BANQUE HAVILLAND

PILLAR III DISCLOSURES 2019

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1. INTRODUCTION

Following changes in international regulations, the Commission de Surveillance du Secteur Financier (the "CSSF" or "the Supervisory Authority") issued its Circular 14/583 and its regulation 14-01, which are the transpositions of the European Regulation CRR 575/2013 into national law. Part Eight of the European Regulation CRR 575/2013 requires financial institutions to publicly disclose information on their capital and risk management framework (''Pillar 3'').

The purpose of Pillar 3 is to combine the minimum capital requirements (''Pillar 1'') with the process of prudent management (''Pillar 2''). It aims to encourage market discipline by identifying a series of disclosure requirements that make available to marketplace participants, basic information on the field of application, regulatory capital, risk exposures, risk assessment processes and, as a result, on the capital adequacy of intermediaries. The rules issued by the CSSF lay down clear instructions on the type of information to be provided and how it should be presented, and these rules have been followed in drawing up this document. Moreover, in establishing which information ought to be made public, the principle of relevance has been adopted. The Pillar 3 disclosures are available, on demand and on electronic or paper format, at our registered office in Luxembourg or through our website banquehavilland.com.

This report uses the figures as of 31st December 2019 of Havilland Group S.A., the prudential consolidation entity. We consider this relevant and representative for that year. All amounts are expressed in EUR.

The aim of this report is to improve risk disclosures in order to restore investor confidence and enhance market discipline.

2. SCOPE OF APPLICATION

2.1. SCOPE OF CONSOLIDATION

Banque Havilland S.A. (the "Bank"), direct and only subsidiary of Havilland Group S.A., has prepared this document for S.A., itself and its subsidiaries.

All subsidiaries and branches of the Bank and Havilland Group S.A. are included in the scope of consolidation for financial statement purposes; the subsidiaries are consolidated under the full consolidation method.

2.2. SCOPE OF CONSOLIDATED SUPERVISION

Havilland Group S.A., a Luxemburgish holding company, holds 100% of the shares of Banque Havilland S.A. (the "Bank"), together the "Group".

Havilland Group S.A. is registered under number B 143696 in the RCS « Registre de Commerce et des Sociétés ».

Banque Havilland S.A. is registered under number B 147029 in the RCS « Registre de Commerce et des Sociétés ». All the relevant information is available on RCS website under Banque Havilland S.A. registration number.

The scope of the consolidated supervision includes the participations held by the Bank in Banque Havilland Monaco S.A.M., Banque Havilland (Liechtenstein) AG and Banque Havilland (Suisse) S.A.

2.3. BANK SUBSIDIARIES

Banque Havilland (Liechtenstein) AG

Banque Havilland S.A. owns 100% of Banque Havilland (Liechtenstein) AG, Banque Havilland (Liechtenstein) AG is registered in Liechtenstein.

Banque Havilland (Bahamas) Ltd.

During 2019, Banque Havilland (Bahamas) Ltd surrendered its banking licence and is not anymore part of the consolidation as at 31st December 2019.

Banque Havilland (Monaco) S.A.M.

Banque Havilland S.A. owns 100.00% of Banque Havilland (Monaco) S.A.M. Banque Havilland (Monaco) S.A.M. is registered in Monaco.

Banque Havilland (Suisse) S.A.

Banque Havilland S.A. owns 99.99% of Banque Havilland (Suisse) S.A. Banque Havilland (Suisse) S.A. is registered in Switzerland.

3. OWN FUNDS

The Group monitors its solvency using rules and ratios issued by the Basel Committee on Banking Supervision and the European Capital Requirements Directive.

These ratios (Common Equity Tier 1 capital ratio (CET1), Tier 1 capital ratio and Total capital ratio) compare the amount of regulatory capital, eligible in each category to the total risk weighted assets. It is worth to note that the Group has a simple capital structure with an eligible capital made exclusively of common equity explaining the similarity between these 3 ratios.

As at 31st December 2019, the Group has a CET1 ratio and a Total capital ratio of 21.72%; well above the minimum requirement of respectively 8% and 10.5%.

The Group also discloses in this section information related to the leverage ratio.

As at 31st December 2019, the Group has a leverage ratio of 9.91%, well above the minimum level of 3%.

3.1. ACCOUNTING AND REGULATORY EQUITY

A difference exists between the accounting methods as published in the financial statements (Luxembourgish Gaap) and the regulatory methods for the regulatory equity determination.

Reconciliation is done on each reporting date to ensure a perfect reconciliation between the Luxembourgish Gaap and the regulatory requirement. This reconciliation is submitted to an Agreed Procedure from our external auditor. This external control on our regulatory equity allows Banque Havilland to have comfort in displaying figures in this report.

3.2. COMPOSITION OF CAPITAL FOR SOLVENCY PURPOSES

The capital adequacy and financial ratios were determined in accordance with the instructions from the CRR 575/2013.

In order to allow a comparison, we disclose hereafter the CET1 of the Group and the consolidated Financial Statements equity.

Common Equity Tier 1 Capital (CET1) includes capital instrument, share premium, legal reserves, and retained earnings not including current year profit, minority interest given recognition in CET1 capital less goodwill and intangible assets:

As at 31st December 2019, the Group's Common Equity Tier 1 Capital is made of:

- Subscribed and fully paid share capital amounts to EUR 50,000,000;
- The share premium reserve is EUR 34,500;
- The reserves and retained earnings are EUR 122,186,855;
- Accumulated other comprehensive income is EUR 531,922; Less:
- Profit or loss attributable to owners of the parent EUR 17,040,301.

As at 31st at December 2019, the Prudential Supervision Common Equity Tier 1 Capital and the Total Capital amount to EUR 150,190,436 (2018: EUR 173,109,458). This represents a decrease regarding the previous year Total Capital of EUR 22,919,022.*

* The decrease of Common Equity Tier 1 Capital is mainly explained by the acquisition of the remaining 47.5% shares of Banque Havilland (Liechtenstein) AG that led to a declassification of the minority shareholders in CET1 Capital.

3.3. RISK-WEIGHTED ASSETS AND CAPITAL REQUIREMENTS

	LUX GAAP	AD. TO FINREP	FINREP CONSO
Paid in capital*	**50,000,000**	**-**	**50,000,000**
Share premium	**34,500**	**-**	**34,500**
Fair value changes of instruments measured at fair value through other comprehensive income	-	**1,992,194**	**1,992,194**
Debt Instruments	-	1,445,680	-
IFRS 9 ECL	-	546,514	-
Foreign currency translation reserve	**(160,637)**	**264,945**	**104,307**
Reserves (including retained earnings)	**86,377,170**	**34,468,698**	**120,845,868**
Profit from current year	**260,628**	**(17,125,662)**	**(16,865,033)**
Reversal of value adjustments on securities classified in fair value through OCI	-	(10,743,740)	-
Fair value changes of instruments measured at fair value through Profit and Loss	-	229,602	-
Fair value changes of Debt instruments measured at fair value through Profit and Loss	-	62,496	-
FRL/FGDL contributions	-	(107,071)	-
IFRS 9 ECL Securities portfolio	-	387,787	-
IFRS 9 ECL Loans and advances	-	(143,255)	-
IFRS 9 ECL Commitments and Guarantees	-	(236,640)	-
Reversal of Lux Gaap value adjustments on loans and advances	-	370,327	-
Reversal of movement on FRBG	-	(941,970)	-
IFRS 16 adjustments	-	(70,887)	-
Negative goodwill on minority purchase	-	342,012	-
Reversal of deconsolidation provision	-	(1,018,000)	-
Off set losses versus Negative goodwill recognized under provision	-	(5,341,427)	-
Amortization/impairment of goodwill	-	379,977	-
TOTAL SHAREHOLDER'S EQUITY	**136,511,661**	**19,898,858**	**156,410,520**

* Post-event note: on 27th March 2020 Havilland Group S.A. increased its paid in capital by EUR 1.000.000 to EUR 51.000.000 and its share premium by EUR 49.000.000 to EUR 49.034.500.

The following table shows an overview of the risk-weighted assets and the capital requirements for each type of risk at year-end 2019. The capital requirement amounts have been obtained by applying 8.0% of the corresponding risk-weighted assets:

TYPE OF RISK	BASE III TREATMENT	SEGMENTATION	31/12/2019 RISK WEIGHTING ASSETS	31/12/2019 CAPITAL REQUIREMENTS	31/12/2018 RISK WEIGHTING ASSETS	31/12/2018 CAPITAL REQUIREMENTS
Credit risk	Standardised approach	Central governments or central banks	4,175,124	334,010	2,616,440	209,315
		Regional governments or local authorities	7,042,201	563,376	-	-
		Public sector entities	3,426,979	274,158	2,877,212	230,177
		Institutions	131,958,473	10,556,678	188,197,070	15,055,766
		Corporates	277,220,519	22,177,642	368,752,820	29,500,226
		Retail	6,671,482	533,719	6,314,303	505,144
		Secured by mortgages on immovable property	80,639,945	6,451,196	57,712,585	4,617,007
		Exposures in default	5,881,686	470,535	28,554,238	2,284,339
		Equity	925,999	74,080	2,998,694	239,895
		Other Items	33,106,531	2,648,522	24,383,669	1,950,694
		SUB TOTAL	**551,048,938**	**44,083,915**	**682,407,031**	**54,592,563**
	Credit valuation adjustment	CVA	654,894	52,392	181,896	14,552
	SUB TOTAL CREDIT RISK		**551,703,832**	**44,136,307**	**682,588,928**	**54,607,114**
Settlement risk	Standardised approach		180	14	6,495	520
Market risk	Standardised approach	Foreign Exchange Risk	3,342,812	267,425		-
Operational risk	Basic indicator approach		136,331,969	10,906,558	117,077,486	9,366,199
Other risk exposure amounts			15	1	-	-
TOTAL			**691,378,807**	**55,310,303**	**799,672,909**	**63,973,833**

The Group uses the Standardised Approach to calculate its credit, counterparty, dilution and delivery risks. The Group also does an internal assessment of its capital according to the circular.

If applicable, the Group uses the Standardised Approach to calculate its position, foreign exchange and commodity risks.

The Group uses the Basic Indicator Approach to calculate its operational risks.

At the end of 2019, the Group's total risk-weighted assets amounts to EUR 691,378,807 of which EUR 551,703,832 was considered as credit risk. This credit risk comes in majority from the Group's investment portfolio and the lending activity. Another part of the credit risk is made of mortgage and Lombard loans to clients.

It has to be noted that the 2019 relevant countercyclical buffers rates are set to 0 % except those ones:

- Sweden: 2.50%
- Norway: 2.50%
- Czech Republic : 1.75%
- United Kingdom: 1.00%
- Iceland: 2.00%
- Slovakia: 1.50%
- Lithuania: 0.50%
- Denmark: 1.00%
- Bulgaria: 0.50%
- France: 0.25%
- Ireland: 1.00%
- Luxembourg: 0.25%

The specific countercyclical capital buffer of the Group amounts to EUR 724,503 being the average CCB weight of 0.00104791% multiplied by risk weighted assets of EUR 691,378,807.

All the exposures and the countercyclical buffers rates are disclosed hereunder.

EXPOSURE AND COUNTERCYCLICAL BUFFERS

COUNTRY	2019 CCY BUFFERS	EXPOSURES
AE	-	61,292,279
AI	-	-
AT	-	8,283
BE	-	7,787,100
BR	-	733,137
BS	-	2
CA	-	1,030,690
CH	-	26,463,818
CY	-	11,665,030
DE	-	1,506,636
DK	1.00%	1,063,628
EE	-	972,634
ES	-	369
FI	-	1,028
FR	0.25%	97,967,746
GB	1.00%	73,099,967
GG	-	4,024,195
GI	-	457
HK	-	27,845,622
HU	-	204
ID	-	189
IE	1.00%	285
IL	-	389,116
IM	-	97,064
IO	-	344,038
IS	2.00%	1,411,761
IT	-	3,651,376
JE	-	711
JP	-	79,840
KY	-	1,925
LI	0.50%	558,951
LU	0.25%	69,470,914
MA	-	389,242
MC	-	123,627,612
MH	-	1,098
MT	-	608,779
NL	-	1,596,707
NO	2.50%	206,514
NZ	-	460
PA	-	4,604,936
PF	-	34,054
PL	-	651
PT	-	2,921
RU	-	25,027,035
SA	-	1,730,251
SC	-	8,042,739
SE	2.50%	6,205,357
SG	-	248
TR	-	11,563,934
UA	-	4,166,867
VC	-	364,338
VG	-	8,523,017
GE	-	921
KG	-	152
GR	-	609
CZ	1.75%	164
CI	-	3,777
KN	-	3,211
CW	-	158
MU	-	43
BM	-	5,711
US	-	501

3.4. CAPITAL ADEQUACY RATIOS

The table below summarises the prudential own funds of the Group and the risk-weighted assets who lead to the Group's Capital Ratio. The Group shows very strong capital adequacy ratios which are well above the regulatory requirements.

	31/12/2019	31/12/2018
Common Equity Tier 1 Capital	150,190,436	173,109,458
Tier 1 Capital*	150,190,436	173,109,458
Total Own Funds	150,190,436	173,109,458
Risk Weighted Assets	691,378,807	799,672,909
Common Equity Tier 1 Capital Ratio (CET1)	**21.72%**	**21.65%**
Tier 1 Capital Ratio	**21.72%**	**21.65%**
Total Capital Ratio	**21.72%**	**21.65%**

3.5. LEVERAGE RATIO

The Basel III framework introduced a simple, transparent, non-risk based leverage ratio to act as a credible supplementary measure to the risk-based capital requirements. The leverage ratio is intended to:

- Restrict the build-up of leverage in the banking sector to avoid destabilising deleveraging processes that can damage the broader financial system and the economy; and
- Reinforce the risk-based requirements with a simple, non-risk based "backstop" measure.

The Basel III leverage ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as a percentage and having to exceed a minimum of 3%.

At the end of 2019, the Group's leverage ratio amounted to 9.91%, well above the minimum threshold. This comfortable level is explained by the limited use of derivatives and securities financing transactions.

EXPOSURE VALUES		LR EXPOSURE (REPORTING REFERENCE DATE)
010	SFTs: Exposure in accordance with Article 429 (5) and 429 (8) of the CRR	-
020	SFTs: Add-on for counterparty credit risk	-
030	Derogation for SFTs: Add-on in accordance with Article 429b (4) and 222 of the CRR	-
040	Counterparty credit risk of SFT agent transactions in accordance with Article 429b (6) of the CRR	-
050	(-) Exempted CCP leg of client-cleared SFT exposures	-
060	Derivatives: Current replacement cost	753,592
070	(-) Eligible cash variation margin received offset against derivatives market value	-
080	(-) Exempted CCP leg of client-cleared trade exposures (replacement costs)	-
090	Derivatives: Add-on under the mark-to-market method	806,892
100	(-) Exempted CCP leg of client-cleared trade exposures (potential future exposure)	-
110	Derogation for derivatives: original exposure method	-
120	(-) Exempted CCP leg of client-cleared trade exposures (original exposure method)	-
130	Capped notional amount of written credit derivatives	-

* Post-event note: On 27 March 2020 Havilland Group S.A. increased its Common Equity Tier 1 Capital by EUR 50.000.000

140	(-) Eligible purchased credit derivatives offset against written credit derivatives	-
150	Off-balance sheet items with a 10% CCF in accordance with Article 429 (10) of the CRR	9,157,722
160	Off-balance sheet items with a 20% CCF in accordance with Article 429 (10) of the CRR	-
170	Off-balance sheet items with a 50% CCF in accordance with Article 429 (10) of the CRR	-
180	Off-balance sheet items with a 100% CCF in accordance with Article 429 (10) of the CRR	-
190	Other assets	1,541,704,206
200	Grossed-up assets for derivatives collateral provided	-
210	(-) Receivables for cash variation margin provided in derivatives transactions	-
220	(-) Exempted CCP leg of client-cleared trade exposures (initial margin)	-
230	Adjustments for SFT sales accounting transactions	-
240	(-) Fiduciary assets	-
250	(-) Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of the CRR	-
260	(-) Exposures exempted in accordance with Article 429 (14) of the CRR	-
270	(-) Asset amount deducted - Tier 1 - fully phased-in definition	(2,056,955)
280	(-) Asset amount deducted - Tier 1 - transitional definition	(5,522,539)
290	Total Leverage Ratio exposure - using a fully phased-in definition of Tier 1 capital	1,550,365,456
300	Total Leverage Ratio exposure - using a transitional definition of Tier 1 capital	1,546,899,872
CAPITAL		-
310	Tier 1 capital - fully phased-in definition	153,656,020
320	Tier 1 capital - transitional definition	150,190,436
LEVERAGE RATIO		-
Leverage Ratio - using a fully phased-in definition of Tier 1 capital		**9.91%**
Leverage Ratio - using a transitional definition of Tier 1 capital		**9.71%**

3.6. INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP")

The Group establishes its own process ("ICAAP") for determining "current and future capital requirements in relation to the risks incurred and their business strategies", as well as to evaluate their own capital adequacy, being "their capacity to face current or future unexpected losses which are inherent to banking activities", by comparing Total Capital with Total Internal Capital.

The determination of Total Internal Capital and Total Capital involves a complex organisational process that is an integral part of business operations, helping to determine strategies and the current operating decisions taken by the bank. This process, carried out under the responsibility of the corporate bodies, requires extensive team work and professional skills, as well as contributions from each consolidated company.

The qualitative element is the ability to reinforce controls and systems for monitoring the efficiency of corporate processes, based on the principles of good and prudent management.

The quantitative elements referred to the following rules:

- The availability of adequate regulatory capital to ensure that the Pillar 1 minimum capital requirements are met;
- The adequacy of Total Capital to cover all relevant measurable risks and any strategic corporate needs.

As part of the ICAAP process, the Group quantifies the various elements when assessing its current and prospective capital adequacy in relation to the propensity to accept risk. The Group monitors periodically the principal ICAAP parameters throughout the year.

The ICAAP is updated and submitted for review to the Board at least on an annual basis (Board Approval on 5 May 2020). ICAAP is also submitted to the CSSF on a yearly basis. Updates to the ICAAP may be more frequent if there is a fundamental change to our business or the environment in which we operate.

This assessment draws on the results of existing risk management techniques and reporting. Scenario analysis and stress testing are performed to assess the Group's exposure to extreme events and to ensure that appropriate mitigating factors are in place. Any residual risk is then mitigated by setting aside capital to meet the worst case potential impact. Each of the major core risks is assessed.

4. RISKS

RISK MANAGEMENT OBJECTIVES AND POLICIES

Robust and efficient risk management is of utmost importance to the sole shareholder of Banque Havilland.

The Board of Directors ("BoD") has approved a "Risk Management Strategy" at the Group level and has agreed that the main objectives of the Risk Management are:

- To ensure that each key risk the Bank faces is identified and properly managed by the relevant units in the Bank and that a holistic view on all relevant risks is reported to the management body on regular intervals;
- To guarantee the Bank's sustainability as a going concern, through the implementation of an efficient system for risk analysis, measurement and monitoring; and
- To contribute to the development of the business by optimizing their overall risk-adjusted return, in agreement with its risk appetite.

This is reflected by:

- Clear principles of governance, control, and organisation of risks;
- Determining and formalizing the appetite for various different risk types;
- Effective control tools to detect, manage and report risks; and
- Developing a harmonized risk culture present at each level of the Bank.

The Risk Management department, under the supervision of the Authorised Management Committee, monitors and controls all the risks of the bank in order to obtain a global overview of the interconnected risks of the Group and is in charge of the ICAAP (Basel II – Pillar II) and of the market disclosure (Basel II - Pillar III). This department provides also the regulatory risk figures package to finance department for CRD IV reporting (Basel III).

The department is also in charge to train the different business units and to develop a common risk culture. It is working closely with the different business heads to develop awareness of the different key risk indicators of their own unit and to put in place the appropriate controls to mitigate potential risk.

The department is also working closely with Compliance department and with the Internal Audit in order to have a coherent and integrated internal control framework.

In addition, dedicated committees have been established in order to assist the Executive Committee ("EXCO") and the Authorized Management Committee ("AMC") in monitoring the various risks in the Group:

AUTHORIZED MANAGEMENT COMMITTEE ("AMC")

The Authorised Management Committee ("AMC") is responsible for the daily management of the Bank in conformity with Article 7(2) of the Law dated 5 April 1993 on the financial sector, as amended, and with the provisions of the Circular CSSF 12/552. The AMC reports to the Board of Directors.

The main responsibilities of the Authorized Management Committee are:

- Ensure the effective, sound and prudent day-to-day business (and inherent risk) management. This management shall be exercised in compliance with relevant laws and regulations, and in compliance with the strategies and guiding principles laid down by the board of directors taking into account and safeguarding the institution's long-term financial interests, solvency and liquidity situation;
- Provide on-going information to the Board on business developments and specific transactions and preparation of the strategic decisions to be made by the Board;

- Implement through internal written policies and procedures all the strategies and guiding principles laid down by the board of directors in relation to central administration and internal governance, in compliance with the legal and regulatory provisions;
- Verify the soundness of the central administration and internal governance arrangements on a regular basis, by going to the Executive Committee ("EXCO"), where all heads of key functions are represented;
- Adapt the internal policies and procedures to ensure compliance with the BoD guidelines and in light with the internal and external, current and anticipated changes and the lessons learnt from the past;
- Define an internal code of conduct applicable to all persons working in the Bank. Ensure its correct application on the basis of controls carried out by the compliance and internal audit functions on a regular basis;
- Have an absolute understanding of the organisational and operational structure of the institution, in particular, in terms of the underlying legal entities (structures), of their raison d'être, the links and interconnections between them as well as the risks related thereto;
- Ensure that the management information is available in due time at all decision-making and control levels of the institution and legal structures which are part of it;
- Take into account the advice and opinions provided by the internal control functions. Where the decisions taken by the AMC have or could have a significant impact on the risk profile of the institution, the AMC shall first obtain the opinion of the risk control function and, where appropriate, of the compliance function;
- Promptly and effectively implement the corrective measures to address the weaknesses (problems, shortcomings and irregularities) identified through the internal control functions , the external auditor, and the CSSF;
- Verify the implementation and compliance with internal policies and procedures. Any violation of internal policies and procedures shall result in prompt and adapted corrective measures;
- Inform the internal control functions of any significant changes in the activities or organisation in order to enable them to identify and assess the risks which may arise therefrom;
- Inform, in a comprehensive manner and in writing, on a regular basis and at least once a year, the board of directors of the implementation, adequacy, effectiveness and compliance with the internal governance arrangements, including the state of compliance and internal control as well as the ICAAP report on the situation and management of the risks and the internal and regulatory own funds and liquidity (reserves);
- Once a year, confirm compliance with the circular 12/552 and amended to the CSSF by way of a single written sentence followed by the signatures of all the members of the Authorized Management. Where due to non-compliance, the AMC is not able to confirm full compliance with the circular, the aforementioned statement takes the form of a reservation which outlines the non-compliance items by providing explanations on their raison d'être;
- Where the AMC becomes aware that the central administration and internal governance arrangements no longer enable sound and prudent business management or that the risks incurred are or will no longer be within the framework defined by the risk appetite statement, it shall inform the board of directors and the CSSF by providing them, without delay, with any necessary information to assess the situation;
- Notwithstanding the overall responsibility of the members of the Authorized Management:

    - Designate at least one of its members to be in charge of the administrative, accounting and IT organisation and who shall assume responsibility for implementing the policy and rules that it has established in this context;

    - Designate among its members the person(s) in charge of the internal control functions.

The AMC is entitled to seek external professional advice, at the company's expense, on matters that fall within its competence, whenever the subject matter expertise in unavailable internally.

EXECUTIVE COMMITTEE

The Executive Committee ("EXCO") conducts the operational day-to-day management of the Bank and reports to the AMC.

The main responsibilities of the EXCO are:

a) To conduct the operational management of the Bank by:

- Developing, implementing and pursuing the strategy set by the Board of Directors taking into account the values of the Group, its appetite for risk and the policy guidelines;

- Conducting day-to-day management;

- Supervising line management and compliance with the delegated powers and responsibilities, and reporting;

b) To report to the Board of Directors on the implementation of the policy guidelines in general and to provide a balanced and comprehensible assessment of the financial situation of Banque Havilland SA in particular, and to provide the Board of Directors with the information it needs to carry out its responsibilities;

c) To research, formulate and draft policy proposals and strategic or structural projects to be submitted to the Board of Directors;

d) To draw up comprehensive, timely, reliable and accurate financial reports for Banque Havilland SA, in accordance with prevailing accounting standards and company policy;

f) To establish, manage and follow up internal control measures to make it possible to identify, evaluate, manage and control financial and other risks;

g) To carry out other tasks entrusted to it in specific cases by the Board of Directors;

h) To monitor first line of defense controls:

- Adapt the internal policies and procedures in light of the internal and external, current and anticipated changes and the lessons learnt from the past;

- Follow-up of the effectiveness of first line of defense controls.

i) To act as a relay to spread Compliance & Risk Culture:

- Contribute to relay tone at the top messages to the commercial teams at the level of the bank in Luxembourg, and at a group level.

The number of members and Composition of the EXCO is determined by the Authorized Management (5 minimum). The EXCO is currently composed of the members of the Authorized Management, the Group Head of Institutional Banking, the Group Head of Finance, the Chief Risk Officer (also member of the AMC), the Group Head of Legal, the Group Head of HR, the Group Head of Private Banking, the Group Head of Asset Management, the Group Head of Treasury & Execution, the Group Head of Credit, the Chief Compliance Officer and the Group COO.

RISK COMMITTEE ("RC")

The RC members meet under the form of the Risk Committee ("RC"), and reports to the Executive Committee.

The RC is competent to act autonomously, yet always within the scope of the strategy defined by the Executive Committee. This delegation of power does not, therefore, relate to general policy or matters which are reserved by law for the Executive Committee.

The main responsibilities of the Risk Committee are:

- Review and approve the Risk Appetite dashboard;
- Review and approve actions, controls or procedures aimed to monitor high risks and to keep high risks within the tolerance level set in the risk appetite statement;
- Risk acceptance approvals or sanctions for any risk outside the risk appetite statement;
- Proactively detect top and emerging risks;
- Review of the risk cartography;
- Review of the open internal and external recommendations, including regulatory, audit recommendations and actions undertaken to achieve sustainable resolution;
- Review of the approved sub-committee minutes;
- Follow-up and decision on Incident Reports and propose remedial actions to the EXCO;
- Follow-up and decision on Project Management related to risk mitigation;
- Review and validate policies in the area of Risk Management (including, but not limited to, DRP/BCP policy, Business Impact Analysis, DRP Plan, BCP Plan);
- Review recommendations issued by risk management;
- Review and approve new product proposals.

COMPLIANCE COMMITTEE ("CC")

The Compliance Committee ("CC") is a sub-committee of the Risk Committee. The CC is competent to act autonomously, yet always within the scope of the strategy defined by the EXCO.

The main responsibilities of the CC are:

- Review the Compliance Reports;
- Follow-up of recommendations issued by the Compliance Function;
- Follow-up of recommendations addressed to the Compliance Function; follow-up of Compliance Monitoring Plan; control monitoring and testing results;
- Identify and follow-up new regulatory requirements;
- Review policies and procedures related to Compliance matters, as well as other document when deemed necessary;
- Follow-up on regulatory and compliance projects and when deemed appropriate, take any relevant decision;
- Assessment of any Compliance inherent and/ or emerging risks (Financial Crime and Regulatory).

ACCOUNT OPENING & MONITORING RISK COMMITTEE ("AOMRC")

The Account Opening & Monitoring Reputational Committee ("AOMRC") is a sub-committee of the RC.

The main responsibilities of AOMRC are:

a) To validate decisions regarding entering into new business relationship by:

- Reviewing the due diligence performed;
- Accepting/challenging the Financial Crime Risk Rating calculated;
- Considering commercial aspects and likely reputational risks.

b) To take decisions regarding ongoing business relationships by:

- Assessing if the business relationship remains in the scope of the Bank's strategy;
- Reviewing the output of periodic account reviews;
- Assessing the transactions booked since the last account review;
- Considering commercial aspects and likely reputational risks.

c) To discuss the reputational risk linked to event driven reviews, or any specific point raised by the first or second line of defense, and escalate any matters to the EXCO when required.

d) To track the implementation of the decisions taken by:

- Reviewing the Client Exit list developments;
- Following-up on previous AOMRC decisions;
- Monitoring the missing/expired documents statistics.

The AOMRC is entitled to seek external professional advice on matters that fall within its competence.

ASSET AND LIABILITY MANAGEMENT COMMITTEE ("ALCO")

The Assets & Liabilities Committee ("ALCO") determines the Group's overall policy and strategy on the structure of the balance sheet, liquidity and capital adequacy of the Group.

The main responsibilities of the Assets & Liabilities Committee are :

- Control of the current liquidity situation and resources of the Bank;
- If the contingency funding plan is triggered, ALCO acts as organizer and decision-maker and executes;
- Determination of the Bank's Liquidity Policy;
- Formation of an optimal structure of the Bank's balance; ALCO sets limits which ensure an adequate risk level and liquidity within the limits approved by the Board of Directors;
- Control of utilization of limits and exposures of the bond portfolio; provide guidelines for the day-to-day management of the Bank's own bond portfolio;
- Control over the capital adequacy and risk diversification;
- Review regularly of the various counterparties;
- Control of risk appetite on Counterparty, Interest Rates and Foreign Exchange Risks;
- Overview of the interest rate risk borne by the Bank;
- Overview of the Foreign Exchange activity of the Bank;

GROUP CREDIT COMMITTEE ("GCC")

The Group Credit Committee ("GCC") is in charge of the oversight of the credit risk management of the Group, including:

- Review of the Group Credit policy, and establishes portfolio limits.
- Review and monitor any credit risk metrics under the Bank's Risk Appetite Statement;
- Oversight of the credit and lending strategies and objectives of the Bank and achieve the credit and lending goals of the Bank;
- Monitor credit performance and review regular reports on credit exposures, activity and portfolio information, including, without limitation, any further information requested by any GCC member;

- Decide on credit requests within defined authorization thresholds, as defined in the prevailing Group Credit Policy and present Charter, which applies for all credit exposures of the Bank as well as for credit exposures exceeding the authorisation limits of the Local Credit Committees;
- Reviewing the quality and performance of the Bank's credit portfolio and individual exposures at least on an annual basis;
- Procure credit requests are complying with the form and content requirements stipulated in the Group Credit Policy and compliance with applicable laws and regulations as well as changing economic and/or banking conditions.

The responsibilities of the Group Credit Committee are limited to performing credits and to those not falling under the responsibility of the Group NPE Committee.

GROUP NON-PERFORMING EXPOSURE COMMITTEE ("GNPEC")

The Group NPE Committee is embedded in the Group's organizational structure to overview the management of deficient credit exposures. It has the competence to act autonomously (yet always within the scope of the strategy approved by the Board of Directors).

It reports to the Executive Committee and the Board of Directors respectively.

The main responsibilities of the GNPEC are:

- Decision body overviewing the Bank's under and/or non-performing exposures ("NPEs"); to the extent applicable and always subject to local law and regulatory requirements the GNPEC's responsibilities also enfold the overviewing of under- and non-performing exposures of the Bank's entities;
- Assessment of and/or directing relevant measures applicable in the life cycle of NPEs;
- Monitor performance and review regular reports prepared in relation to NPEs, activity and portfolio information, including, without limitation, any further information as requested by any GNPEC member;
- Determination of forborne exposures ("FBEs") options, viability, strategy and processes;
- Decision body overviewing the Bank's FBEs; to the extent applicable and always subject to local regulatory requirements, the GNPEC's responsibilities also enfold the overviewing of forborne exposures of the Bank's entities;
- Assessment of and/or directing relevant measures applicable in the life cycle of FBEs;
- Monitor performance and review regular reports prepared in relation to FBEs, activity and portfolio information, including, without limitation, any further information as requested by any GNPEC member;
- Implementation, development and regular assessment of the group wide NPE strategy including review of the Group Non-Performing Exposure Policy;
- Implementation, assessment and regular update of the Bank's operational environment and plan in relation to NPEs and FBEs;
- Decision body for individual and collective estimated provisions/impairments and write offs of NPEs; including processes, procedures and other relevant aspects pertaining hereto;
- Decision body for governance, procedures and controls for valuation methodology and frequency of valuation for assets and collaterals linked to NPEs and FBEs;
- Reviewing the Bank's NPEs and FBEs at least on a semi-annual basis;
- Steering and decision making on the governance and operations related to NPEs and FBEs, hereunder the NPE operating model, control framework, monitoring and early warning systems;
- Procure monitoring and handling of NPEs and FBEs are complying with the form and content requirements stipulated in the Group NPE Policy;

- Compliance with applicable laws and regulations as well as changing economic and/or banking conditions.
- Decision on strategies and measures as presented within defined authorization threshold, as defined in the prevailing Group NPE Policy and present Charter;
- Decision on impairments, write-offs, collateral realization, accepting settlements, recovery, workout and forbearance.

It is being understood, the responsibilities of the Group NPE Committee are limited to under-/non-performing and forborne credit exposures.

The GNPEC is authorized to make decisions on behalf of the Group within the defined area of responsibilities and in line with the authorisation levels. Requests exceeding authorisation level I also require approval by the Board of Directors.

COMMITTEE OF THE ENTITIES ("CE")

The Committee of the Entities ("CE") oversees the Group and its entities.

The main responsibilities of the Committee of the entities are:

- Report on strategy implementation decided by the Boards (Group and local Boards) ;
- Provide on-going information on business developments;
- Share financial performances;
- Ensure that the Group has internal policies and procedures applicable to business process and development, in light of the internal and external, current and anticipated changes and the lessons learnt from the past;
- Follow-up of the effectiveness of first line of defense controls across the Group;
- Report on Governance issues (based on Group and local regulatory requirements);
- Escalate any risk major issue, in line with the Group Risk appetite statement;
- Contribute to elaborate and relay "tone at the top" messages to the staff at a Group level.

INVESTMENT COMMITTEE ("IC")

The Investment Committee ("IC") is competent to act autonomously, yet always within the scope of the strategy defined by the Executive Committee.

The main responsibilities of the **Investment Committee ("IC")** are:

- To provide a strong governance framework to ensure that the inherent risks associated with investment activities are sufficiently monitored and reported from a legal, compliance, and reputational risk perspective;
- To establish, monitor and review the top-down target asset allocation of the multi-asset class discretionary and advisory portfolios, and to clearly communicate this to Relationship Managers and their clients;
- To hold regular discussions to review key macroeconomic drivers, risk factors and market prospects in relation to the tactical and strategic asset allocation of client risk profiles;
- To determine and communicate the overall view of Banque Havilland with regards to financial markets and Investments;
- To produce investment-related documents and publications, including the "Investment Committee Notes" and the "Quarterly Outlook".

The Investment Committee activity does not influence and it is not related in any way to Banque Havilland other functions and departments such as the management of the bank's investment portfolio or the ALCO (Asset Liability Committee).

FUND ONBOARDING COMMITTEE ("FOC")

The Fund Onboarding Committee ("FOC") assesses:

- The asset servicing solutions for the structuring, the implementation and the servicing of investment vehicles to the Group's clients including , but not limited to, depositary, custodian, distribution, paying agent, registrar and transfer agent services;
- Every new project of the Institutional Banking business line and check if the project is or is not subject to prior application of the Group Procedure Implementation of New Products Services;
- Relevant sensitive factors of the project in the context of the overall strategy and risk appetite of the Group (including AML, Reputational and Operational risk profiles).

4.1. INFORMATION ON DERIVATIVE INSTRUMENTS

The counterparty risk with respect to derivative instruments is the risk that the counterparty in a transaction involving certain types of financial instruments may default prior to the settlement of the transaction.

The first thing we do to mitigate this risk is to enter systemically with the counterparty into Credit Support Annex ("CSA"), International Swaps and Derivatives Association ("ISDA") agreements and/ or Global Master Repurchase Agreement ("GMRA") reviewed by reputable law firms. This means that the counterparty risk for the repo is mitigated through the GMRA and the risk of litigation on other OTC derivatives is limited through the ISDA. The CSA mitigates the risk through the transfer of collateral from a party to another should the marked-to-market of the derivatives deviates substantially.

The Group is engaged in forward foreign exchange transactions (swaps, outrights) in the normal course of its banking activity. A significant portion of these transactions has been contracted for the purpose of hedging the effects of the exchange rates fluctuations.

The following tables provide an analysis of the derivative financial assets and liabilities of the Group into relevant maturity buckets.

The Group uses the valuation method based on the initial risk. The notional principal amount of each derivative is multiplied by the percentages as described in the CRD IV.

The foreign exchange contracts are reported following the Mark-to-market method.

As at 31st December 2019, over-the-counter derivative financial assets and liabilities are analysed as follows (in EUR):

INSTRUMENT CLASS	CONTRACT/ NOTIONAL AMOUNT (EUR)	LESS THAN THREE MONTHS		BETWEEN THREE MONTHS AND ONE YEAR		BETWEEN ONE YEAR AND FIVE YEARS		TOTAL	
		FINANCIAL ASSETS	FINANCIAL LIABILITIES	FINANCIAL ASSETS	FINANCIAL LIABILITIES	FINANCIAL ASSETS	FINANCIAL LIABILITIES	FINANCIAL ASSETS	FINANCIAL LIABILITIES
FOREIGN EXCHANGE OTC									
- Forward currency	719,809,672	5,338,480	(5,338,248)	82,950	(89,774)	-	(8,695)	**5,421,430**	**(5,436,717)**
- Currency swap	130,523,988	558,728	(367,700)	91,346	(87,671)	-	-	**650,074**	**(455,372)**
- Options	1,403,360	-	-	960	(640)	-	-	**960**	**(640)**
EQUITIES									
OTC									
- Contracts for difference	2,242,210	100,332	(7,772)	-	-	-	-	**100,332**	**(7,772)**
Exchange-traded									
- Options	1,056,816	1,106	(6,212)	170,842	(170,842)	-	-	**171,948**	**(177,054)**
INDEX									
Exchange-traded									
- Futures	35,964,784	282,552	(282,552)	-	-	-	-	**282,552**	**(282,552)**
COMMODITY									
Exchange-traded									
- Futures	2,002,494	19,239	(19,239)	7,215	(7,215)	-	-	**26,454**	**(26,454)**

CREDIT RISK EXPOSURE AS AT 31ST DECEMBER 2019 (IN EUR)

Instruments linked to exchange rates	2019 Gross risk exposure
Instruments linked to exchange rates	-*

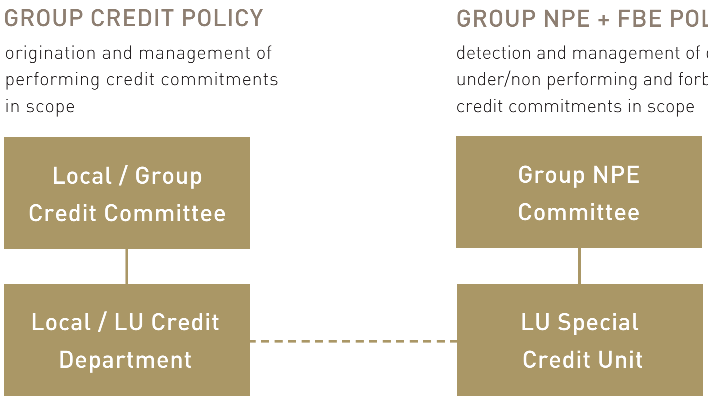
*As per EBA Corep Standards C as of 31st December 2019
No RWA on FX positions as under the threshold of 2%.

4.2. CREDIT RISK

Credit risk arises from the uncertainty in counterparty's ability to meet its financial obligations and default in serving payments on any type of debt. Since the Group is dealing with various types of counterparties (from private individuals to sovereign governments) and offers customized solutions (from uncommitted overdrafts to derivatives transactions) the credit risk takes various forms, however typically can be classified as (i) credit default risk, (ii) concentration risk, and (iii) country risk (including conversion and sovereign risk).

4.2.1. CREDIT FRAMEWORK

In compliance with the EBA regulation and to ensure clear segregation of duties and responsibilities related to the management and control of aforementioned credit risk, the Group's overall credit framework and operational setup is subdivided in two sections as illustrated below:



4.2.2. GROUP CREDIT POLICY

The Bank's Group Credit Policy, as approved by the Board of Directors, forms the overall framework of the credit and lending activities within the Group and the guideline for credit exposures towards external counterparties. Its primary objective is to procure adequate credit quality and proper credit activity management within the Group.

The Group Credit Policy includes the description of key elements for the credit and lending activities of the Group. It forms part of the risk management, and outlines the core requirements for a diligent business approach. Therefore all credit exposures have to be:

- Subject to the rules and principles outlined in the Group Credit Policy;
- Established on a sound, professional and documented basis;
- In compliance with internal as well as external rules of conduct;
- Handled as integrated part of the overall client relationship;
- Compliant with all procedures, manuals, guidelines being directly or indirectly referred to, or regulated by, the Group Credit Policy.

This Group Credit Policy, as amended from time to time, is applicable to all entities of the Group and shall respect the statutory regulation, introduced by respective local supervisory or governing bodies, being applicable to each entity. In case of discrepancies or competing clauses, the statutory regulation introduced by the local supervisory or governing body shall apply.

The Group Credit Policy forms the framework for management of performing credit exposures and commitments to below mentioned Counterparties within the Group.

The Group Credit Policy shall provide adequate guidance on the establishment, management and monitoring of credit risk on individual client level as well as on aggregate portfolio level.

The policy serves multiple objectives being:

- Protection of the the Group's capital, earnings and reputation;
- Establishment of a common credit culture resting on the core values of the Group;
- Cooperation between group entities, departments and employees;
- Supporting the growth of the profitability of the Group while ensuring adequate management and monitoring of satisfactory credit risk parameters;
- Adherence to regulation introduced by the supervisory bodies and regulators;
- Alignment with the prevailing business plan, as well as liquidity and risk management;
- Monitoring of the credit risk framework and appetite across the Group.

4.2.3. CREDIT RISK CARTOGRAPHY

Credit Risk has been identified at different levels within the Group's structure.

The Credit Risk that the Group is exposed to with its private and corporate clients (institutional clients included) is mainly related to the risk of default and potential insolvency. We segregate the credit risk following the nature of the collateral in various lending structures (mortgage loans, Lombard loans, guarantees, etc.).

The Credit Risk on the mortgage loans is measured mainly through the quality of the collateral, amount of the loan versus the value of the collateral ("LtV"), the liquidity of the real-estate market for assets of same or similar nature, the local regulation and the subsequent difficulty to enforce the Group's security rights. Each transaction is supported by an independent valuation report from a surveyor appointed by the Group. The report requested includes a detailed description of the property, location and the market conditions in the location for the type of property in question.

The Credit Risk on loans secured by securities ("Lombard loans") is strongly interconnected with the market risk of the underlying securities. To efficiently mitigate Credit Risk in Lombard loans, the Group is applying conservative haircuts and diversification rules. Standard haircuts, diversification and eligibility rules for Lombard loans are defined in the Group Credit Policy and therefore also approved by the Board of Directors.

The Credit Risk on loans secured by other assets (i.e. aircraft, motor yacht,..) is subject to an in-depth analysis from the Credit Department in terms of accepted level of leverage, due diligence, structuring and required expertise.

The Credit Risk on off-balance sheet items, such as guarantees given or committed credit lines, is the risk to fulfil the guarantee or drawdown. To efficiently avoid losses, the Group is always seeking to take security for the commitment given. This security typically comprises counter-indemnities and/or pledges over eligible assets.

The Credit Risk on the Investment Portfolio – whose the main function is to act as a liquidity reserve -arises from the risk of default of the fixed income instruments held in the Investment Portfolio. The Investment Guidelines – part of the Liquidity Policy - approved by the Board of Directors set up the limits and the eligibility criteria for the positions in terms of type of assets, quality of the assets, maturity, liquidity, currency, repo-ability and country of risk. It also defines the concentration limits on counterparties/issuers. The investment portfolio is closely monitored by the Treasury and Risk Management. The ALCO reviews the Investment Portfolio and its compliance with the Investment Guidelines during ALCO meetings. The Board of Directors approves the Investment Guidelines, analyses the breaches and can impose restrictions on the investment portfolio.

The Counterparty Risk arises from the money market activity (maturity less than 3 months) and from the collateral posted for derivatives transactions. The key measures that apply to the counterparty include Qualitative information on the counterparty and Concentration risk/Diversification.

The Authorised Counterparty List – part of the Liquidity Policy - approved by the Board of Directors set up the limits by counterparty. Concentration limits are defined at a global level (consolidation of investments and money market activities). Counterparty activity is closely monitored by Treasury, Treasury Risk Control and Risk Management. Risk Management acts as the second line of defence. Risk Management is in charge of developing the adequate reports, measurements and controls and to check their reliability. The Group seeks to promote effective and efficient control combined with reliable financial and risk reporting in compliance with policies and limits. The ALCO reviews the Money Market activity and lines during its meetings. Upon approval of Risk Management and satisfactory KYC, the ALCO has the power to accept new counterparties, to freeze the activity with an existing counterparty or to amend limits. Any change brought to the list of counterparties approved by the ALCO is submitted to the Board of Directors for ratification at least once a year in the framework of the periodical review process.

Concentration Risk arises if the Group's Loan and Investment portfolios are not diversified, whether in terms of high dependence on few large counterparties, sector, countries, etc. This necessitates maintenance of sufficient diversification in their assets and operations. The Credit Policy – approved by the Board of Directors – involves directly the Board of Directors for approval of important credits for privates and corporates. The Investment Guidelines – which are ancillary to the Liquidity Policy and approved by the Board of Directors – impose concentration limits on financial institutions and on investment portfolio at a group level. It is the responsibility of the Account Opening Committee and the Compliance Officer to ensure that the Bank has all the necessary information on new and existing clients and their interconnections. The Credit department is in charge to monitor the development of concentration risk for private and corporate loans through the use of an internal tool for credit monitoring. The information is related to the Credit Committee who needs to keep a close watch on the large exposure issues. The financial institutions exposures include all type of exposures to specific financial institutions (interbank deposits, exposures on securities, etc..). It is the responsibility of the Risk Management to identify the connections between the financial institutions exposures and the investment portfolio exposures and to define adequate concentration risk controls. The result is communicated to the ALCO who tries to reduce any potential concentration risk that becomes apparent, the final aim being to be as diversified as possible with regard to counterparties, country of risk and economic sector.

4.2.4. BRANCHES & SUBSIDIARIES

With the exception of UK branch, each subsidiary has its own credit officer who, with the support of the Credit Department in Luxembourg, is in charge of administering the application process, ensuring that adequate documentation is established and the monitoring of exposures. The loan administration, such as booking of roll-overs, fees and interests is also done in the respective subsidiary.

However, continuous monitoring and control is performed by the Special Credit Unit in Luxembourg in order to ensure equal quality standards across the Group.

In order to allocate necessary resources, efficiently segregated duties and make sure defaulted loans are treated with necessary care, preventing the Group from incurring loan losses, Special Credit Unit in Luxembourg has the decision making power as to how to remedy or manage non-performing loans.

The Group Credit Policy, as approved by the Board of Directors, defines the general guidelines and framework of the originating and performing lending activities and it defines the decision making process and authorities of each Credit Committee in the Group.

The Group NPE and FBE Policy, as approved by the Board of Directors, defines the general guidelines and framework of the doubtful, under-/non-performing and forborne lending activities and it defines the decision making process and authorities of the centralized Group NPE Committee in the Group.

As far as we respect the concentration limits, the main financial counterparty of the branches & subsidiaries is the head office itself. The branches & subsidiaries have other counterparties used for specific reasons. However, with the exception of Banque Havilland Switzerland, these counterparties are directly under the management of the Head office's Treasury and follow the same level of monitoring, reporting and control.

The control and monitoring of Banque Havilland Switzerland is performed by the local Treasurer and Risk Officer. Group Treasury and Risk department have put in place a second level of control with one day delay.

4.2.5. ALERT FUNCTIONS VIA CREDIT MONITORING REPORTS

The close monitoring of some of the borrowers is an independent process managed directly by the Credit Department in its credit monitoring functions.

A set of reports provide the credit department with warnings on the state and/or development of existing credit exposures occurred on term loans, Lombard loans, mortgage loans and overdrafts: late payment, lack of payment, breach of contractual agreements, negative developments of existing exposures due to market moves, change in market value of guarantees, change in collateral eligibility of assets, etc.

Actions on the reports are taken by the credit department of the Bank with the support of the Management of the Bank where needed. As part of the management reporting the Credit Committee is informed on a monthly basis about the developments of the Group's credit risk.

4.2.6. NPE AND FBE POLICY

The Group NPE and FBE Policy forms the overall framework of the doubtful, under-performing, non-performing, and forborne credit exposures and commitments within the Group and the guideline for mentioned credit exposures.

The Group NPE and FBE Policy formalizes the governance, the operational setup and provide adequate guidance on the identification, management and monitoring of credit risk associated with doubtful, under-/ non-performing, and forborne credit exposures on individual client level as well as on aggregate portfolio level.

Its primary objective is to procure timely and effective measures are being taken in respect of the management and workout of deficient exposures to reduce non-performing assets as fast and efficient as possible in order to amongst others free up money and capital for new lending, reduce losses and return assets to earning status, if possible.

In this policy, the prudential definitions about doubtful exposures (e.g. "defaulted", "impaired" and "non- performing") are introduced and adopted along the lines of regulations (EU) No 575/2013 (CRR) and EBA/GL/2016/07.

Special Credit Unit (SCU) is in charge of sanctioning and recovering non-performing Credit Exposures. Special Credit Unit is responsible for reviewing delinquent credit files and defining adequate recovery strategies, which may also result in tabling impairment proposals to the Group Non-Performing Exposure Committee for approval. Upon such decision being made the SCU shall take appropriate measures to impose value adjustments or impairments on non-compliant or deficient credit exposures where the full recoverability is questionable.

4.2.7. QUANTITATIVE INFORMATION

NET EXPOSURE BY GEOGRAPHICAL AREAS

LOANS AND ADVANCES TO CUSTOMERS

REPAYABLE ON DEMAND - CURRENT	CORPORATE	RETAIL	TOTAL
Austria	-	250	250
Bahamas	2	-	2
Belgium	-	153,875	153,875
Brazil	180	221,729	221,908
British Territory in Indian Ocean	344,038	-	344,038
Canada	-	399	399
Cayman Islands	1,862	63	1,925
Cyprus	3,614	-	3,614

Denmark	448	992,954	993,402
Estonia	-	497,286	497,286
Finland	-	378	378
France	37,488,653	3,723,243	41,211,896
French Polynesia	-	34,054	34,054
Germany	3,780	2,913	6,693
Gibraltar	457	-	457
Guernsey	3,101	252	3,353
Hong Kong	456	1260	1,716
Hungary	-	204	204
Iceland	125	1790	1,915
Indonesia	-	189	189
Ireland	285	-	285
Isle of Man	97,064	-	97,064
Israel	-	389,116	389,116
Italy	1,581	79,353	80,935
Japan	-	25,839	25,839
Jersey	459	251	711
Liechtenstein	558,951	-	558,951
Luxembourg	9,631,831	5,339,439	14,971,270
Malta	38	921	959
Marshall Islands	1,098	-	1,098
Monaco	11,168,926	13,468,957	24,637,883
Morocco	389,231	-	389,231
Netherlands	495	-	495
New Zealand	-	460	460
Norway	-	64,038	64,038
Panama	4,402,373	202,563	4,604,936
Poland	-	570	570
Portugal	-	2,921	2,921
Russia	-	7,196	7,196
Saint Vincent	364,338	-	364338
Saudi Arabia		1,730,251	1,730,251
Seychelles	2,414,962	-	2,414,962
Singapore	248	-	248
Spain	-	369	369
Sweden	5,618,940	211	5,619,150

Switzerland	818	698,205	699,023
Turkey	1,546	6,490,831	6,492,377
United Arab Emirates	2,488,574	57,711,971	60,200,545
United Kingdom	474,668	2,517,325	2,991,993
Virgin Islands British	2,012,577	-	2,012,577
Georgia	-	921	921
Kyrgyzstan	-	152	152
Greece	457	152	609
Czechia	-	164	164
Côte d'Ivoire	-	3,777	3,777
Saint Kitts / Nevis	3,211	-	3,211
Curacao	158	-	158
Mauritius	43	-	43
Bermuda	5,711	-	5,711
United States of America	-	501	501
TOTAL	**77,485,300**	**94,367,292**	**171,852,592**

NET EXPOSURES / GEOGRAPHICAL AREAS

BONDS	BANKS	GOVERNMENT	OTHER	TOTAL
United Arab Emirates	-	2,676,977	-	2,676,977
Argentina	-	1,213	-	1,213
Belgium	492,966	24,627,656	14,801,678	39,922,301
Canada	17,126,895	-	408,158	17,535,053
Switzerland	5,756,528	-	4,304,579	10,061,107
China	3,705,355	1,802,126	2,727,933	8,235,414
Germany	28,640,211	11,626,696	28,795,576	69,062,483
Denmark	-	-	-	-
Spain	5,399,399	4,007,869	-	9,407,268
Finland		10,728,192	-	10,728,192
France	25,621,152	-	4,257,668	29,878,821
United Kingdom	45,875,087	3,023	19,819,069	65,697,180
Guernsey	-	-	-1,249	-1,249
Greece	-	1,087		1,087
Hong Kong	-	-	10,774,973	10,774,973
Ireland	2,284,233	-	893,926	3,178,159
Iceland	-	689,975	-	689,975
Italy	19,189,464	2,007,942	1,040,552	22,237,957
Jersey	-	-	3,384,409	3,384,409

Japan	10,944,720	-	11,359,366	22,304,086
South Korea	3,745,038	-	445,976	4,191,014
Cayman Islands	1,381,494	-	1,930,603	3,312,097
Luxembourg	11,686,185	3,842,355	12,920,753	28,449,293
Mexico		5,277,630	4,893,350	10,170,981
Netherlands	14,969,963	-	17,294,680	32,264,643
Norway	-	-	2,052,800	2,052,800
Poland	10,742,358	-	-	10,742,358
Russia	-	-	1,861,756	1,861,756
Sweden	26,415,858	4,719,347	-	31,135,205
Singapore	964,374	-	1,631,266	2,595,640
United States of America	73,342,191	24,933,476	45,185,858	143,461,525
Virgin Islands British	-	-	6,287,924	6,287,924
Australia	4,483,388	3,514,410	-	7,997,799
Liechtenstein	367,139	-	-	367,139
Nigeria	-	-	937,843	937,843
TOTAL	**313,133,998**	**100,459,976**	**198,009,447**	**611,603,421**

LOANS AND ADVANCES TO CREDIT INSTITUTIONS - CURRENT

REPAYABLE ON DEMAND - CURRENT	BANK
Austria	8,033
Belgium	1,358
Denmark	70,225
Estonia	475,348
Finland	650
France	87,587
Iceland	1,409,846
Italy	3,570,441
Japan	54,001
Luxembourg	24,054,730
Morocco	10
Norway	142,476
Poland	81
Sweden	586,207
Switzerland	13,785,829
Ukraine	5,623
United Arab Emirates	61,759
United Kingdom	7,032,961
TOTAL	**51,347,166**

BONDS & SHARES

COUNTRY	BONDS	SHARES
United Arab Emirates	2,676,977	-
Argentina	1,213	-
Belgium	39,922,301	333,030
Canada	17,535,053	-
Switzerland	10,061,107	-
China	8,235,414	-
Germany	69,062,483	-
Denmark	-	-
Spain	9,407,268	-
Finland	10,728,192	-
France	29,878,821	-
United Kingdom	65,697,180	-
Guernsey	(1,249)	-
Greece	1,087	-
Hong Kong	10,774,973	-
Ireland	3,178,159	-
Iceland	689,975	-
Italy	22,237,957	-
Jersey	3,384,409	-
Japan	22,304,086	-
South Korea	4,191,014	-
Cayman Islands	3,312,097	-
Luxembourg	28,449,293	7,485
Mexico	10,170,981	-
Netherlands	32,264,643	-
Norway	2,052,800	-
Poland	10,742,358	-
Russia	1,861,756	-
Sweden	31,135,205	-
Singapore	2,595,640	-
United States of America	143,461,525	-
Virgin Islands British	6,287,924	-
Australia	7,997,799	-
Liechtenstein	367,139	-
Nigeria	937,843	-
TOTAL	**611,603,421**	**340,515**

NET EXPOSURE BY SECTOR

SECTORS	BANK	CORPORATE	RETAIL	TOTAL
Agriculture, hunting and related service activities	-	-	29	29
Air Transport	-	285	-	285
Capital investment companies	-	4,841	-	4,841
Commercial banks (big banks)	66,079,172	-	-	66,079,172
Commercial banks (regional and other)	2,323,288	-	-	2,323,288
Computer and related activities	-	389,970	-	389,970
Financial Holding companies	-	127,021,210	879	127,022,089
Financial Institutions and Financial intermediation, except insurance and pension funding	-	35,690	914,431	950,121
Health and social work	-	7,688	155	7,844
Insurance and pension funding, except compulsory social security	-	518,874	-	518,874
Investment adviser	-		8,421,914	8,421,914
Mining of metal ores	-	1,020	-	1,020
Other business activities	-	69,783,327	66,456,955	136,240,281
Other financial institutions n.e.c.	-	10,494,184	376	10,494,560
Other service activities	-	2,599,392	24049167	26,648,560
Other types of Capital investment company funds/ companies	-	4,127,496	-	4,127,496
Private households with employed persons	-	-	139,893,482	139,893,482
Real estate activities	-	64,483,534	251	64,483,785
Retail trade, except of motor vehicles and motorcycles, repair of personal and household goods	-	63	460	523
Savings banks	528,312	-	-	528,312
Water transport	-	43,906	-	43,906
Recreational, cultural and sporting activities	-		24	24
Manufacture of other non-metallic mineral products	-	612	-	612
Construction	-	-	15	15
TOTAL	**68,930,772**	**279,512,091**	**239,738,140**	**588,181,003**

BONDS & SHARES

SECTORS	BONDS	SHARES
Asset allocation fund	(188,656)	-
Automobiles & Components	21,677,877	-
Banks	313,133,998	-

Capital Goods	11,150,149	-
Diversified Financials	61,419,948	300,860
Energy	19,024,869	-
Equity Fund	-	-
Financial Holding	28,787,594	-
Food, Beverage & Tobacco	14,984,875	-
Government	100,459,976	-
Health Care Equipment & Services	639,082	-
Hotels, Restaurants & Leisure	-	7,000
Household & Personal Products	2,693,332	-
Technology Hardware & Equipment	451,960	-
Insurance	5,496,213	-
Materials	5,764,312	-
Pharmaceuticals, Biotechnology & Life Sciences	2,682,284	-
Real Estate	2,274,110	-
Retailing	9,648,287	-
Software & Services	4,665	32,655
Diversified Telecommunication Services	2,969,347	-
Transportation	8,533,709	-
Alternative investment	-	572,682
Media	(4,509)	-
TOTAL	**611,603,421**	**913,197**

GROSS EXPOSURE AND RELATED IMPAIREMENT (BY SECTOR AREAS)

SECTORS	GROSS EXPOSURE 2019	IMPAIREMENT 2019	NET EXPOSURE
Corporate	7,472,982	(7,464,095)	8,887
Retail	105,183	(95,819)	9,364
According to Standardised method	705,731	52,391	654,894

NET EXPOSURE BY MATURITY

LOANS AND ADVANCES TO CREDIT INSTITUTIONS - WITH MATURITY

REPAYABLE ON DEMAND - CURRENT	BANK	TOTAL
Luxembourg	24,054,730	24,054,730

LOANS AND ADVANCES TO CLIENT - MATURITY

MONTHS	CORPORATE	RETAIL	TOTAL
1	13,444,475	-	13,444,475
2	511,229	937,639	1,448,868
4	2,962,128	-	2,962,128
5	504,785	-	504,785
6	3,007,934	-	3,007,934
11	11,536,657	211,863	11,748,521
12	-	7,744,989	7,744,989
13	1,606,070	-	1,606,070
14	-	2,930,589	2,930,589
18	4,018,445	988,057	5,006,502
20	5,071,557	-	5,071,557
21	-	112,502	112,502
22	-	1,938,112	1,938,112
23	1,003,363	999,960	2,003,323
24	2,585,616	-	2,585,616
25	2,500,498	-	2,500,498
26	12,593,896	2,555,375	15,149,271
27	2,000,254	-	2,000,254
28	-	2,036,088	2,036,088
29	12,832,672	-	12,832,672
30	750,179	13,008,803	13,758,982
31	6,530,434	2,300,548	8,830,981
33	13,032,325	3,503,507	16,535,831
34	4,020,842	5,191,220	9,212,062
35	3,112,685	4,828,478	7,941,163
36	7,506,370	4,087,224	11,593,594
38	-	9,760,073	9,760,073
39	1,901,907	-	1,901,907
40	19,121,788	607,821	19,729,609
43	-	11,378,197	11,378,197
44	9,931,148	124,588	10,055,736
45	-	2,209,622	2,209,622
47	21,757,926	-	21,757,926
51	-	22,645,577	22,645,577
53	6,999,723	1,903,126	8,902,849
54	-	2,750,082	2,750,082
55	10,133,470	-	10,133,470

56	10,040,854	1,030,292	11,071,146
57	5,007,801	-	5,007,801
59	5,999,762	18,469,861	24,469,622
69	-	1,200,026	1,200,026
75	-	5,517,198	5,517,198
108	-	14,399,430	14,399,430
TOTAL	**202,026,791**	**145,370,847**	**347,397,638**

LOANS AND ADVANCES TO CREDIT INSTITUTIONS - MATURITY

MONTHS	BANK	TOTAL
1	17,112,571	17,112,571
2	471,035	471,035
TOTAL	**17,583,606**	**17,583,606**

BONDS

MONTHS	GOVERNMENT	BANKS	OTHER	TOTAL
0	29,419,972	7,982,400	7,460,345	44,862,717
1	-	21,096,083	-	21,096,083
2	-	9,024,149	-	9,024,149
3	8,936,418	500,965	2,682,284	12,119,667
4	-	-	1,789,713	1,789,713
5	-	18,931,528	-	18,931,528
6	4,007,869	1,624,678	-	5,632,548
7	3,023	-	-	3,023
8		1,016,357	-	1,016,357
9	1,791,774	10,874,798	1,788,697	14,455,269
10	2,007,942	8,954,850	-	10,962,791
11	4,719,347	17,830,030	8,944,459	31,493,836
14	10,079,560	10,088,857	921,819	21,090,236
15	-	-	9,871,129	9,871,129
16	2,676,977	5,006,854	5,715,150	13,398,981
17	-	-	1,000,600	1,000,600
18	-	999,750	9,320,730	10,320,480
19	900,053	-	1,372,997	2,273,050
20	8,931,408	3,552,237	14,394,028	26,877,673
21	-	1,774,514	-	1,774,514
22	-	5,525,403	-	5,525,403
23	10,061,600	5,027,536	-	15,089,136

24	-	20,014,040	-	20,014,040
25	-	7,971,954	1,441,630	9,413,583
26	5,277,630	5,231,842	7,253,891	17,763,364
27	-	9,890,964	4,976,102	14,867,066
28	-	11,069,227	3,480,293	14,549,520
29	-	8,227,170	3,115,839	11,343,008
30	-	13,168,389	-	13,168,389
31	1,795,236	1,822,103	3,859,880	7,477,219
32	-	1,743,661	1,343,848	3,087,509
33	-	2,716,561	2,009,602	4,726,163
34	5,644,481	-	408,158	6,052,639
35	-	406,239	6,323,857	6,730,096
36	-	-	7,474,875	7,474,875
37	-	7,548,780	5,244,991	12,793,771
38	-	8,101,193	2,389,922	10,491,115
39	-	7,519,298	-	7,519,298
40	-	2,018,476	6,200,795	8,219,271
41	-	3,481,424	2,714,441	6,195,866
43	-	2,052,804	-	2,052,804
44	-	-	7,972,764	7,972,764
45	-	2,771,722	-	2,771,722
46	-	418,218	4,230,578	4,648,796
47	-	4,970,723	11,339,778	16,310,501
48	-	919,913	937,843	1,857,756
50	-	4,054,233	-	4,054,233
51	-	16,089,044	2,699,353	18,788,397
52	-	-	12,981,150	12,981,150
53	3,514,410	2,470,309	-	5,984,719
54	-	6,961,150	-	6,961,150
55	-	930,578	-	930,578
56	-	1,543,773	-	1,543,773
57	-	2,823,363	1,535,118	4,358,481
58	-	975,756	-	975,756
59	-	-	1,543,536	1,543,536
62	-	10,624,862	-	10,624,862
63	-	2,720,118	1,558,234	4,278,352
65	689,975	-	2,969,347	3,659,322
68	-	-	1,343,197	1,343,197

69	-	-	893,926	893,926
70	-	7,212,250	-	7,212,250
71	-	-	909,030	909,030
73	-	-	2,138,409	2,138,409
75	-	-	1,965,099	1,965,099
78	-	2,990,588	-	2,990,588
80	-	-	4,889,081	4,889,081
81	-	-	7,938,515	7,938,515
82	-	-	2,041,211	2,041,211
114	-	-	1,433,483	1,433,483
117	-	-	-	-
119	-	860,106	-	860,106
168	1,213	-	-	1,213
225	-	-	-	-
274	1,087	-	-	1,087
350	-	-	3,189,720	3,189,720
355	-	-	1	1
360	-	1,002,178	-	1,002,178
TOTAL	**100,459,976**	**313,133,998**	**198,009,447**	**611,603,421**

EXPOSURE AVERAGE AMOUNT DURING THE PERIOD	
Credit Institutions	398,114,219
Corporates	458,777,225
Retail	15,498,134
According to Standardised method	705,731

EXPENSES FOR VALUE ADJUSTMENTS AND PROVISIONS DURING THE PERIOD

	GENERAL	RETAIL	CORPORATE	BANK	TOTAL
Additions	-	-	(474,720)	-	(474,720)
Reversals	-	113,165	157,602	-	270,767
TOTAL	**-**	**113,165**	**(317,118)**	**-**	**(203,953)**

EXPOSITION AND IMPAIREMENTS

SECTORS	COUNTRY	GROSS EXPOSURE 2019	PREVIOUS IMPAIRMENT	IMPAIRMENT 2019	ADDITION	REVERSAL	NET EXPOSURE
Corporate	France	381,063	(244,348)	(381,063)	136,714	-	-
Corporate	Cayman Ismands (The)	4,156,225	(3,965,604)	(4,156,225)	190,621	-	-
Corporate	Luxembourg	305	-	-	-	-	305
Corporate	Liechtenstein	952,613	(916,610)	(949,213)	32,603	-	3,399
Corporate	Anguilla	1,137,884	(1,048,697)	(1,137,884)	89,187	-	-
Corporate	Monaco	162,301	(157,954)	(162,301)	4,347	-	-
Corporate	Switzerland	677,568	(656,162)	(677,408)	21,246	-	159
Corporate	Cyprus	1,688	-	-	-	-	1,688
Corporate	Gibraltar	457	-	-	-	-	457
Corporate	Hong Kong	-	(3,867)	-	-	3,867	-
Corporate	United Arab Emirates (the)	1,037	(153,735)	-	-	153,735	1,037
Corporate	Greece	457	-	-	-	-	457
Corporate	Netherlands	1,385	-	-	-	-	1,385
Retail	United Kingdom	459	(16,164)	-	-	16,164	459
Retail	Liechtenstein	2,913	(1,408)	-	-	1,408	2,913
Retail	Austria	-	(3,139)	-	-	3,139	-
Retail	Switzerland	95,900	(175,301)	(95,819)	-	79,482	82
Retail	Turkey	1,445	(10,653)	-	-	10,653	1,445
Retail	Hungary	-	(2,318)	-	-	2,318	-
Retail	Malta	922	-	-	-	-	922
Retail	United Arab Emirates (the)	1,394	-	-	-	-	1,394
Retail	Georgia	922	-	-	-	-	922
Retail	Portugal	922	-	-	-	-	922
Retail	Kyrgyzstan	152	-	-	-	-	152
Retail	Greece	153	-	-	-	-	153
TOTAL		**7,578,165**	**(7,355,961)**	**(7,559,913)**	**474,720**	**270,767**	**18,251**

EAD AND CVA FOR DERIVATIVES CONTRACTS

MATURITY	EXPOSURE VALUE	OWN FUNDS REQUIREMENTS	TOTAL RISK EXPOSURE AMOUNT	TOTAL
CVA risk total	705,731	52,391.53	654,894	28,890,888
According to Advanced method	-	-	-	416,705
According to Standardised method	705,731	52,391.53	654,894	875,859

4.3. MARKET RISK

Market Risk is the current or prospective risk of losses in on - and off-balance sheet positions arising from movements in market prices, such as security prices, commodity prices, interest rates and currency rates.

The Group's market risk policy is to keep firm track of the market risk embedded in the Group's market investments and in the market-sensitive off-balance items such as client's securities used as loan collateral.

The Market Risk has been identified at different level in the Group's structure.

The Market Risk on the Investment Portfolio arises from the price fluctuations of securities held in the Investment Portfolio. This Investment Portfolio is managed by the Treasury department and is closely monitored by Treasury Risk Control, Risk Management and the ALCO. It is subject to limits defined in the Investment Guidelines – ancillary to the Liquidity Policy – which are approved by the Board of Directors. The liquidity risk and the credit risk of the assets held in the Investement Portfolio will be covered in different sections.

The Market Risk on the Loan Book arises from loans secured by securities (Lombard Loans). This risk is assessed in the Credit Risk section (cfr risk on Lombard loans).

The Currency Risk is the risk associated with fluctuations in assets and liabilities denominated in different currencies due to movements in foreign exchange markets. The Currency Risk is monitored by Treasury, Treasury Risk Control, and Risk Management and is subject to limits defined in the Investment Guidelines as approved by the Board of Directors.

The Interest Rate Risk arises from the difference between the maturities or the interest rate reset periods of the assets and liabilities. Fluctuations in market interest rates cause fluctuations in interest income. The Interest Rate Risk is monitored by the ALCO and is subject to limits defined in the IRRBB Policy as approved by the Board of Directors.

4.3.1. FOREIGN EXCHANGE RISK

The Group is exposed to exchange risk as a consequence of its normal borrowing and lending activities and, to marginal extent, in relation to speculative activities.

The key measures that apply to the foreign exchange activity include:

- Exposure by currency;
- Volatility of the foreign currency towards our base currency;
- Correlation of the currencies.

The Investment Guidelines – part of the Liquidity Policy - approved by the Board of Directors establishes limits per currency and a global position limit (sum of the absolute exposures). It also defines daily and monthly stop loss limits.

The foreign exchange activity is closely monitored by the Treasury, Treasury Risk Control and Risk Management.

4.3.2. INTEREST RATE RISK

Interest risk is measured through the IRRBB (Interest Rate Risk in the Banking Book) Policy approved by the Board of Directors. The interest rate risk is defined by measuring the sensitivity of all interest rate sensitive assets and liabilities denominated in the same currency to eight different shifts in the yield curve. The different amplitudes of the parallel shifts considered are positive and negative parallel shifts of 200 basis points and six scenarios as defined by CSSF circular 16/642 and by EBA guidelines EBA/GL/2018/02. Floors as defined by the same guidelines are applied. The risk is measured in terms of impact on the economic value.

The Interest Rate Risk in the Banking Book ("IRRBB") Policy approved by the Board of Directors limits the interest rate risk per currency and globally (sum of the impacts), in compliance with the aforementioned CSSF circular, the EBA Guidelines, and the Basel Committee on Banking Supervision' Standards for interest rate risk in the banking book of 2016 (''BCBS 368 Principles'').

The ALCO is in charge of monitoring the interest rate risk, in terms of respect of the limits as well as in terms of qualitative view on the market environment. The ALCO also has the responsibility to take decisions concerning the hedging of the interest rate risk.

The impacts of the scenarios on present economic value are presented in the below table.

SCENARIO	+200 BPS	-200 BPS	PARALLEL UP	PARALLEL DOWN	SHORT UP	SHORT DOWN	FLATTENER	STEEPENER
Impact in EUR	(16,756,374)	17,326,918	(16,046,480)	16,543,851	(7,977,504)	9,004,021	1,714,305	(6,432,667)

As per end of 2019, the Group is sensitive to a +200 bps positive parallel shift which would generate a negative impact of EUR 16.8 Mio. The majority of the risk is coming from the investment portfolio. The interest risk of the loans and deposits is negligible as the bulk of the loans are granted on a floating rate basis.

IMPACT +200BPS	LOANS & DEPOSITS	BOND PORTFOLIO	OFF-BALANCE	TOTAL EUR
EUR	607,802	(12,243,503)	-	(11,635,702)
GBP	(73,282)	(342,651)	-	(415,933)
USD	1,018,600	(3,883,794)	-	(2,865,194)
CHF	117,939	(1,881,836)	-	(1,763,897)
ISK	829	(72,347)	-	(71,519)
Other Currencies	42,006	(46,136)	-	(4,130)
TOTAL	**1,713,894**	**(18,470,268)**	**-**	**(16,756,374)**

4.4. LIQUIDITY RISK

Liquidity Risk is defined as the risk of losing earnings and capital due to an inability to meet obligations in a timely manner when they become due. Liquidity risk is categorized into two risk types:

- Funding liquidity risk: when the Group cannot fulfil its obligations because of an inability to obtain new funding;
- Market liquidity risk: when the Group is unable to sell or realise specific assets without significant losses in price.

The Group's liquidity policy – approved by the Board of Directors- sets out the Group's policy towards liquidity and sets the framework and objectives for the Group's treasury operations.

In the preparation of the Liquidity Policy, and in defining the liquidity risk limits, the Group has taken note of the purposes the recommendations given by the Basel Committee on Banking Supervision in their papers Sound Practices for Managing Liquidity in Banking Operations from February 2000 and Principles for Sound Liquidity Risk Management and Supervision from September 2008.The Group also follows the CSSF Circular 2007/301 as amended by the circular CSSF 08/338, CSSF 09/403 and CSSF 11/506, the CSSF Circular 12/538.

The Liquidity Policy is the cornerstone of the Group's liquidity risk management. From this document is derived a set of other documents: the contingency funding plan and the different guidelines approved by the Board of Directors.

The Group has defined two main objectives for its liquidity:

- Ensure that the Bank can meet expected and unexpected payment obligations at all times;
- Contribute to the profitability of the Bank.

Meeting these objectives is done by means of:

- Implementing an organisational structure for liquidity management with defined roles and responsibilities;
- Ensuring that assets are liquid enough to be liquidated without significant losses;
- Limiting risk-taking by setting appropriate portfolio and risk limits;
- Maximising returns on treasury portfolios within the approved risk limits;
- Having a contingency funding plan ready should a liquidity problem arise.

The target is to secure sufficient liquidity by retaining access to funding and by possessing liquid assets.

Liquidity risk is a "consequential" risk in the sense that an increase in the liquidity risk is always a consequence of an increase in another risk. Liquidity risk is considered as one of the most complex risk as it can arise from a multitude of different factors.

CONTINGENCY FUNDING PLAN

The Banque Havilland contingency funding plan ("CFP") sets out the Group's strategy for addressing liquidity shortfalls in stressed conditions. The CFP outlines a list of potential risk factors, key reports and metrics of market stress that are reviewed on an on-going basis to assist in assessing the severity of, and managing through, a liquidity crisis and/ or market dislocation. The CFP also describes in details the action plan of the Group if our assessments indicate that the Bank has entered into a liquidity crisis.

The CFP identifies key groups of individuals to foster effective coordination, control and distribution of information, all of which are critical in the management of a crisis or period of market stress. The CFP also details the responsibilities of these groups and individuals, which include making and disseminating key decisions, coordinating all contingency activities throughout the duration of the crisis or period of market stress, implementing liquidity maintenance activities and managing internal and external communication. The Contingency Funding Plan also sets liquidity risk limits on some major liquidity metrics.

LCR RATIO

LIQUIDITY COVERAGE - CALCULATIONS

NUMERATOR, DENOMINATOR, RATIO			VALUE / PERCENTAGE
010	Liquidity buffer		590,607,164
020	Net liquidity outflow		263,778,847
030	Liquidity coverage ratio (%)		223
NUMERATOR CALCULATIONS			-
040	L1 excl. EHQCB liquidity buffer (value according to Article 9): unadjusted	441,898,336	335,568,518
050	L1 excl. EHQCB collateral 30 day outflows	-	-
060	L1 excl. EHQCB collateral 30 day inflows	-	-
070	Secured cash 30 day ouflows	18,919,553	95,633,324
080	Secured cash 30 day inflows	-	-

090	L1 excl. EHQCB "adjusted amount before cap application"	422,978,783	239,935,194
100	L1 EHQCB value according to Article 9: unadjusted	34,584,098	32,010,498
110	L1 EHQCB collateral 30 day outflows	-	-
120	L1 EHQCB collateral 30 day inflows	-	-
130	L1 EHQCB "adjusted amount before cap application"	34,584,098	32,010,498
140	L1 EHQCB "adjusted amount after cap application"	34,584,098	32,010,498
150	L1 EHQCB "excess liquid assets amount"	-	-
160	L2A according to Article 9: unadjusted	68,109,261	49,852,835
170	L2A collateral 30 day outflows	-	-
180	L2A collateral 30 day inflows	-	-
190	L2A "adjusted amount before cap application"	68,109,261	49,852,835
200	L2A "adjusted amount after cap application"	68,109,261	49,852,835
210	L2A "excess liquid assets amount"	-	-
220	L2B according to Article 9: unadjusted	46,015,470	37,214,911
230	L2B collateral 30 day outflows	-	-
240	L2B collateral 30 day inflows	-	-
250	L2B "adjusted amount before cap application"	46,015,470	37,214,911
260	L2B "adjusted amount after cap application"	46,015,470	37,214,911
270	L2B "excess liquid assets amount"	-	-
280	Excess liquid asset amount	-	-
290	Liquidity buffer	590,6047,16	454,646,762
DENOMINATOR CALCULATIONS		-	
300	Total Outflows	433,690,614	435,037,331
310	Fully Exempt Inflows	-	-
320	Inflows Subject to 90% Cap	-	-
330	Inflows Subject to 75% Cap	169,911,767	221,583,829
340	Reduction for Fully Exempt Inflows	-	-
350	Reduction for Inflows Subject to 90% Cap	-	-
360	Reduction for Inflows Subject to 75% Cap	169,911,767	221,583,829
370	Net liquidity outflow	263,778,847	213,453,502
PILLAR 2			
380	Pillar 2 requirement as set out in Article 105 CRD	-	-

ASSET ENCUMBRANCE

	Carrying amount of encumbered assets	Of which: central bank's eligible	Carrying amount of non-encumbered assets	Fair value of non-encumbered assets
Assets of the reporting institution	**42,834,402**	**42,834,402**	**1,519,906,543**	**-**
Loans on demand	-	-	359,880,166	-
Equity instruments	-	-	913,999	913,999
Debt securities	42,834,402	42,834,402	568,769,019	568,769,019
of which: covered bonds	-	-	-	-
of which: asset-backed securities	-	-	-	-
of which: issued by general governments	-	-	125,630,005	125,630,005
of which: issued by financial corporations	42,834,402	42,834,402	305,223,041	308,757,830
of which: issued by non-financial corporations	-	-	137,915,974	134,381,185
Loans and advances other than loans on demand	-	-	536,833,837	-
of which: mortgage loans	-	-	311,277,453	-
Other assets	-	-	53,509,522	-

The largest part of encumbered assets amounting to EUR42.8 Mio consists of bond portfolio's eligible assets.

4.5. OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

The Basel Committee on Banking Supervision has identified seven categories of operational risk as follows:

(i) internal fraud,

(ii) external fraud,

(iii) employment practices and workplace safety,

(iv) client, product and business practices,

(v) damage to physical assets,

(vi) business disruption and system failures (IT-processing / IT – Security / IT – Ongoing development / IT – Innovative technology), and

(vii) execution, delivery, and process management.

This categorization and the principles sound practices for the supervision of operational risk are adopted by Risk Management and implemented in the Operational Risk Policy of the Group.

The guidelines to be followed by the Bank regarding the management of operational risk are defined within the Group's Operational Risk Management Policy.

The guidelines aim to mitigate operational risks through the system of solid internal controls set up at different levels within the Group and its subsidiaries/branches (4 levels of controls (daily controls, ongoing critical controls, management controls and controls of the internal controls functions) embedded in 3 lines of defence (business and support functions; control functions and internal audit).

The Operational Risk Management Policy implements an operational risk management framework which is a set of items supporting the identification, the assessment, the measurement, the reporting and the awareness of the operational risk.

The Board of Directors puts a strong focus on the management of the operational risk, which is a prerequisite to deliver high quality services to the Bank's clients.

The purpose of the operational risk guidelines is to reduce the frequency and impact of failures in operational risk management in a cost-effective way by using quality control, leadership skills and well educated and qualified staff.

The monitoring of the operational risks is under the responsibility of various stakeholders in order to ensure an effective and efficient monitoring.

The Operational Risk Management Policy allocates operational risk monitoring duties to:

- The Heads of businesses and functions;
- The Compliance and Legal functions;
- The Risk Control function;
- The Risk Committee (RC);
- The Members of the Authorised Management.

The cornerstone for the assessment of the operational risk monitoring scheme is the RC.

The RC reviews the operational management process and the incidents on the basis of the documentation provided by the Risk Control function. It assesses the operational framework with regard to the operational risk appetite determined by the Board of Directors.

When deemed necessary, the RC advices the Executive Committee and/or any other committee/forum, defined by the Group's Committee Charter, to improve the internal control environment, the operational risk management process and the operational risk management framework.

The RC also channels all the projects of the Bank and gives a clear advice on the management, prioritisation and assessment of the projects from an operational point of view in order to mitigate the material risk. It also covers all the risks related to the IT framework, the Information Security Officer being part of this committee.

In addition, the RC assesses, oversees and advises on new products and services.

The principle of each process (or operation) is that there should be embedded controls, which are defined accordingly in the relevant strategies, guidelines and finally in the processes.

The capital requirement (Pillar I) for operational risk is computed by means of the Basic indicator approach (CRR Article 315) while the internal assessment (Pillar II) is based on internal models and stress tests calibrated on historical database of incidents and experts' opinions..

4.6. SETTLEMENT RISK

Settlement Risk is defined as the risk that one party will fail to deliver the terms of a contract with another party at the time of settlement.

The Authorised Counterparty List – ancillary to the liquidity policy and approved by the Board of Directors- sets out the settlement limits for each broker. Compliance and Risk functions must endorse any request for a new counterparty made to the Assets & Liabilities Committee and ratified by the Board of Directors. The review of existing counterparties is initiated yearly by the business units, reviewed i.a. by the Risk function and subject to spot checks by the Compliance function.

The objective is to monitor the non-settled transactions on cash and securities with a counterparty and the respect of risk limits. A special focus should be applied to the operations which are past due settlement.

The Transaction Services unit is in charge of matching the settlement with Bank's counterparties. It is also in charge of resolving their own positions with past due settlement and of following any other positions with past due settlement. It is performing a periodical reconciliation between the Bank's books and the external counterparties (daily for cash, daily for securities with counterparties using swift and monthly for other counterparties). Any delayed settlement will be investigated by the unit and the business lines and escalated if required.

4.7. SECURITISATION RISK

Banque Havilland does not have any securitisation risk.

4.8. DEPOSITARY RISK

The depositary risk is the risk related to the fund depositary functions which do not enter into the scope of the "classic custody" functions.

The risks are considered to be related to enhanced safekeeping obligations and the risk of non-restitution of assets, to oversight duties and cash monitoring and to ownership oversight.

The enhanced safe-keeping risk and non-restitution of assets risk are mitigated through the supervision of entities where the assets are held in custody with a due diligence and a continuous monitoring process in compliance with the UCITS V and AIFMD requirements. The account structure ensures segregation of assets.

The Monitoring risk is mitigated through the due diligence of the other services providers performing the tasks in relation to the Bank's oversight duties as well as by a rigorous application of the oversight tasks and controls required by the laws and regulations.

Ownership risk is mitigated through the strict application of controls as detailed in the "Ownership Verification Procedure".

Any incident related to the tasks of the Bank in relation to the depositary activity is recorded in the Incident Management System of the Bank and in the Fund Escalation Issue Log when applicable.

4.9. STRATEGIC AND BUSINESS RISK

Central supervision of strategic and business policies is achieved through a planning process, which is the basis for the implementation of the strategic guidelines; more over the same planning process defines short and long-term objectives and allows the monitoring of the stage of completion. Finally eventual corrective actions are taken where needed.

4.10. LEGAL & COMPLIANCE RISK

Definition

The Group defines the legal and compliance risk as i) the risk that unenforceable contracts, lawsuits, or adverse judgments can disrupt or otherwise negatively affect the operations or conditions of the Group and ii) the risk of legal or regulatory sanctions, material loss or loss to reputation, the Group may suffer as a result of its failure to comply with laws, regulations, rules and code of conduct applicable to its activities.

The main legal & compliance risks are identified as follows:

- Risk of breach of ethical rules: Risk of breach of ethical rules by the Bank or its employees.
- Legal and regulatory risks: This refers to the risk of non-compliance with applicable laws, regulations, and professional practices. This entails:
  - Litigation risk: Risk linked to the outcome of legal action;
  - Contract/transaction risk: Risk linked to the misinterpretation or non-application of legal rules relevant to a contract or a transaction;
- Legislative risk: Risk linked to not identified or not appropriately handled changes in law and regulations.
  - Risk of sanctions: It means the risk of judicial, administrative or disciplinary sanctions, as a result of non-compliance with laws, regulations, rules, norms and/or contractual agreements.

POLICY

The legal and compliance risk is controlled by the Bank's policies, procedures, guidelines and other documents providing guidance to address and mitigate legal and compliance risks. Below is a non-conclusive list of the relevant policies and procedures:

- Compliance Charter
- Code of Conduct
- Code of Conduct for dealing activities Procedure
- Fraud Policy Statement
- Whistleblowing Policy
- Conflict of Interest Policy
- Remuneration Policy
- Market Abuse Policy
- Financial Crime Compliance Policy
- Financial Crime Risk Rating Policy
- Customer Due Diligence Procedure
- Complaints Handling Procedure
- New Counterparty Policy
- Data Protection Policy
- Data Protection Impact Assessment Procedure
- Personal Data Breach Management and Notification Procedure
- Cross-border Policy
- Customer Exit Policy

LEGAL RISK

The Legal function's role is to assess, manage, monitor and report on the legal risk. It includes advising on possible options on how to mitigate legal risk. Recipients of reports and advice on legal risk, if any, may be the board of directors, the authorised management, the executive committee or any other committee, business units, control functions or any other function (e.g., support function).

More specifically, and by way of example, the Legal Department performs the below indicated tasks with a view to mitigate the legal risk the Group may be exposed to:

- Review of (draft) agreements and statements to be signed and executed by the Group, which include, but are not limited to, service agreements, confidentiality agreements, engagement letters, depository agreements, customized comfort or similar letters, ISDA Schedules and CSA;
- Drafting of agreements, statements and letters to be signed and executed by the Group;
- Risk and legal disclosures on external documents. This may include the drafting of disclaimers on presentations by the Group to clients or business partners;
- Systematic review of the legal aspects of collaterals in credit transactions (e.g., mortgages, guarantees, pledges);
- Maintaining a claims log and assessing the relevant claims with a view on the need to make appropriate provisions, taking into account the likelihood of a potential (financial) loss the Group or a relevant group entity may suffer;
- Data protection. The Group Head of Legal is the Data Protection Officer (DPO) of the Group (and as such notified to the CNPD).

COMPLIANCE RISK

The Compliance function's role is to assess, monitor and report on the compliance risk.

The main pillars of the compliance function's role are:

- Financial Crime compliance;
- Protection of investors (MiFID, Market abuses, client claims);
- Ethics (code of conduct, compliance manual,..) and fight against fraud;
- Complaints handling and investigation;
- Whistleblowing;
- Banking secrecy.

At a functional level the Group Head of Legal and the Group CCO have a role, in respect of their relevant responsibilities, of risk prevention and mitigation, advice and control.

Prevention and mitigation of and advice on legal and compliance risks are achieved through continuous education, strong procedures and constant checks. In that regards, for example, each employee has to complete each year an AML/CFT training and an Anti-bribery & anti-corruption training with related tests.

The Bank reviews periodically the risk profiling of existing clients and developed controls surrounding best execution of clients' orders.

The MiFID and risk profile questionnaires are designed in order to give a true and clear view to the clients of their risk profile and of the underlying risk for each type of security.

While the business as the first line of defence owns the risk the Compliance Department is in charge of leading the second line of defence deep due-diligence on new relationships as well as ensuring a continuous monitoring of the client database and activities.

Control activities consist of assessing compliance with the main CSSF circulars in order to identify gaps between procedures and the legal and regulatory requirements, and to check the transactions as well as the client database against updated international sanctions lists.

The Compliance Department is maintaining and assessing the complaint logs in accordance with CSSF regulation 16-07.

Permanent and periodic routine checks have been developed to cover the bank's activities and various risks including compliance risk.

COUNTRY RISK

The Compliance Department analyses at least every year the risk of each country Based on the criteria set in the Financial Crime Risk Rating policy and the Country Risk Manual. The Country Risk ratings are published by the Compliance function and reviewed at least annually.

5. RISK MITIGATION TECHNIQUES

In accordance with the CSSF Circular 06/273 as modified and the EU CRR afterwards, the group has implemented the Standardised approach and the Comprehensive Method for its capital requirement calculations related to the credit exposure and the adhering credit risk mitigations techniques (including e.g. eligibility of collateral, currency and maturity mismatch).

The Standardized Approach provides weighted risk figures based on external ratings given by External Credit Assessment Institutions (ECAI's) as indicated in the CRR.

The Group is using the publicly available information from Moody's as main ECAI.

ECAIs are used for the following exposure classes: Central government/central banks, Regional governments or local authorities, Public sector entities, Multilateral Development Banks, Corporates, Institutions, Equity exposure, Secured by mortgages on immovable property, Exposure in default and retails.

BREAKDOWN OF TOTAL EXPOSURES BY RISK WEIGHTS AND CREDIT QUALITY STEPS

WEIGHTINGS	0%	10%	20%	35%	50%	75%	100%	150%
CENTRAL GOVERNMENT/CENTRAL BANKS								
Exposure net of value adjustments and provisions	382,314,049	-	5,277,630	-	3,514,410	-	1,362,393	-
Net exposure after CRM	-	-	1,055,526	-	1,757,205	-	1,362,393	-
REGIONAL GOVERNMENTS OR LOCAL AUTHORITIES								
Exposure net of value adjustments and provisions	2,716,561	-	10,057,003	-	10,061,600	-	-	-
Net exposure after CRM	-	-	2,011,401	-	5,030,800	-	-	-
PUBLIC SECTOR ENTITIES								
Exposure net of value adjustments and provisions	-	-	17,134,896	-	-	-	-	-
Net exposure after CRM	-	-	3,426,979	-	-	-	-	-
MULTILATERAL DEVELOPMENT BANKS								
Exposure net of value adjustments and provisions	20,019,359	-	-	-	-	-	-	-
Net exposure after CRM	-	-	-	-	-	-	-	-
CORPORATE								
Exposure net of value adjustments and provisions	-	-	45,618,587	-	45,730,859	-	420,332,651	-
Net exposure after CRM	-	-	9,123,717	-	22,865,430	-	245,231,372	-
INSTITUTIONS								
Exposure net of value adjustments and provisions	-	-	166,742,537	-	165,043,165	-	19,529,913	-
Net exposure after CRM	-	-	33,348,123	-	82,521,582	-	16,088,767	-

EQUITY EXPOSURES								
Exposure net of value adjustments and provisions	-	-	-	-	-	-	-	-
Net exposure after CRM	-	-	-	-	-	-	-	-
OTHER ITEMS								
Exposure net of value adjustments and provisions	-	-	-	-	-	-	33,106,531	-
Net exposure after CRM	-	-	-	-	-	-	33,106,531	-
SECURED BY MORTGAGES ON IMMOVABLE PROPERTY								
Exposure net of value adjustments and provisions	-	-	-	259,807,013	-	-	-	-
Net exposure after CRM	-	-	-	80,639,945	-	-	-	-
EXPOSURE IN DEFAULT								
Exposure net of value adjustments and provisions	-	-	-	-	-	-	2,359,994	2,381,037
Net exposure after CRM	-	-	-	-	-	-	2,359,994	3,521,691
EQUITY								
Exposure net of value adjustments and provisions	-	-	-	-	-	-	925,999	-
Net exposure after CRM	-	-	-	-	-	-	925,999	-
RETAIL								
Exposure net of value adjustments and provisions	-	-	-	-	-	48,229,276	-	-
Net exposure after CRM	-	-	-	-	-	6,671,482	-	-

BREAKDOWN OF TOTAL EXPOSURES BY RISK WEIGHTS AND CREDIT QUALITY STEPS

WEIGHTINGS	1	2	3	4	5	6
CENTRAL GOVERNMENT/CENTRAL BANKS						
Exposure net of value adjustments and provisions	382,314,048.54	5,277,630.14	3,514,410.25	-	1,362,392.94	-
Net exposure after CRM	-	1,055,526	1,757,205	-	1,362,393	-
REGIONAL GOVERNMENTS OR LOCAL AUTHORITIES						
Exposure net of value adjustments and provisions	2,716,561	10,057,003	10,061,600	-	-	-
Net exposure after CRM	-	2,011,401	5,030,800	-	-	-
PUBLIC SECTOR ENTITIES						
Exposure net of value adjustments and provisions	-	17,134,896	-	-	-	-
Net exposure after CRM	-	3,426,979	-	-	-	-
MULTILATERAL DEVELOPMENT BANKS						
Exposure net of value adjustments and provisions	20,019,359	-	-	-	-	-
Net exposure after CRM	-	-	-	-	-	-
CORPORATE						
Exposure net of value adjustments and provisions	-	45,618,587	45,730,859	-	420,332,651	-
Net exposure after CRM	-	9,123,717	22,865,430	-	245,231,372	-

INSTITUTIONS						
Exposure net of value adjustments and provisions	-	166,742,537	165,043,165	-	19,529,913	-
Net exposure after CRM	-	33,348,123	82,521,582	-	16,088,767	-
EQUITY EXPOSURES						
Exposure net of value adjustments and provisions	-	-	-	-	-	-
Net exposure after CRM	-	-	-	-	-	-
OTHER ITEMS						
Exposure net of value adjustments and provisions	-	-	-	-	33,106,531	-
Net exposure after CRM	-	-	-	-	33,106,531	-
SECURED BY MORTGAGES ON IMMOVABLE PROPERTY						
Exposure net of value adjustments and provisions	-	-	-	-	-	-
Net exposure after CRM	-	-	-	-	-	-
EXPOSURE IN DEFAULT						
Exposure net of value adjustments and provisions	-	-	-	-	2,359,994	2,381,037
Net exposure after CRM	-	-	-	-	2,359,994	3,521,691
EQUITY						
Exposure net of value adjustments and provisions	-	-	-	-	925,999	-
Net exposure after CRM	-	-	-	-	925,999	-
RETAIL						
Exposure net of value adjustments and provisions	-	-	-	48,229,276	-	-
Net exposure after CRM	-	-	-	6,671,482	-	-

STANDARDISED APPROACH - CREDIT RISK EXPOSURE AND CREDIT RISK MITIGATION (CRM) EFFECTS

	EXPOSURES BEFORE CCF AND CRM		EXPOSURES POST-CCF AND CRM		RWA AND RWA DENSITY	
ASSET CLASSES	ON-BALANCE SHEET AMOUNT	OFF-BALANCE SHEET AMOUNT	ON-BALANCE SHEET AMOUNT	OFF-BALANCE SHEET AMOUNT	RWA	RWA DENSITY
Central governments or central banks	392,468,482	-	392,468,482	-	4,175,124	28.14%
Regional governments or local authorities	22,835,164	-	22,835,164	-	7,042,201	1.64%
Public sector entities	17,134,896	-	17,134,896	-	3,426,979	1.23%
Multilateral Development Banks	20,019,359	-	20,019,359	-	-	1.44%
International Organisations	-	-	-	-	-	0.00%
Institutions	338,457,522	6,698,138	338,363,524	3,349,069	125,798,517	24.26%
Corporates	434,626,801	72,905,040	328,712,427	3,718,135	273,070,262	23.57%
Retail	18,506,718	29,635,575	6,178,972	2,629,354	6,606,245	0.44%
Secured by mortgages on immovable property	259,807,013	-	230,399,842	-	80,639,945	16.52%

Exposures in default	4,741,032	-	4,707,789	-	5,881,686	0.34%
Items associated with particular high risk	-	-	-	-	-	0.00%
Covered bonds	-	-	-	-	-	-
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
Collective investments undertakings (CIU)	-	-	-	-	-	-
Equity	925,999		925,999		925,999	0.07%
Other Items	33,106,531		33,106,531		33,106,531	2.37%
TOTAL	**1,542,629,516**	**109,238,752**	**1,394,852,985**	**9,696,558**	**540,673,489**	**100%**

5.1. ASSESSMENT AND MANAGEMENT OF COLLATERAL

The Group aims to establish credit exposures with Private Clients and Corporate Clients on a collateralised basis only. It is therefore of high importance for the Group, that collateral held as coverage for credit exposures are valued on a realistic and conservative basis in order not to incur unexpected uncovered credit risk. In line with its Credit Policy, the Group accepts in general the following types of collaterals to secure its Lombard loans:

- Pledge over cash and listed securities which are subject to valuation as per the Lombard Valuation Table;
- Third party guarantees, mainly personal guarantees either from beneficial owners of holding companies or from third parties. These guarantees are assigned a zero value if not backed by either additional assets or eligible securities held with and pledged in favour of the Bank.

LOMBARD VALUATION TABLE

All Lombard credits approved by the Credit Committee are subject to the Lombard Valuation Table. At any time during a client's relationship with the Bank the Lombard value of the collateral has to exceed the outstanding risk weighted credit exposure.

COLLATERAL MANAGEMENT WITH COUNTERPARTIES

The Group performs repo/reverse repos with counterparties with whom Banque Havilland has collateral agreement (ISDA/CSA, GMRA,).

These trades are daily revaluated which leads to margin calls or to margin delivery from or to the counterparty according to the advantage or disadvantage for the Bank of the deals Marked-to-Market included in the ISDA/ CSA contract. Currently, exchanged collateral is cash.

5.2. USE OF FINANCIAL COLLATERAL BY EXPOSURE CLASS

The Group uses financial collateral to reduce its risk exposure on the following classes:

FINANCIAL COLLATERALS

ASSET CLASSES	FINANCIAL INSTITUTIONS	RETAIL	CORPORATE
Exposure net value on balance	338,457,522	18,506,718	434,626,801
Financial collateral on balance	(93,997)	(12,327,746)	(105,914,374)
Fully adjusted exposure	**338,363,524**	**6,178,972**	**328,712,427**
Exposure net value off balance	6,698,138	29,635,575	72,905,040
Financial collateral off balance	-	-	-
Fully adjusted exposure	**-**	**29,635,575**	**72,905,040**
Exposure net value Derivatives	6,159,956	86,983	4,150,257
Financial collateral Derivatives	-	-	-
Fully adjusted exposure	**6,159,956**	**86,983**	**4,150,257**

The Group does not use guarantees or credit derivatives in its risk reduction calculation.

6. INFORMATIONS ON BONDS AND SHARES NOT INCLUDED IN TRADING PORTFOLIO

As at 31st December 2019, the Group's shares and others variable-yield transferable securities can be analysed as follows:

SHARES AND OTHERS VARIABLE-YIELD TRANSFERABLE SECURITIES EUR AMOUNTS	
Securities quoted on a recognised market	11,635,269
Securities not quoted on a recognised market	574,261
TOTAL	**12,209,530**

These securities are classified as Financial assets at fair value through other comprehensive income. Therefore, an Accumulated other comprehensive income reserve of EUR 1,992,194 has been included in revaluation reserve and classified as core additional own funds for COREP calculation.

As at 31st December 2019, all Group's equity exposures are kept for capital gains at short to medium term. The equities are classified as Financial assets designated at fair value through profit and loss and are accounted for at fair value.

Equities quoted on a recognised market are valued at market price. Non quoted securities represent less than 5% of the portfolio and are kept at cost price.

Next to its equity portfolio, as at 31st December 2019 the Bank fixed income portfolio can be summarized as follow:

BANK FIXED INCOME PORTFOLIO EUR AMOUNTS	
Securities quoted on a recognised market	521,370,081
Securities not quoted on a recognised market	83,393,257
TOTAL	**604,763,338**

7. REMUNERATION POLICY

7.1. OBJECTIVES OF THE REMUNERATION POLICY

The Remuneration policy of the Group is set up in line with the Capital Requirement Directive IV (CRD IV) which the Bank has to comply with.

Banque Havilland has designed the Remuneration Policy to ensure that:

- The policy is aligned with the business objectives and strategy for the Group;
- The Bank has the ability to attract, retain and motivate talent in the Group;
- The policy is consistent with and promotes sound and effective risk management, and does not induce excessive risk taking;
- The policy is in line with the relevant guidelines issued at local and European levels as transposed in the CSSF Circular 10/437, CSSF Circular 11/505, CSSF Circular 14/585, CSSF Circular 14/594, CSSF Circular 15/622 and CSSF Circular 17/658.

Furthermore, these regulations are set up with the intention of protecting the interests of the clients of the Group.

This Remuneration Policy also refers to the general principles of the remuneration followed by the Group with the objective to have a similar approach worldwide but respecting local constraints and rules.

7.2. PROPORTIONALITY PRINCIPLE

According to Circular CSSF 11/505 and the criteria for the application of the proportionality principle at the level of the Bank are as follows:

- Total non-consolidated Luxembourg balance sheet is less than EUR 5 billion; and
- Capital requirements to cover risks are less than EUR 125 million.

The Group meets these criteria.

7.3. EMPLOYEE CATEGORIES

The policy applies specifically to the following categories of employees within each of the group entities:

- The Authorised Management;
- Material Risk Takers i.e. employees that may be considered as having a material impact on the Group's risk profile.

Material Risk Takers may be considered as having a material impact on the Group's risk profile:

- Any employee having the overall responsibility for the management of a department;
- Any employee having account management responsibilities (Private, Corporate or Funds Business Relationships);
- Any employee having authority to take credit risk exposures, to approve the introduction of new products as well as to make investments transactions;
- Control functions;
- Non-material risk takers.

The members of the Board of Directors do not receive any variable remuneration in the frame of their responsibilities and role, therefore they are out of the scope of this remuneration policy.

7.4. CORE PRINCIPLES OF THE REMUNERATION POLICIES

7.4.1. GENERAL PRINCIPLES

The remuneration policy has as general principles:

- All recruitment of new employees must be approved by the Authorised Management Committee.
- All terms and conditions governing the employment and remuneration of new personnel must be approved by the Authorised Management Committee.
- All pay increases and bonuses paid to existing employees must be approved by the Board, upon recommendation of the Group Nomination and Remuneration Committee.
- Any recruitment of directors, authorised managers, key function holders or of new employees receiving more than EUR 150.000 of fixed remuneration, any changes to existing employment contracts over EUR 150,000 of fixed remuneration must be approved by the Board, upon recommendation of the Group Nomination and Remuneration Committee.

7.4.2. FIXED REMUNERATION

For all employees the fixed component is the main component of the remuneration package.

Base salary levels are set on the assumption that the employee may not receive a bonus and this is the sole source of income.

Base salary levels are intended to compensate an employee based on their level of responsibility and their particular set of competencies. These levels are set in line with general prevailing market rates for equivalent positions in Luxembourg, normally validated through one of the annual salary surveys.

Fixed salary is reviewed on an annual basis following the appraisal of the employee's performance over the course of the year.

OTHER REMUNERATION TYPES

Severance Policy

There will be no contractual severance entitlements ("golden handshakes" or "golden parachutes") unless they are explicitly approved by the Board. All rewards should be based on good (not failed) performance that is evidenced and in line with the CRD IV Luxembourg Law and the EBA guidelines.

Guaranteed variable remuneration

Guaranteed variable remuneration is exceptional, occurs only when hiring new staff (welcome bonus), is limited to the first year of employment, and must be justifiable in the context of the financial situation of the business of the Bank. Otherwise guaranteed variable remuneration is not authorized since it is not consistent with sound risk management and the pay-for-performance principle applied by the Bank. Guaranteed remuneration is not part of prospective remuneration plans.

Compensation or buy out from contracts in previous employment

Remuneration packages relating to compensation or buy out from contracts in previous employment must align with the long-term interests of the Bank, including performance and clawback arrangements.

Personal Hedging

Employees shall undertake not to use personal hedging strategies or other countermeasures (such as insurances) to undermine the risk alignment effects embedded in their remuneration arrangements.

Avoidance strategies

Variable remuneration is not paid through vehicles or methods that facilitate the non-compliance with the CRD IV Luxembourg Law.

7.4.3. VARIABLE REMUNERATION

The variable or performance-based remuneration is designed to motivate and reward high performers who strengthen long term customer relationships, and generate income and shareholder value.

Performance-based remuneration is awarded in a manner which promotes sound risk management and does not induce excessive risk taking.

The variable component of the remuneration is in the form of a discretionary bonus for certain individuals derived from a predetermined bonus pool.

The discretionary bonus is not a contractual obligation and the Board reserves the right to withhold incentives.

The below table gives an indication of the proportion of the variable remuneration vs fixed remuneration per employee:

CATEGORY OF EMPLOYEE	INDICATION OF PROPORTION OF VARIABLE REMUNERATION VS FIXED REMUNERATION
Board of Directors	0 % *They do not receive variable remuneration from the Bank*
Authorised Management Committee	0 – 200 %
Other Material Risk Takers	0 – 150 %
Non Material Risk Takers	0 – 100 %

Proportion of variable remuneration vs fixed remuneration per employee category.

According to the CSSF circular 15/622, the CSSF has to be informed on an annual basis of any approval by Bank's shareholders of a higher maximum level of the ratio between the fixed and variable components of remuneration exceeding 100%. This notification process consists of two separate steps; one declaration for the recommendation of the application of a higher ratio submitted to the shareholders (up to 200%), the second for the decision regarding the approved higher maximum ratio (without delay).

The discretionary bonus will be capped for all employees:

- For the Authorised Management Committee, the discretionary bonus will not exceed 2 times the fixed annual salary.
- For other Material Risk Takers, the discretionary bonus will not exceed 1,5 times the fixed annual salary.
- For Non Material Risk Takers, the discretionary bonus will not exceed 1 time the fixed annual salary.

Where a bonus is awarded to an employee the ability to clawback the entirety or partial amount will be possible where:

- The performance assessment has been based on fraudulent data
- The employee breaches their contractual obligations
- The employee participated in or was responsible for conduct which resulted in significant losses to the Bank
- The employee failed to meet appropriate standards of competencies and propriety

These terms will be included in the 'bonus letter' that is provided to the employee and that they must acknowledge by signing their agreement.

7.4.5. REVIEW

- The remuneration policy will be reviewed on a regular basis by the Executive Management to ensure it is in line with the business strategy and risk profile of the Group;
- The remuneration policy will be reviewed independently on an annual basis by the control functions of the Group and a report will be submitted to the Board of Directors;
- The remuneration policy will also be part of the review by the statutory auditor of the Group and will be assessed as part of the Long Form Report.

7.4.6. QUANTITATIVE INFORMATION

In 2019, the total remuneration by individual was below EUR 1 million for all the employees of the Group. The variable remuneration has never exceeded 100% of the fixed remuneration for all the employees. The Group considers other information as discretionary with regards to the proportionality principle and the private/non-listed character of the Group.

REMUNERATION OF IDENTIFIED STAF		SENIOR MANAGEMENT	OTHER MATERIAL RISK-TAKERS
FIXED REMUNERATION			
1	Number of employees	18	21
2	Total fixed remuneration (3+5+7)	4,111,307	3,225,541
3	of which: cash-based	4,111,307	3,225,541
4	of which: deferred	-	-
5	of which: shares or other share-linked instruments	-	-
6	of which: deferred	-	-
7	of which: Other forms	-	-
8	of which: deferred	-	-
VARIABLE REMUNERATION			
9	Number of employees	16	15
10	Total variable remuneration (11+13+15)	1,360,044	429,550
11	of which: cash-based	1,360,044	429,550
12	of which: deferred	120,528	-
13	of which: shares or other share-linked instruments	-	-
14	of which: deferred	-	-
15	of which: Other forms	-	-
16	of which: deferred	-	-
17	**TOTAL**	**5,471,351**	**3,655,091**

DEFERRED AND RETAINED REMUNERATION	TOTAL AMOUNT OF OUTSTANDING DEFERRED REMUNERATION	OF WHICH: TOTAL AMOUNT OF OUTSTANDING DEFERRED AND RETAINED REMUNERATION EXPOSED TO EXPOST EXPLICIT AND/OR IMPLICIT ADJUSTMENT	TOTAL AMOUNT OF AMENDMENT DURING THE YEAR DUE TO EXPOST EXPLICIT ADJUSTMENTS	TOTAL AMOUNT OF AMENDMENT DURING THE YEAR DUE TO EXPOST IMPLICIT ADJUSTMENTS	TOTAL AMOUNT OF DEFERRED REMUNERATION PAID OUT IN THE FINANCIAL YEAR
Senior management	120,527	-	-	-	119,325
Cash	120,527	-	-	-	119,325
Shares	-	-	-	-	-
Cash-linked instruments	-	-	-	-	-
Other	-	-	-	-	-
Other material risk-takers	-	-	-	-	-
Cash	-	-	-	-	-
Shares	-	-	-	-	-
Cash-linked instruments	-	-	-	-	-
Other	-	-	-	-	-
TOTAL	**120,527**	**-**	**-**	**-**	**119,325**

In 2019, there was no Special payments.

8. DECLARATION OF THE MANAGEMENT BODY

The identification of the risks and the setup of a resilient and integrated control, monitoring and reporting environment is of the utmost importance for Banque Havilland's Management.

We believe that this report is a comprehensive description of the risk environment.