719**
Total net write-down	5,100,582	-	5,100,582
Gross closing balance	**13,540,301**	-	**13,540,301**

	AMOUNTS AS AT 31.12.2022		AMOUNTS AS AT 31.12.2021	
	Finite life	Indefinite life	Finite life	Indefinite life
Other intangible assets	**8,439,719**	-	**8,111,586**	-
Assets carried at cost	8,439,719	-	8,111,586	-
Total	**8,439,719**	-	**8,111,586**	-
Total finite and indefinite life	**8,439,719**		**8,111,586**	

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 Participation

In 2020, the Bank, with the aim to support UniCredit Group Wealth Management, established a participation 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. 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.

13.2 Other assets

	AMOUNTS AS AT	
	31.12.2022	**31.12.2021**
Accrued income other than capitalised income	3,318,221	3,579,381
Interest and changes to be debited to Banks	284,060	-
Items in processing	57,939	1,964
Tax items	15,365	12,353
Other assets	52,250	49,150
Total	**3,727,835**	**3,642,848**

14 Financial liabilities at amortised cost: Deposits from banks

	AMOUNTS AS AT 31.12.2022	AMOUNTS AS AT 31.12.2021
	CARRYING VALUE	CARRYING VALUE
Deposits from central banks	-	-
Deposits from banks	**1,623,006,755**	**1,371,825,447**
a) Current accounts and demand deposits	91,073,118	22,173,043
b) Time deposits	1,089,601,024	1,297,207,214
c) Loans	442,332,613	52,445,190
- Repos	442,332,613	52,445,190
Total	**1,623,006,755**	**1,371,825,447**

15 Financial liabilities at amortised cost: Deposits from customers

	AMOUNTS AS AT 31.12.2022	AMOUNTS AS AT 31.12.2021
Current accounts and demand deposits	211.755.421	429.978.484
Time deposits	162.602.296	45.208.354
Total	**374.357.717**	**475.186.838**

16 Debt securities in issue

	2022 EUR	2021 EUR
Equity linked notes	127,961,669	205,245,711
Senior notes	-	-
	127,961,669	**205,245,711**

	2022 EUR	2021 EUR
At 1 January	**205,245,711**	**204,686,515**
Redemption	(75,598,274)	-
Change in fair value allocated to profit or loss	(3,429,881)	(1,678,255)
Change in accrued interest	1,744,100	2,237,451
Foreign exchange movements	-	-
At 31 December	**127,961,656**	**205,245,711**

The Bank issued the following debt instruments (not yet arrived at maturity as at 31/12/2022):

Issuance Date	Debt Instruments	Stock Exchange	Nominal	Guaranteed by	Interest rate	Maturity Date
2015	12 Equity Linked Notes	N/A	EUR 51.327 million	Unicredit S.p.A.	N/A	2023
2016	10 Equity Linked Notes	N/A	EUR 28.519 million	Unicredit S.p.A.	N/A	2024
2017	7 Equity Linked Notes	N/A	EUR 51.573 million	Unicredit S.p.A.	N/A	2023

All debt issued by the Bank are 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	
	31.12.2022	**31.12.2021**
Provisions for credit risk on commitments and financial guarantees given	80,202	32,138
Pensions and other post-retirement benefit obligations	2,988,874	3,082,366
Other provisions for risks and charges	1,347,168	900,000
Legal and tax disputes	47,168	-
Staff expenses	1,300,000	900,000
Total	**4,416,244**	**4,014,504**

17.1 Post Retirement benefit obligations

8 employees of the Bank (2021: 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.

	2022 EUR	2021 EUR
Balance sheet obligations for pension benefits	2,988,875	3,082,366
Income statement charged for pension benefits	199,855	239,229

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

	2022 EUR	2021 EUR
Present value of defined benefit obligations	3,636,016	3,700,518
Fair value of plan assets	(647,141)	(618,152)
	2,988,875	**3,082,366**
Unrecognised gains and losses	-	-
Liability in the balance sheet	**2,988,875**	**3,082,366**

The movement in the defined benefit obligation is as follows:

	2022 EUR	2021 EUR
Beginning of year	3,700,518	3,618,279
Transfer of liabilites	-	-
Interest cost	42,315	32,308
Current service cost	164,605	212,560
Actual benefit payments by the fund	(38,255)	(30,913)
(Gain) or loss on change of financial assumptions	(17,027)	211,999
(Gain) or loss on experience adjustment	(216,140)	(343,715)
End of year	**3,636,016**	**3,700,518**

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

	2022 EUR	2021 EUR
Beginning of year	618,152	593,227
Transfer of assets	-	-
Actual total benefit payments	(38,255)	(30,913)
Actual Bank contributions (including benefits paid directly by the Bank)	68,141	32,935
Interest income	7,065	5,639
Return on plan assets	(7,962)	17,264
	647,141	**618,152**

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

	2022 EUR	2021 EUR
Current service cost	164,605	212,560
Net interest cost:	35,250	26,669
- Interest cost on defined benefit plan	42,315	32,308
- Interest income on plan assets	(7,065)	(5,639)
Total charges recognised and included in staff costs	**199,855**	**239,229**

The movement recognised in Other Comprehensive income is as follows:

	2022 EUR	2021 EUR
Beginning of year	**(403,821)**	**(552,801)**
(Gain) or loss on experience adjustment	216,140	343,715
(Gain) or loss on change of financial assumptions	17,027	(211,999)
Return on plan assets	(7,962)	17,264
	(178,616)	**(403,821)**

(Gain) or loss due to change on Demographic assumption is nil as at 31 December 2022 (2021: nil).

The actuarial assumptions used are as follows:

	2022 % p.a.	2021 % p.a.
Inflation rate	2.55	1.75
Discount rate	3.85	1.15
Expected rate of salary increases	5.05	3.75
Expected rate of social security increases	2.55	1.75
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 2022, sensitivity analysis is as follows:

	Increase	Increase
Discount rate (0,25% movement)	116,625	131,397
Future salary growth (0,25% movement)	257,805	352,967
Inflation rate growth (0,25% movement)	185,722	246,863
Future mortality (1 year movement)	(10,785)	11,688

Expected cash flow and other information as of 31 December 2022 are as follows:

Employer contributions to plan assets	71,582	34,171
Benefit payments from plan assets	47,729	41,864

As of 31 December 2022, the duration of the Defined benefit plan (liabilities) is 13.08 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 2022		Tax liabilities 2021	
	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)	2,851,312	2,733,546	2,255,679	3,832,900
Financial assets mandatorily at fair value through profit or loss	-	-	-	-
Hedging and hedged item revaluation	25,152,101	-	5,338,026	-
Other assets and Other liabilities	-	44,547	-	100,713
Total	**28,003,413**	**2,778,093**	**7,593,705**	**3,933,613**
TOTAL	**30,781,506**		**11,527,318**	
Change				
Opening balance	7,593,705	3,933,613	12,550,559	4,356,185
Financial assets and liabilities (different from Loans and advances and Deposits)	1,468,802	- 1,099,354	- 771,215	- 385,416
Financial assets mandatorily at fair value through profit or loss	-	-	-	-
Hedging and hedged item revaluation	18,940,906	-	- 4,185,639	-
Other assets and Other liabilities	-	- 56,166	-	- 37,156
Total	**28,003,413**	**2,778,093**	**7,593,705**	**3,933,613**
TOTAL	**30,781,506**		**11,527,318**	

19 Other liabilities

	AMOUNTS AS AT	
	31.12.2022	**31.12.2021**
Accrued expenses other than those to be capitalised for the financial liabilities concerne	727,650	2,066,773
Other liabilities due to employees	1,541,002	179,599
Other liabilities due to other staff	-	936,264
Interest and amounts to be credited to Banks	1,870,060	338,845
Items in processing	294,246	213,929
Other liabilities	2,483,738	3,118,820
Other Tax items	524,055	126,831
Total	**7,440,751**	**6,981,061**

Other liabilities to employees are mainly composed by salary, bonus and social charges payable. Other liabilities are related to accounts payable to suppliers. Starting from 2022, Other liabilities due to other staff are reported jointly with Other liabilities due to employees.

20 Share capital

Authorized share capital includes only ordinary shares. The total number of ordinary shares in issue at year-end was 134,066 (2021: 134,066) with a par value of EUR 100 per share (2021: EUR 100 per share). All issued shares are fully paid.

21 Restricted reserves and other reserves

21.1 Restricted reserve

	AMOUNTS AS AT	
	31.12.2022	**31.12.2021**
Legal Reserve	1,340,660	1,340,660
Statutory Reserve	-	-
Other Reserves	-	-
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 2022 is EUR 27,816,255 (2021: EUR 26,972,870).

21.3 Share premium

The total share premium as at 31 December 2022 is EUR 205,644,462 (2021: EUR 205,644,462).

21.4 Revaluation Reserve

The change in revaluation reserve came mainly from sold and matured securities in 2022 and from the change in market value between 2022 and 2021 on the FVOCI portfolio (more details are provided in the Statement of changes in equity).

	AMOUNTS AS AT	
	31.12.2022	31.12.2021
Financial Assets (other than equity instruments) at fair value through other comprehensive income	6,285,357	11,031,769
Actuarial losses on defined-benefit plans	(134,069)	(303,108)
Total	**6,151,288**	**10,728,661**

21.5 Other reserves

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 2022						
	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	-	-	-	-	-	-	-
Financial assets held for trading	-	-	-	-	-	-	-
Other financial assets mandatorily at fair value	-	-	-	-	-	-	-
Financial assets at FV/OCI	**(1.350.269)**	-	-	**10.747.563**	-	-	**9.397.294**
Financial assets at amortised cost	**46.667**	**3.760.416**	-	**4.167.290**	**11.576.914**	-	**19.551.287**
Loans and advances to banks	-	-	-	-	5.215.855	-	5.215.855
Loans and advances to customers	46.667	3.760.416	-	4.167.290	6.361.059	-	14.335.432
Hedging derivatives	-	-	**2.843.438**	-	-	**3.940.208**	**6.783.646**
Financial liabilities (negative interest rates)	-	-	-	-	-	**4.714.695**	**4.714.695**
Total	**(1.303.602)**	**3.760.416**	**2.843.438**	**14.914.853**	**11.576.914**	**8.654.903**	**40.446.922**
of which: interest income on impaired financial assets	-	-	-	-	-	-	-

	YEAR 2021						
	nterest income calculated using EIR metho			Other Interest income			
	DEBT SECURITIES	LOANS	OTHER TRANSACTIONS	DEBT SECURITIES	LOANS	OTHER TRANSACTIONS	TOTAL
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-
Financial assets held for trading	-	-	-	-	-	-	-
Other financial assets mandatorily at fair value	-	-	-	-	-	-	-
Financial assets at FV/OCI	**(1.829.691)**	-		**10.561.403**	-	-	**8.731.712**
Financial assets at amortised cost	**(663.518)**	**3.820.788**	-	**4.291.915**	**8.691.980**	-	**12.320.378**
Loans and advances to banks		-		-	2.178.674	-	2.178.674
Loans and advances to customers	(663.518)	3.820.788		4.291.915	6.513.306	-	10.141.704
Hedging derivatives		-	**1.372.651**	-	-	**2.558.085**	**3.930.736**
Financial liabilities (negative interest rates)		-		-	-	**3.945.838**	**3.945.838**
Total	**(2.493.209)**	**3.820.788**	**1.372.651**	**14.853.319**	**8.691.980**	**6.503.923**	**28.928.665**
of which: interest income on impaired financial assets				-	-	-	-

22.2 Interest expense and similar charges: breakdown

	YEAR 2022						
	Interest expenses calculated using EIR method			Other Interest income			
	DEPOSITS	SECURITIES	OTHER TRANSACTIONS	DEPOSITS	SECURITIES	OTHER TRANSACTIONS	TOTAL
Financial liabilities at amortised cost	**-**	**(1.869.650)**	**-**	**(8.217.552)**	**(266.113)**	**(11.591)**	**(10.364.906)**
Deposits from banks	-	-	-	(6.364.341)	-	-	(6.364.341)
Deposits from customers	-	-	-	(1.853.212)	-	-	(1.853.212)
Debt securities in issue	-	(1.869.650)	-	-	(266.113)	-	(2.135.763)
Other liabilities (IFRS 16)	-	-	-	-	-	(11.591)	(11.591)
Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**	**(361.993)**	**(361.993)**
Hedging derivatives	**-**	**-**	**(660.317)**	**-**	**-**	**(8.888.567)**	**(9.548.884)**
Financial assets (negative interest rates)	**-**	**-**	**-**	**-**	**-**	**(313.890)**	**(313.890)**
Total	**-**	**(1.869.650)**	**(660.317)**	**(8.217.552)**	**(266.113)**	**(9.576.040)**	**(20.589.672)**

	YEAR 2021						
	nterest expenses calculated using EIR metho			Other Interest income			
	DEPOSITS	SECURITIES	OTHER TRANSACTIONS	DEPOSITS	SECURITIES	OTHER TRANSACTIONS	TOTAL
Financial liabilities at amortised cost	**-**	**(2.237.579)**	**-**	**(1.156.594)**	**(411.174)**	**(17.301)**	**(3.822.648)**
Deposits from banks				(1.078.580)		-	(1.078.580)
Deposits from customers				(78.014)		-	(78.014)
Debt securities in issue		(2.237.579)			(411.174)	-	(2.648.753)
Other liabilities (IFRS 16)				-	-	(17.301)	(17.301)
Financial liabilities held for trading				**-**	**-**	**(162.979)**	**(162.979)**
Hedging derivatives			**(306.905)**	**-**	**-**	**(8.993.961)**	**(9.300.866)**
Financial assets (negative interest rates)				**-**	**-**	**(293.944)**	**(293.944)**
Total	**-**	**(2.237.579)**	**(306.905)**	**(1.156.594)**	**(411.174)**	**(9.468.185)**	**(13.580.437)**

23 Net fee and commission income

23.1 Fee and commission income: breakdown

TYPE OF SERVICES/VALUES	YEAR 2022	YEAR 2021
Financial Instruments	1.477.279	1.946.381
Placement of securities	906	-
Without irrevocable commitment	906	-
Reception and transmission of orders	1.106.130	1.533.693
Reception and transmission of orders of financial instruments	1.106.130	1.533.693
Other fees related to activities linked to financial instruments	370.243	412.688
Collective portfolio management	6.805.631	6.567.118
Custody and administration of securities	3.446.797	3.242.847
Custodian Bank	1.493.930	1.528.010
Other fee and commission income in relation to corporate finance	1.952.867	1.714.837
Distribution of third party services	3.174.978	3.206.366
Insurance products	2.734.978	2.806.366
Other products	440.000	400.000
Structured finance	-	915
Financial guarantees	21.234	14.195
Currency trading	82.888	70.582
Other fee income	473.061	387.838
Total	**15.481.868**	**15.436.242**

23.2 Fee and commission expense: breakdown

SERVICES/VALUES	YEAR 2022	YEAR 2021
Financial instruments	(276,279)	(419,346)
of which: individual Portfolio management	*(276,279)*	*(419,346)*
own portfolio	(276,279)	(419,346)
Portfolio management: collective	(5,395,842)	(5,447,574)
Own portfolio	(5,395,842)	(5,447,574)
Custody and Admnistration	(1,094,805)	(1,366,113)
Collection and payments services	(71,805)	(110,632)
Financial guarantees received	(844,420)	(625,756)
Off - site distribution of financial instruments, products and services	(466,266)	(309,881)
Other commission expenses	(468,194)	(554,830)
Total	**(8,617,611)**	**(8,834,132)**

24 Net gains on trading income

	2022 EUR	2021 EUR
Net gain(loss) on derivatives equity linked notes	(276,461)	124,672
Gain on foreign exchange transactions	329,766	257,471
	53,305	**382,143**

25 Other operating income/expense

The position includes:

a) Gains (losses) on disposal of financial assets at fair value through other comprehensive income and amortised cost
b) Net gains (losses) on hedge accounting
c) Other operating income/expense

25.1 Gains on disposal **and repurchase** of **securities**

During the year, the Bank sold EUR 50 million of Italian BTP and 10 million of Polish Government securities booked in Fair Value to Other Comprehensive Income, realizing a gain of EUR 273,130 sold EUR 25 million Italian BTP securities booked in Amortized Cost (AC), realizing a gain of EUR 52,145. The total amount realized during 2022 equals to a gain of EUR 325,275 which compares to a gain of EUR 1,727,057 realized in 2021. Additionally, the Bank bought back a part of the ELN portfolio and registered a gain of EUR 52,108.

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 2022, the impact on the P/L coming from hedge accounting was EUR 91,956 which compares to a EUR 14,616 booked in 2021. In 2022, the Bank changed the representation of the effects of hedge accounting between Net Interest Income (NII) and Trading Profit in case of disposal of hedged securities before maturity.

25.3 Other operating income/expense

Other operating income of EUR 1,041,183 mainly includes expenses recoveries with other companies belonging to UniCredit Group; other operating expense of EUR 801,667 mainly includes net worth tax (2021: EUR 646,742).

26 Staff costs

	YEAR 2022	YEAR 2021
Employees	**(10,380,431)**	**(9,961,396)**
Wages and salaries	(8,216,768)	(7,705,464)
Social charges	(1,252,759)	(1,668,637)
Provision for retirements and similar provisions	(199,855)	(239,229)
- Defined benefit	(199,855)	(239,229)
Payments to external pension funds	(242,494)	(75,854)
- Defined contribution	(242,494)	(75,854)
Costs arising from share-based payments	(43,585)	(82,118)
Other employee benefits	(424,970)	(190,094)
Other staff	**(3,218)**	**(334,393)**
Supervisory Board Members	**(59,564)**	**(59,128)**
Recoveries of payments for second employees to other companies	**-**	**189,663**
Total	**(10,443,213)**	**(10,165,254)**

In 2022, the increase of personnel expenses was due to new hirings and to the indexation of the salaries.

	AMOUNTS AS AT	
	31.12.2022	31.12.2021
Employees	**69**	**67**
Senior managers	2	2
Managers	16	17
Remaining employees staff	51	48
Total	**69**	**67**

Remuneration paid during the year 2022 to Management and other executives of the Bank (overall 19 persons during 2022) amounted to EUR 3,015,859.73 (2021: overall 20 persons, EUR 3,607,3071). Remuneration paid during the year 2022 to members of the Supervisory Board amounted to EUR 59,164 (2020: EUR 59,128).

The Supervisory Board had the following composition at the beginning of the financial year 2022:

- Mr Patrick SANTER – President
- Mr Alfredo Maria DE FALCO – Vice-President
- Ms Michaela EHRHARDT – Member
- Mr Ivan TARDIVO – Member
- Mr Stefano VECCHI – Member

The General Meeting of Shareholders appointed on April 1st 2022, Mr Simone MARCUCCI as additional member of the Supervisory Board. The appointment of Mr MARCUCCI became effective on July 28th 2022, when the Bank received the related "Decision on the suitability of a member of the Supervised Entity's management body" from the European Central Bank.

Mr Stefano VECCHI resigned from his functions of member of Supervisory Board on October 13th 2022.

As a result of the changes occurred, the Supervisory Board had the following composition at the end of the financial year 2022:

- Mr Patrick SANTER – President
- Mr Alfredo Maria DE FALCO – Vice-President
- Ms Michaela EHRHARDT – Member
- Mr Simone MARCUCCI – Member
- Mr Ivan TARDIVO – Member

The mandates of all the members of the Supervisory Board expire on the date of the Annual General Meeting of Shareholders which will be held in 2023.

The Management Board during the financial year 2022 had the following composition:

- Mr Martin BOEHM – CEO and President of the Management Board
- Mr Luigi COLAVOLPE – CFO and General Manager

27 Other administrative expenses

	YEAR 2022	YEAR 2021
Contributions to Resolution Fund and FGDL	**(720,102)**	**(625,940)**
Miscellaneous costs and expenses	**(7,012,771)**	**(7,703,677)**
Advertising marketing and communication	(31,592)	(6,751)
Indirect expenses relating to personnel	(95,561)	(114,869)
Information & Communication Technology expenses	(3,841,381)	(3,782,985)
Lease of ICT equipment and software	(106,223)	(67,667)
Software expenses: lease and maintenance	(1,622,594)	(1,430,546)
ICT communication systems	(99,592)	(51,834)
Services ICT in outsourcing	(1,428,032)	(1,551,006)
Financial information providers	(584,940)	(681,933)
Consulting and professionals services	(516,647)	(1,241,078)
Consulting	(316,374)	(1,048,810)
Legal expenses	(200,273)	(192,268)
Real estate expenses	(289,888)	(277,734)
Premises rentals	(180,631)	(136,474)
Utilities	(78,307)	(127,901)
Other real estate expenses	(30,950)	(13,359)
Operating costs	(2,237,702)	(2,280,260)
Printing and stationery	(41,885)	(35,736)
Postage and transport of documents	(52,829)	(54,380)
Administrative and logistic services	(1,766,341)	(1,812,578)
Insurance	(75,534)	(90,520)
Association dues and fees and contributions to the administrative expenses deposit guarantee funds	(298,078)	(287,046)
Other administrative expenses - other	(3,035)	-
Total	**(7,732,873)**	**(8,329,617)**

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 2022 was 24.94% (2021: 24.94%).

	2022 EUR	2021 EUR
Current tax	(1,293,080)	(991,013)
Deferred tax	(535,553)	197,436
	(1,828,633)	**(793,577)**

	2022 EUR	2021 EUR
Profit before tax	6,580,610	3,223,779
	-	-
Income Tax (current and Deferred)	(1,641,204)	(804,011)
Tax effect of deductible differences	(187,429)	10,434
	(1,828,633)	**(793,577)**

29 Segment reporting

The disclosure about segment reporting has been included on a voluntarily basis. Starting from 2020, the Bank reports segmented figures into the Tagetik Group system in the following divisions: Commercial Banking and Corporate & Investment Banking. 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 Corporate & Investment Banking. 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 to.

(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 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.

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 CIB 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 CIB.

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 division

in EUR	Client Risk Management & Treasury	Commercial Banking		TOTAL
	Strategic Funding & Treasury	Family Office & Holdings	Wealth Management Clients	
OPERATING INCOME				
2022	12,503,676	6,359,715	8,380,760	27,244,151
2021	7,887,490	9,031,255	7,155,410	24,074,155
OPERATING COSTS *				
2022	(8,441,041)	(4,238,699)	(7,755,125)	(20,434,865)
2021	(8,643,860)	(4,063,104)	(7,211,224)	(19,918,188)
OPERATING PROFIT **				
2022	4,062,635	2,121,016	625,634	6,809,285
2021	(756,370)	4,968,151	(55,814)	4,155,967
Net write-downs on loans and provisions				
2022	221,324	-	48,064	269,388
2021	(32,188)	-	(21,870)	(54,058)
Net provisions for risks and charges				
2022	-	-	(498,064)	(498,064)
2021	-	-	(878,130)	(878,130)
PROFIT BEFORE TAXES				
2022	4,283,959	2,121,016	175,634	6,580,609
2021	(788,558)	4,968,151	(955,814)	3,223,779
TAXES				
2022	(1,254,470)	(530,254)	(43,909)	(1,828,633)
2021	209,507	(1,242,038)	238,954	(793,577)
NET PROFIT				
2022	3,029,489	1,590,762	131,726	4,751,977
2021	(579,051)	3,726,114	(716,861)	2,430,202

* The Net provisions for risks and charges 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

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

in EUR	YEAR	
	2022	2021
Net interest margin	**12,247,250**	**6,008,415**
Net fees and commissions	(267,516)	(280,860)
Net trading income	523,942	2,123,816
Net non-interest income	**256,426**	**1,842,956**
OPERATING INCOME	**12,503,676**	**7,851,371**
Staff expenses	(276,953)	(240,246)
Other operating costs and amortisation, depreciation and impairment losses on intangible and tangible assets	(2,020,795)	(1,732,597)
Cost allocation	(6,143,293)	(6,671,017)
Operating expenses *	**(8,441,041)**	**(8,643,860)**
OPERATING PROFIT **	**4,062,635**	**(792,489)**
Net provisions for risks and charges	-	-
Net write-downs on loans and provisions	221,324	(32,188)
PROFIT BEFORE TAXES	**4,283,959**	**(824,677)**
TAXES	(1,254,470)	209,507
NET PROFIT	**3,029,489**	**(615,170)**

* The Net provisions for risks and charges 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

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

in EUR	YEAR	
	2022	2021
Net interest margin	**6,399,663**	**8,607,789**
Net fees and commissions	(39,948)	423,467
Net trading income	-	-
Net non-interest income	**(39,948)**	**423,467**
OPERATING INCOME	**6,359,715**	**9,031,256**
Staff expenses	(245,525)	(210,515)
Other operating costs and amortisation, depreciation and impairment losses on intangible and tangible assets	(783,643)	(384,861)
Cost allocation	(3,209,530)	(3,467,728)
Operating expenses *	**(4,238,698)**	**(4,063,104)**
OPERATING PROFIT **	**2,121,017**	**4,968,152**
Net provisions for risks and charges	-	-
Net write-downs on loans and provisions	-	-
PROFIT BEFORE TAXES	**2,121,017**	**4,968,152**
TAXES	(530,254)	(1,242,038)
NET PROFIT	**1,590,763**	**3,726,114**

* The Net provisions for risks and charges 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

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

in EUR	YEAR	
	2022	2021
Net interest margin	**1,210,337**	**732,024**
Net fees and commissions	7,171,721	6,459,504
Net trading income	(1,298)	-
Net non-interest income	**7,170,423**	**6,459,504**
OPERATING INCOME	**8,380,760**	**7,191,528**
Staff expenses	(9,920,736)	(9,714,493)
Other operating costs and amortisation, depreciation and impairment losses on intangible and tangible assets	(7,187,214)	(7,635,477)
Cost allocation	9,352,824	10,138,745
Operating expenses *	**(7,755,126)**	**(7,211,225)**
OPERATING PROFIT **	**625,634**	**(19,697)**
Net provisions for risks and charges	(498,064)	(878,130)
Net write-downs on loans and provisions	48,064	(21,870)
PROFIT BEFORE TAXES	**175,634**	**(919,697)**
TAXES	(43,908)	229,924
NET PROFIT	**131,726**	**(689,773)**

* The Net provisions for risks and charges 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

(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				
2022	149,123,419	-	-	149,123,419
2021	338,529,797	-	-	338,529,797
Loans and receivables to customers				
2022	-	1,284,231,371	60,297,223	1,344,528,594
2021	-	997,361,281	81,202,683	1,078,563,964
Deposits from banks				
2022	1,623,006,755	-	-	1,623,006,755
2021	1,371,825,447	-	-	1,371,825,447
Deposits from customers				
2022	-	178,328,695	196,029,022	374,357,717
2021	-	68,025,058	407,161,780	475,186,838
Risk-weighted assets				
2022	247,005,673	66,820,504	11,590,091	325,416,268
2021	74,711,160	135,663,882	12,451,860	222,826,902

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, 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	2022 TOTAL P&L ITEM	2021 TOTAL P&L ITEM
Operating income	**118,925,079**	**42,941,873**
Unicredit SPA	9,752,702	6,030,076
Unicredit Bank AG	67,575,384	14,786,213
Unicredit Bank AG (Milan branch)	35,410,958	15,970,339
Structured Invest	6,186,035	6,155,245
Operating costs	**(26,848,691)**	**(20,160,536)**
Unicredit SPA	(8,037,201)	(2,925,631)
Unicredit Bank AG	(13,271,034)	(6,423,453)
Unicredit Bank AG (Milan branch)	(5,539,511)	(10,809,774)
Weicker S.à r.l.	(945)	(1,678)

Related-party transactions: balance sheet items In EUR	2022 TOTAL BS ITEM	2021 TOTAL BS ITEM
Total - Assets	**242,067,655**	**(357,244,902)**
Unicredit SPA	(144,979,337)	(306,905,763)
Unicredit Bank AG	(76,086,172)	(49,099,707)
Unicredit Bank AG (Milan branch)	(19,630,741)	-
Structured Invest	(1,371,405)	(1,239,432)
Total - Liabilities	**1,634,334,262**	**1,448,070,515**
Unicredit SPA	1,532,731,000	1,350,465,530
Unicredit Bank AG	100,642,915	81,946,300
Unicredit Bank AG (Milan branch)	937,482	15,583,544
Weicker S.à r.l.	22,865	75,141

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 Luxembourg S.A., breaks down as follows:

	2022	2021
Statutory audit of financial statements	211,110	246,051
	211,110	**246,051**

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 6.9 million. In 2022 the Bank contributed with EUR 12 thousands to FGDL for DGSD.

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's contribution to the national resolution fund in 2022 amounted to EUR 0.71 million (2021: EUR 0.62 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 Financial effects from Russia/Ukraine conflict

During 2022, the Bank closely monitored the financial effects from Russia/Ukraine conflict and the related increased sanctions on Russia. The Bank had not direct or indirect exposure to Russia and in roubles. Additionally, the risk coming from Financial Sanction exposure to Russia and Belarus was very limited, as the Bank had not clients with Russian or Belarussian Shareholder (or parent company) or Ultimate beneficial owners (UBOs).

36 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.