PILLAR III DISCLOSURES 2020

BANQUE HAVILLAND S.A.

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1. INTRODUCTION

This report presents the Pillar 3 disclosures of Havilland Group S.A. (the "Group"), as required by the global regulatory framework for capital and liquidity established by the Basel Committee on Banking Supervision, also known as Basel 3.

At the European level, these requirements are implemented in the disclosure requirements as provided in Part Eight of the "Regulation (EU) 575/2013 on prudential requirements for credit institutions and investment firms" (Capital Requirements Regulation or "CRR") and the "Directive (EU) 2013/36 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms" (Capital Requirements Directive or "CRD") which have been further amended with subsequent Regulations and Directives.

Further disclosure guidance has been provided by the European Banking Authority ("EBA") in its "Final Report on the Guidelines on Disclosure Requirements under Part Eight of Regulation (EU) No 575/2013" ("EBA Guidelines 2016/11").

Finally, at Luxembourg level, the CSSF Circular 17/673 also defines the sections of the EBA Guidelines 2016/11 to which the Group is subject.

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 2020 of Havilland Group S.A., the prudential consolidation entity. The Group considers 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., direct and only subsidiary of Havilland Group S.A., has prepared this document for Havilland Group S.A., itself and its subsidiaries.

All subsidiaries and branches of Banque Havilland S.A. (together "the Bank") 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. and is registered under number B 143696 in the Registre de Commerce et des Sociétés ("RCS").

Banque Havilland S.A. is registered under number B 147029 in the RCS. 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 Havilland Bank S.A. 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 (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 CRD.

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 2020, the Group has a CET1 ratio and a Total capital ratio of 25.4%; 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 2020, the Group has a leverage ratio of 13.27%, 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. The reconciliation is submitted from our external auditor. This external control concerning our regulatory equity provides Banque Havilland the comfort it requires for the figures displayed 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.

In order to allow a comparison, the Bank discloses hereafter the CET1 of the Group and the consolidated Financial Statement's 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 2020, the Group's Common Equity Tier 1 Capital is made of:

- –Subscribed and fully paid share capital amounts to EUR 51,000,000;
- The share premium reserve is EUR 49,034,500;
- 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 December 2020, the Prudential Supervision Common Equity Tier 1 Capital and the Total Capital amount to EUR 195,720,293 (2019: EUR 150,190,436). This represents an increase regarding the previous year Total Capital of EUR 45,529,857.

3.3. RISK-WEIGHTED ASSETS AND CAPITAL REQUIREMENTS

	LUX GAAP	AD. TO FINREP	FINREP
Paid in capital	**51,000,000**	**-**	**51,000,000**
Share premium	**49,034,500**	**-**	**49,034,500**
Fair value changes of instruments measured at fair value through other comprehensive income	**-**	**6,667,511**	**6,667,511**
Debt Instruments	-	5,647,644	-
IFRS 9 ECL	-	1,019,867	-
Foreign currency translation reserve	**(61,021)**	**480,608**	**419,586**
Reserves (including retained earnings)	**86,597,798**	**17,149,124**	**103,746,923**
Profit from current year	**(7,634,162)**	**875,924**	**(6,758,238)**
Reversal of value adjustments on securities classified in fair value through OCI	-	(1,923,058)	-
Fair value changes of instruments measured at fair value through Profit and loss	-	142,152	-
Fair value changes of Debt instruments measured at fair value through Profit and loss	-	1,367,091	-
IFRS 9 ECL Securities portfolio	-	(474,844)	-
IFRS 9 ECL Loans and advances	-	3,825,262	-
IFRS 9 ECL Commitments and Guarantees	-	233,293	-
Reversal of lux gaap value adjustments on loans and advances	-	(3,688,832)	-
Reversal of FRBG	-	4,600,000	-
IFRS 16 adjustments	-	(15,081)	-
Reversal of lump sum provision adjustments	-	(1,600,000)	-
Off set losses lux gaap vs badwill	-	(1,590,060)	-
TOTAL SHAREHOLDER'S EQUITY	178,937,115	25,173,166	204,110,281

The following table shows an overview of the risk-weighted assets and the capital requirements for each type of risk at year-end 2020. The capital requirement amounts have been obtained by applying 8% of the corresponding risk-weighted assets:

TYPE OF RISK	BASE 3 TREATMENT	SEGMENTATION	31/12/2020 RISK WEIGHTING ASSETS	31/12/2020 CAPITAL REQUIRE-MENTS	31/12/2019 RISK WEIGHTING ASSETS	31/12/2019 CAPITAL REQUIRE-MENTS
Credit risk	Standardised approach	Central governments or central banks	2,950,571	236,046	4,175,124	334,010
		Regional governments or local authorities	-	-	7,042,201	563,376
		Public sector entities	10,142,904	811,432	3,426,979	274,158
		Institutions	144,459,328	11,556,746	131,958,473	10,556,678
		Corporates	333,740,544	26,699,244	277,220,519	22,177,642
		Retail	7,505,088	600,407	6,671,482	533,719
		Secured by mortgages on immovable property	92,943,246	7,435,460	80,639,945	6,451,196
		Exposures in default	10,270,349	821,628	5,881,686	470,535
		Equity	2,150,456	172,036	925,999	74,080
		Other Items	39,345,473	3,147,638	33,106,531	2,648,522
		SUB TOTAL	**643,507,959**	**51,480,637**	**551,048,938**	**44,083,915**
	Credit valuation adjustment	CVA	1,395,089	111,607	654,894	52,392
	SUB TOTAL CREDIT RISK		**644,903,048**	**51,592,244**	**551,703,832**	**44,136,307**
Settlement risk	Standardised approach		5,141	411	180	14
Market risk	Standardised approach	Foreign Exchange Risk	-	-	3,342,812	267,425
Operational risk	Basic indicator approach		125,667,609	10,053,409	136,331,969	10,906,558
Other risk exposure amounts			-	-	15	1
TOTAL			**770,575,798**	**61,646,064**	**691,378,807**	**55,310,303**

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 2020, the Group's total risk-weighted assets amounts to EUR 770,575,798 of which EUR 643,507,959 was considered as credit risk. This credit risk comes in majority from lending activity and the Group's investment portfolio.

It has to be noted that the 2020 relevant countercyclical buffers rates are set to 0% except those ones:

- Norway: 1.00%
- Czech Republic : 0.50%
- Bulgaria: 0.50%
- Slovakia: 1.00%
- Luxembourg: 0.25%

The specific countercyclical capital buffer of the Group amounts to EUR 187,928 being the average CCB weight of 0.0244% multiplied by risk weighted assets of EUR 770,575,798.

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

COUNTRY	2020 CCY BUFFERS	EXPOSURES
United Arab Emirates	-	56,244,292
Al	-	-
Anguilla	-	2,278
Belgium	-	8,753,943
Brazil	-	1,148,205
Bahamas	-	31
Canada	-	1,766
Switzerland	-	78,470,589
Cyprus	-	11,369,154
Germany	-	1,401,486
Estonia	-	1,254,494
Spain	-	4,258
Finland	-	2,254,076
France	-	145,035,805
United Kingdom	-	112,765,285
Guernsey	-	2,503,047
Gibraltar	-	5,507
Hong Kong	-	25,098,213
Indonesia	-	990
Ireland	-	285
Israel	-	17
Iceland	-	574,564
Italy	-	1,282,309
Jersey	-	4,128
Japan	-	95,238
Cayman Islands	-	3,229,645

COUNTRY	2020 CCY BUFFERS	EXPOSURES
Liechtenstein	-	7,631,937
Luxembourg	0.25%	75,171,056
Morocco	-	393,225
Monaco	-	119,254,549
Marshall Islands	-	1,776
Malta	-	582,856
Netherlands	-	1,004,041
Panama	-	925,082
French Polynesia	-	391
Poland	-	633
Russia	-	27,046,121
Saudi Arabia	-	1,635,080
Seychelles	-	7,786,272
Sweden	-	10,427,559
Turkey	-	12,220,255
Ukraine	-	3,936,709
Saint Vincent	-	11,734
Virgin Islands British	-	5,784,810
Georgia	-	2,891
Côte d'Ivoire	-	333
United States of America	-	1,252
Andorra	-	-
Belize	-	24,438
Réunion	-	88
Peru	-	2,002
Lebanon	-	282,479

3.4. CAPITAL ADEQUACY RATIOS

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

	31/12/2020	31/12/2019
Common Equity Tier 1 Capital	195,720,293	150,190,436
Tier 1 Capital	195,720,293	150,190,436
Total Own Funds	195,720,293	150,190,436
Risk Weighted Assets	770,575,798	691,378,807
Common Equity Tier 1 Capital Ratio (CET1)	**25.40%**	**21.72%**
Tier 1 Capital Ratio	**25.40%**	**21.72%**
Total Capital Ratio	**25.40%**	**21.72%**

3.5. LEVERAGE RATIO

The Basel 3 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 3 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 2020, the Group's leverage ratio amounted to 13.27%, well above the minimum threshold. This comfortable level is explained by the limited use of derivatives and securities financing transactions.

EXPOSURE VALUES		LR EXPOSURE
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	19,934,353
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	5,446,972
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	-
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	9,599,377
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	8,142,889

190	Other assets	1,486,999,277
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	(578,496)
280	(-) Asset amount deducted - Tier 1 - transitional definition	(7,898,005)
290	Total Leverage Ratio exposure - using a fully phased-in definition of Tier 1 capital	1,529,544,372
300	Total Leverage Ratio exposure - using a transitional definition of Tier 1 capital	1,522,224,863
CAPITAL		
310	Tier 1 capital - fully phased-in definition	203,039,802
320	Tier 1 capital - transitional definition	195,720,293
LEVERAGE RATIO		
330	Leverage Ratio - using a fully phased-in definition of Tier 1 capital	13.27%
340	Leverage Ratio - using a transitional definition of Tier 1 capital	12.86%

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 teamwork 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 26 March 2021). 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 the Group operates.

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 Policy" at the Group level and has agreed that the main objectives of the Risk Management Framework are to:

- Ensure that all the different risks the Group is exposed to is reflected in the internal governance arrangements;
- Ensure that appropriate risk tolerances (limits) are in place to govern risk-taking activities across all businesses and risk types;
- Ensure that the risk are measured adequately and coherently giving the required overviews to manage and control all the risks across the Group;
- Ensure that risk appetite principles permeate the Group's culture and are incorporated into strategic decision making processes;
- Ensure rigorous monitoring and reporting of key risk metrics to the senior management and the Board of Directors;
- Ensure there is an ongoing and forward-looking capital and liquidity planning process which incorporates both economic capital modelling and a robust stress testing program;
- Maintain a risk management organisation that is closely aligned to businesses and independent of the risk taking activities; and
- Promote a strong risk management culture that encourages focus on risk-adjusted performance.

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 company.

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 2 – Pillar 2) and of the market disclosure (Basel 2 - Pillar 3).

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

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 BoD.

The main responsibilities of the AMC 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 BoD on business developments and specific transactions and preparation of the strategic decisions to be made by the BoD;
- Provide strategic and operational oversight with respect to recovery planning;
- Develop and maintain a sustainable business model taking into consideration of all material risks, including environmental, social and governance risks;
- Provide formal decision before the launch of a new product, that ultimately will be approved by the Board of Directors;
- Promote and monitor diversity within the organisation;
- Promote and develop a risk management and compliance culture;
- 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;

- Provide strategic oversight with respect to recovery planning. The final version of the Group Recovery Plan is presented and formally endorsed by the AMC prior to submission;
- 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:

- To conduct the operational management of the Bank by:
  - Developing, implementing and pursuing the strategy set by the BoD 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;
- To report to the BoD on the implementation of the policy guidelines in general and to provide a balanced and comprehensible assessment of the financial situation of Banque Havilland S.A. in particular, and to provide the BoD with the information it needs to carry out its responsibilities;
- To research, formulate and draft policy proposals and strategic or structural projects to be submitted to the BoD;
- To draw up comprehensive, timely, reliable and accurate financial reports for Banque Havilland S.A., in accordance with prevailing accounting standards and company policy;
- To establish, manage and follow up internal control measures to make it possible to identify, evaluate, manage and control financial and other risks;
- To carry out other tasks entrusted to it in specific cases by the BoD;

- 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.
- 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;
  - Promote Environmental, Social and Governance principles within the organization and processes.

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 Chief Operating Officer.

RISK COMMITTEE

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

The main responsibilities of the RC 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;
- Monitor risk acceptance process and deadlines;
- Promote Environmental, Social and Governance principles within the organization and processes;
- Promote Risk management culture within the Bank.

The number of members and composition of the RC is determined by EXCO.

The RC is currently composed of the Authorised Management, the Chief Risk Officer, the Chief Integration Officer, the Chief Compliance Officer, the Group Chief Operating Officer, the CISO, the Group Head of Finance, the Group Head of Legal, the Group Head of Institutional Banking, the Group Head of Private Banking, the Group Head of Business Management and the Group Head of Treasury and Execution.

COMPLIANCE COMMITTEE

The Compliance Committee ("CC") is a sub-committee of the RC. 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:

- Approve and 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).

The number of members and composition of the CC is determined by EXCO.

The CC is currently composed of the Authorised Management, the Chief Compliance Officer, the Group Head of Financial Crime Compliance, the Group General Secretary, the Group Head of Legal, the Group Head of Institutional Banking, the Group Head of Private Banking and the Group Head of Regulatory Compliance.

ACCOUNT OPENING & MONITORING RISK COMMITTEE

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

The main responsibilities of AOMRC are:

- 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.
- 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;
  - Considering commercial aspects and likely reputational risks.
- 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.
- 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.

The number of members and composition of AOMRC is determined by the EXCO (5 minimum).

The AOMRC is currently composed of the Authorised Management, the Chief Compliance Officer or the Group Head of Financial Crime Compliance, the Group Head of Institutional Banking and the Group Head of Private Banking.

GROUP NON-PERFORMING EXPOSURE COMMITTEE

The Group Non-Performing Exposure Committee ("GNPEC") is a sub-committee of the RC. The GNPEC is competent to act autonomously, yet always within the scope of the strategy defined by the EXCO.

The GNPEC is embedded in the Group's organizational structure to overview the management of deficient credit exposures.

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 number of members and composition of GNPEC is determined by the EXCO.

The GNPEC is currently composed of the Authorised Management, the Chief Risk Officer, the Group Head of Legal, the Group Head of Credit and the Head of Special Credit Unit.

ASSET AND LIABILITY MANAGEMENT COMMITTEE

The Assets & Liabilities Committee ("ALCO") is a sub-committee of the EXCO. The ALCO is competent to act autonomously, yet always within the scope of the strategy defined by the EXCO.

The 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 ALCO 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 the contingency funding plan;
- 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 BoD;
- 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;
- Control of risk appetite and recovery indicators related to its activities.

The number of members and composition of ALCO is determined by the EXCO.

The ALCO is currently composed of the Authorised Management, the Chief Risk Officer, the Group Head of Finance and the Group Head of Treasury and Execution.

GROUP CREDIT COMMITTEE

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

The main responsibilities of the GCC are:

- Oversight of the credit risk management of the Group, including review of the Group Credit policy, and establish 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, hereunder develop 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;
- 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.

The number of members and composition of GCC is determined by the EXCO.

The GCC is currently composed of the Authorised Management, the Chief Risk Officer, the Chief Compliance Officer and the Group Head of Credit.

COMMITTEE OF THE ENTITIES

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

The CE oversees the Group and its entities.

The main responsibilities of the CE are:

- Report on strategy implementation decided by the BoD (Group and local BoDs) ;
- 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;
- Develop a risk & compliance culture management within the organization.

The number of members and composition of CE is determined by the EXCO.

The CE is currently composed of the CEO of BH Luxembourg, the CEO of Havilland Group SA, the Authorised Management, the Group General Secretary, the CEO of BH Suisse, the CEO of BH Liechtenstein, the CEO of BH Monaco, the Branch Manager of UK, the Head of Dubai Rep. Office, the Chief Risk Officer and the Chief Compliance Officer.

INVESTMENT COMMITTEE

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

The main responsibilities of the 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";
- To review and oversee, in the context of the Bank Sustainability Risk Procedure, the bank regulatory obligations and reporting.

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.

The number of members and composition of IC is determined by the EXCO.

The CE is currently composed of the Authorised Management, the Group Head of Asset Management and Advisory, the Chief Risk Officer and the Asset Management and Advisory representative.

FUND ONBOARDING COMMITTEE

The Bank offers a range of asset servicing solutions for the structuring, the implementation and the servicing of investment vehicles to Institutional Investors, Professionals of the Financial Industry and Ultra High Net worth Individuals including, but not limited to, depositary, custodian, distribution, paying agent, registrar and transfer agent services.

In this context a Potential New Project ("PNP") can be originated being:

- Either a Request for Proposal ("RFP") from a potential new client,
- Or a new RFP from an existing client related to an additional project and/or aimed to enlarge the scope of the services provided by the Bank.

As described in the Fund On-Boarding procedure - (i) once all the information required to fill the Fund On-Boarding Report and the Fund On-Boarding Questionnaire have been duly collected by the relevant relationship manager and (ii) following acceptance of the Indicative Services Proposal by the client - it is the FOC role and responsibility :

- To check if the project is or is not subject to prior application of the Group Procedure Implementation of New Products Services;
- To decide whether or not to move forward with the PNP on-Boarding process:
  - Based on the information collected as per (i) above and,
  - Taking into consideration the relevant sensitive factor of the project in the context of the overall strategy and risk appetite of the Bank (including AML, Reputational and Operational risk profiles),
  - Given the expected direct and indirect profitability generated by the PNP in line with the standard of the Bank and the market practices;
- To indicate appropriate reinforced due diligence if required by the specific features of the PNP.

If the FOC takes a positive decision on the preliminary assessment, the full due diligence process will be launched and, as described in the Fund On-Boarding procedure, will be the AORMC role and responsibility to take final decision for on-Boarding of the PNP:

- Based on the overall due diligence information collected during the completed On-Boarding process;
- Taking into consideration the recommendation made by FOC;
- Reviewing the evaluation made by FOC only in the event of subsequent information acquired during the On-Boarding due diligence process materially affecting the preliminary judgement made by FOC;

– To approve on an annual basis the overall fund risk re-assessment provided by BRM ("Business Relationship Manager").

The number of members and composition of the FOC is determined by EXCO.

The FOC is currently composed of the Authorized Managers, the Group Head of Institutional Banking, the Head of Operations and Depositary Services, the Head of Fund Regulation and Governance, a Senior Risk Manager, The Chief Risk Officer, the Chief Compliance Officer or its Compliance delegate.

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 the Group does 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 2020, over-the-counter derivative financial assets and liabilities are analysed as follows (in EUR):

		LESS THAN THREE MONTHS		BETWEEN THREE MONTHS AND ONE YEAR		BETWEEN ONE YEAR AND FIVE YEARS		TOTAL	
INSTRUMENT CLASS	CONTRACT/ NOTIONAL AMOUNT (EUR)	FINANCIAL ASSETS	FINANCIAL LIABILITIES	FINANCIAL ASSETS	FINANCIAL LIABILITIES	FINANCIAL ASSETS	FINANCIAL LIABILITIES	FINANCIAL ASSETS	FINANCIAL LIABILITIES
FOREIGN EXCHANGE									
OTC									
- Forward currency	420,000,610	4,504,608	(4,445,298)	161,789	(257,005)	17,535	(17,358)	**4,683,932**	**(4,719,661)**
- Currency swap	642,051,910	12,814,505	(12,609,325)	689,968	(593,171)	-	-	**13,504,473**	(13,206,714)
- Options	382,204	725,586	(725,586)	-	-	-	-	**725,586**	(725,586)
Exchange-traded									
- Futures	5,959,548	22,090	(22,090)	-	-	-	-	**22,090**	(22,090)
EQUITIES									
OTC									
- Contracts for difference	6,900,739	408,546	(357,895)	-	-	-	-	408,546	(357,895)
Exchange-traded									
- Options	1,536,859	240,209	(240,209)	59,040	(59,040)	7,020	(7,020)	306,269	(306,269)
INDEX									
Exchange-traded									
- Futures	212,685	315	(315)	-	-	-	-	**315**	**(315)**

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

Instruments linked to exchange rates	2020 Gross risk exposure
Instruments linked to exchange rates	-*

*As per EBA Corep Standards C as of 31st December 2020 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

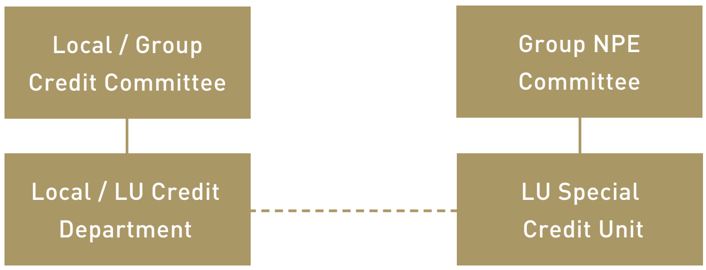
In compliance with the EBA regulation and to ensure clear segregation of duties and responsibilities related to the management and control of aforementioned credit risk, the Group's overall credit framework and operational setup is subdivided in two sections as illustrated below:

GROUP CREDIT POLICY

origination and management of performing credit commitments in scope

GROUP NPE + FBE POLICY

detection and management of doubtful, under/non performing and forborne credit commitments in scope



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 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;
- Regulate the credit risk framework and appetite across the BH Group;
- Prevent intra group arbitrage on product offering, pricing and regulatory matters.

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. The Group segregates 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 & Execution Department and by the Risk Function. 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 & Execution Department, its Treasury Risk Control Unit and the Risk Function. Risk Function acts as the second line of defence. Risk Function is in charge of ensuring that adequate reports, measurements and controls ae implemented and reliable at all control levels. 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 the Risk Function 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 Treasury Risk Control Unit under independent overview of the Risk Function 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 rollovers, 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 the Group respects 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 departments 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 guidelines 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
Anguilla	-	-	-
Austria	-	1,245	1,245
Bahamas	31	-	31
Belgium	-	1,117,128	1,117,128
Brazil	231	639,261	639,492
Canada	1,572	193	1,766
Cayman Islands	3,229,645	-	3,229,645
Cyprus	8,428	459	8,887
Estonia	4,522	607,961	612,482
Finland	-	2,254,076	2,254,076
France	37,469,452	4,226,179	41,695,631
French Polynesia	-	391	391
Germany	1,180	306	1,486
Gibraltar	5,507	-	5,507
Guernsey	8,964	-	8,964

Hong Kong	464	-	464
Iceland	7,115	2,343	9,458
Indonesia	-	990	990
Ireland	285	-	285
Israel	-	17	17
Italy	22,728	66,144	88,872
Japan	-	806	806
Jersey	105	4,023	4,128
Liechtenstein	7,043,590	588,347	7,631,937
Luxembourg	17,388,597	337,934	17,726,530
Malta	6,024	2,891	8,915
Marshall Islands	1,776	-	1,776
Monaco	1,338,498	22,893,349	24,231,847
Morocco	393,215	-	393,215
Netherlands	1,323	-	1,323
Panama	460,898	464,184	925,082
Poland	-	633	633
Russia	-	55,641	55,641
Saint Vincent	11,734	-	11,734
Seychelles	2,158,272	-	2,158,272
Spain		4,258	4,258
Sweden	9,948,659	478,900	10,427,559
Switzerland	4,095	86,402	90,497
Turkey	154	7,343,989	7,344,142
Ukraine	167	175	342
United Arab Emirates	14,707	53,600,445	53,615,151
United Kingdom	566,797	14,499,572	15,066,369
Virgin Islands British	725,934	-	725,934
Georgia	-	2,891	2,891
Côte d'Ivoire	-	333	333
United States of America	-	1,252	1,252
Andorra	-	-	-
Belize	24,438	-	24,438
Reunion	-	88	88
Peru	-	2,002	2,002
Lebanon	-	282,479	282,479
TOTAL	**80,849,106**	**109,567,287**	**190,416,393**

LOANS AND ADVANCES TO CREDIT INSTITUTIONS

REPAYABLE ON DEMAND - CURRENT	BANK
Austria	1,033
Belgium	5,173
Estonia	642,012
France	11,292
Iceland	565,107
Italy	1,193,437
Japan	94,432
Luxembourg	40,910,544
Morocco	10
Switzerland	77,929,229
Ukraine	3,844
United Kingdom	33,473,056
TOTAL	**154,829,169**

BONDS, SHARES & INVESTMENT FUNDS

COUNTRY	BONDS	SHARES	INVESTMENT FUNDS
United Arab Emirates	5,357,934	-	-
Argentina	732	-	-
Belgium	31,914,759	37,320	-
Canada	28,638,717	385	-
Switzerland	6,616,442	11,689	-
China	1,861,190	-	-
Germany	75,480,135	447,339	-
Denmark	5,156,699	-	-
Spain	4,677,384	-	-
France	24,331,314	-	-
United Kingdom	61,258,374	328,291	-
Greece	318,635	-	-
Hong Kong	9,346,101	-	-
Ireland	8,741,452	-	-
Iceland	611,330	-	-
Italy	36,853,729	-	-
Jersey	1,389,332	-	-
Japan	12,118,777	-	-
South Korea	7,707,034	-	-

Cayman Islands	2,684,357	-	-
Luxembourg	47,838,746	12,471	-
Mexico	4,674,728	-	-
Netherlands	26,686,109	-	-
Norway	3,185,390	-	-
Poland	11,612,359	-	-
Russia	1,286,879	-	-
Sweden	4,499,548	-	-
Singapore	1,570,750	-	-
United States of America	105,390,873	275	764,147
Virgin Islands British	8,113,043	-	-
Australia	2,055,604	-	-
Nigeria	927,909	-	-
Hungary	4,197,962	-	-
Austria	6,509,826	-	-
Ukraine		1,668	
TOTAL	**553,614,152**	**839,439**	**764,147**

	BANKS	GOVERNMENT	OTHER
BONDS	**241,081,795**	**95,360,891**	**217,171,466**
United Arab Emirates	411,248	4,946,686	-
Argentina	-	732	-
Belgium	-	30,117,389	1,797,370
Canada	21,472,153	6,923,385	243,179
Switzerland	787,269	-	5,829,173
China	-	1,861,190	-
Germany	41,598,597	18,237,790	15,643,748
Denmark	5,156,699	-	
Spain	821,709	-	3,855,675
France	16,432,740	850,085	7,048,490
United Kingdom	36,128,535	2,460,801	22,669,038
Greece	318,635	-	-
Hong Kong	2,054,949	-	7,291,152
Ireland	4,833,925	-	3,907,527
Iceland	-	611,330	-
Italy	26,929,075	6,927,805	2,996,850
Jersey	-	-	1,389,332

Japan	-	1,640,241	10,478,536
South Korea	3,848,444	-	3,858,590
Cayman Islands	2,684,357	-	-
Luxembourg	18,082,158	8,648,618	21,107,970
Mexico	-	-	4,674,728
Netherlands	3,599,180	-	23,086,929
Norway	-	1,636,769	1,548,622
Poland	10,774,996	-	837,362
Russia	-	-	1,286,879
Sweden	4,499,548	-	-
Singapore	-	-	1,570,750
United States of America	36,126,473	7,238,459	62,025,941
Virgin Islands British	-	-	8,113,043
Australia	-	-	2,055,604
Nigeria	-	-	927,909
Hungary	524,029	3,259,612	414,321
Austria	3,997,076	-	2,512,750
SHARES	328,291	-	511,148
Belgium	-	-	37,320
Canada	-	-	385
Switzerland	-	-	11,689
Germany	-	-	447,339
United Kingdom	328,291	-	-
Luxembourg	-	-	12,471
United States of America	-	-	275
Ukraine	-	-	1,668
INVESTMENT FUNDS	**-**	**-**	**764,147**
United States of America	-	-	764,147
TOTAL	**241,410,085**	**95,360,891**	**218,446,761**

NET EXPOSURE BY SECTOR

SECTORS	BANK	CORPORATE	RETAIL	TOTAL
Air Transport	-	285	-	285
Capital investment companies	-	10,332	-	10,332
Commercial banks (big banks)	146,378,893	-	-	146,378,893
Commercial banks (regional and other)	815,329	-	-	815,329
Computer and related activities	-	393,913	95	394,009
Financial Holding companies	-	157,175,042	823	157,175,865

Financial Institutions and Financial intermediation, except insurance and pension funding	-	-	3,651,093	3,651,093
Health and social work	-		860,827	860,827
Insurance and pension funding, except compulsory social security	-	12,964	-	12,964
Investment adviser	-	-	19,143,819	19,143,819
Other business activities	-	71,713,158	62,876,601	134,589,759
Other financial institutions n.e.c.	-	3,894,771	-	3,894,771
Other service activities	-	3,625,446	23,246,107	26,871,553
Other types of Capital investment company funds/ companies	-	12,119,411	-	12,119,411
Private households with employed persons	-	-	148,529,331	148,529,331
Real estate activities	-	55,042,735	3,261,032	58,303,766
Savings banks	7,634,948	-	-	7,634,948
Recreational, cultural and sporting activities	-	-	5,219,945	5,219,945
Construction	-	-	1,035	1,035
Manufacture of food products and beverages	-	285	-	285
Money market funds	-	15,340	-	15,340
Manufacture of pulp, paper and paper products	-	-	690	690
Portfolio Management, Trust and Custody Services	-	-	754	754
Extra-territorial organizations and bodies	-	-	2,002	2,002
Post and telecommunications	-	-	168	168
TOTAL	**154,829,169**	**304,003,682**	**266,794,324**	**725,627,175**

BONDS, SHARES & INVESTMENT FUNDS BONDS, SHARES & INVESTMENT FUNDS SECTORS	BONDS	SHARES	INVESTMENT FUNDS
Asset Allocation Fund	(152,911)	-	-
Automobiles & Components	22,857,432	(1)	-
Banks	241,081,795	328,291	-
Capital Goods	11,126,390	-	-
Diversified Financials	65,372,480	469,031	-
Energy	28,537,190	1,670	-
Equity Fund	-	-	764,147
Financial Holding	16,279,348	-	-
Food, Beverage &Tobacco	3,421,145	-	-
Government	95,360,891	-	-
Health Care Equipment & Services	595,023	-	-
Hotels, Restaurants & Leisure	-	7,000	-
Household & Personal Products	2,470,176	-	-

Insurance	8,034,299	-	-
Materials	11,475,580	775	-
Pharmaceuticals, Biotechnology & Life Sciences	1,445,263	(117)	-
Real Estate	2,274,622	-	-
Retailing	4,539,615	-	-
Software & Services	6,638,380	37,320	-
Telecommunication Services	15,813,114	-	-
Transportation	14,093,982	-	-
Alternative Investment	-	-	-
Media	-	(4,529)	-
Utilities	2,350,337	-	-
Semi-Conductor Equipment	-	(1)	-
TOTAL	**553,614,152**	**839,439**	**764,147**

GROSS EXPOSURE AND RELATED IMPAIREMENT

SECTORS	GROSS EXPOSURE 2020	IMPAIREMENT 2020	NET EXPOSURE
Corporate	4,165,734	(2,956,849)	1,208,885
Retail	275,510	(254,419)	21,091

NET EXPOSURE BY MATURITY

LOANS AND ADVANCES TO CLIENT - MATURITY

MONTHS	CORPORATE	RETAIL	TOTAL
1	12,297,749	29,449	12,327,198
2	-	3,023,250	3,023,250
5	5,567,589	-	5,567,589
6	6,754,688	990,368	7,745,056
8	4,876,113	-	4,876,113
9	-	98,497	98,497
11	1,003,403	1,000,000	2,003,403
12	2,585,359	-	2,585,359
13	2,500,347	-	2,500,347
14	559,918	2,251,751	2,811,669
15	11,532,583	-	11,532,583
16	2,000,167	3,762,915	5,763,081
17	12,832,147	-	12,832,147
19	750,156	10,728,769	11,478,926
20	6,529,792	2,300,319	8,830,111

21	-	500,563	500,563
22	14,813,003	-	14,813,003
23	2,928,508	8,301,747	11,230,255
24	7,506,625	5,740,861	13,247,486
26	-	9,536,420	9,536,420
27	1,802,000	13,957,055	15,759,055
28	19,020,681	-	19,020,681
29	-	2,872,109	2,872,109
31	-	6,500,813	6,500,813
32	4,850,443	4,877,509	9,727,952
33	5,640,232	2,219,505	7,859,737
35	750,000	-	750,000
36	20,688,267	-	20,688,267
39	-	21,376,015	21,376,015
41	7,000,000	1,866,926	8,866,926
42	-	3,534,766	3,534,766
44	10,133,877	939,134	11,073,011
45	5,007,750	-	5,007,750
47		17,042,804	17,042,804
48	6,000,000	1,346,591	7,346,591
51	-	772,243	772,243
54	-	450,863	450,863
56	21,864,673	-	21,864,673
57	1,100,053	-	1,100,053
58	-	4,556,860	4,556,860
59	9,020,700	5,219,945	14,240,645
60	5,004,625	2,125,906	7,130,531
64	-	5,500,367	5,500,367
98	-	12,800,000	12,800,000
116	4,216,823	-	4,216,823
120	6,016,307	1,002,718	7,019,025
TOTAL	**223,154,577**	**157,227,036**	**380,381,613**

BONDS

MONTHS	GOVERNMENT	BANKS	OTHER	TOTAL
0	-	3,004,525	1,843,267	4,847,792
1	6,544,783	-	-	6,544,783
2	166,539	6,956,226	840,936	7,963,702

3	-	-	8,008,360	8,008,360
4	2,470,828	-	5,722,400	8,193,228
6	832,808	1,001,000	1,501,875	3,335,683
7	-	-	3,262,887	3,262,887
8	8,188,448	3,381,643	-	11,570,091
10	4,918,639	5,546,312	-	10,464,951
11	10,064,110	3,252,788	-	13,316,898
12	-	15,135,385	-	15,135,385
13	-	2,064,161	-	2,064,161
14	-	10,201,429	6,840,697	17,042,126
15	527,136	8,883,831	4,694,975	14,105,942
16	-	12,522,376	7,318,513	19,840,889
17	-	14,016,573	-	14,016,573
18	-	12,771,881	-	12,771,881
19	1,685,356	4,155,992	4,160,443	10,001,791
20	-	784,023	3,858,590	4,642,613
21	-	2,550,915	2,015,005	4,565,920
22	4,587,572	2,527,086	6,972,604	14,087,262
23	-	2,047,373	-	2,047,373
24	-	-	4,006,000	4,006,000
25	8,063,735	9,255,064	7,590,941	24,909,740
26	-	821,709	-	821,709
27	-	4,206,963	-	4,206,963
28	-	2,894,047	3,412,914	6,306,961
29	493,621	-	2,512,750	3,006,371
30	-	4,014,000	3,278,144	7,292,144
31	20,053,279	12,254,405	819,169	33,126,854
32	3,698,468	-	13,002,442	16,700,910
33	-	7,138,819	-	7,138,819
34	2,625,070	-	18,832,009	21,457,079
35	1,636,769	471,994	1,780,706	3,889,469
36	-	909,205	927,909	1,837,114
37	-	-	2,079,841	2,079,841
38	7,586,620	2,046,608	-	9,633,227
39	-	20,760,275	9,479,465	30,239,740
40	-	-	1,234,267	1,234,267
41	-	415,450	1,734,260	2,149,710
42	-	411,248	1,016,079	1,427,326
43	-	928,699	-	928,699
44	-	1,558,934	1,512,975	3,071,909

45	-	4,909,052	8,159,268	13,068,319
46	6,927,805	989,360	-	7,917,164
47	-	-	7,592,319	7,592,319
49	-	8,397,740	-	8,397,740
50	-	11,223,314	-	11,223,314
51	-	2,799,346	-	2,799,346
52	-	10,279,438	-	10,279,438
53	611,330	5,156,699	4,098,567	9,866,596
54	-	524,029	-	524,029
55	-	-	5,067,035	5,067,035
56	-	-	2,239,751	2,239,751
57	-	3,564,252	2,373,565	5,937,816
59	-	-	915,836	915,836
61	-	-	4,617,725	4,617,725
62	-	-	2,291,638	2,291,638
64	3,259,612	-	7,877,186	11,136,798
66	-	6,191,986	-	6,191,986
67	-	-	1,001,314	1,001,314
68	-	-	477,252	477,252
69	-	4,297,881	7,116,532	11,414,412
71	-	-	4,249,639	4,249,639
76	-	-	6,171,062	6,171,062
78	-	-	2,985,390	2,985,390
79	-	-	837,362	837,362
81	-	-	1,605,000	1,605,000
82	417,631	-	1,022,366	1,439,998
85	-	-	5,897,789	5,897,789
86	-	-	2,055,604	2,055,604
95	-	2,488,083	-	2,488,083
102	-	-	1,467,228	1,467,228
105	-	-	-	-
110	-	318,635	1,286,879	1,605,513
121	-	498,132	-	498,132
204	732	-	-	732
213	-	-	-	-
338	-	-	3,933,988	3,933,988
343	-	-	1	1
594	-	181,095	1,570,750	1,751,844
946	-	371,818	-	371,818
TOTAL	**95,360,891**	**241,081,795**	**217,171,466**	**553,614,152**

EXPENSES FOR VALUE ADJUSTMENTS AND PROVISIONS DURING THE PERIOD

	RETAIL	CORPORATE	TOTAL
Additions	(186,261)	(324,750)	(511,010)
Reversals	27,661	4,831,995	4,859,655
TOTAL	**(158,600)**	**4,507,245**	**4,348,645**

EXPOSITION AND IMPAIREMENTS

SECTORS	COUNTRY	GROSS EXPOSURE 2020	PREVIOUS IMPAIRMENT	IMPAIRMENT 2020	ADDITION	REVERSAL	NET EXPOSURE
Corporate	France	-	(381,063)	(525,253)	144,191	-	(525,253)
Corporate	Cayman Is-lands	612	(4,156,225)	(612)	-	4,155,613	-
Corporate	Luxembourg	1,848,580		(83,730)	83,730	-	1,764,850
Corporate	Liechtenstein	955,564	(949,213)	(955,564)	6,351	-	(0)
Corporate	Anguilla	1,198,420	(1,137,884)	(1,198,420)	60,536	-	(0)
Corporate	Monaco	157,954	(162,301)	(188,666)	26,365	-	(30,712)
Corporate	Virgin Islands British	927	-	(927)	927	-	-
Corporate	Switzerland	1,026	(677,408)	(1,026)	-	676,382	-
Corporate	Cyprus	914	-	(914)	914	-	-
Corporate	United Arab Emirates	164	-	(164)	164	-	-
Corporate	Canada	1,572	-	(1,572)	1,572	-	-
Retail	France	198,085	-	(112,272)	112,272	-	85,813
Retail	United King-dom	70,430	(95,819)	(68,158)	-	27,661	2,272
Retail	Monaco	-	-	(67,000)	67,000	-	(67,000)
Retail	Switzerland	1,212	-	(1,207)	1,207	-	6
Retail	Malta	2,891	-	(2,891)	2,891	-	-
Retail	Georgia	2,891	-	(2,891)	2,891	-	-
TOTAL		**4,441,244**	**(7,559,913)**	**(3,211,268)**	**511,010**	**4,859,655**	**1,229,976**

CVA RISK	EXPOSURE VALUE	OWN FUNDS REQUIREMENTS	TOTAL RISK EXPOSURE AMOUNT
According to Standardised method	1,718,081	111,607	1,395,089

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 Unit, Risk Function 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 Investment 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 & Execution Department, its Treasury Risk Control Unit, and the Risk Function 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 foreign 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;
- Maturity of the market.

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 & Execution Department, its Treasury Risk Control Unit, and the Risk Function.

4.3.2. INTEREST RATE RISK

Interest rate risk is ruled by 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 6 scenarios as defined by circular CSSF 08/338 as amended by circular CSSF 16/642 and 20/762. 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	(11,394,501)	12,314,724	(10,568,037)	11,443,289	(3,238,275)	5,029,515	4,610,284	(7,952,011)

As per end of 2020, the Group is sensitive to a +200 bps positive parallel shift which would generate a negative impact of EUR 11.4 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	1,020,552	(14,444,266)	8,503,012	(4,920,701)
GBP	(108,083)	(87,340)	-	(195,423)
USD	1,205,523	(5,693,379)	-	(4,487,856)
CHF	102,829	(1,895,919)	-	(1,793,091)
ISK	723	(44,187)	-	(43,465)
Other Currencies	137,591	(91,555)	-	46,035
TOTAL	**2,359,134**	**(22,256,647)**	**8,503,012**	**(11,394,501)**

4.4. LIQUIDITY RISK

LIQUIDITY RISK FRAMEWORK

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;
- Drawing liabilities in line with the Bank's liquidity requirement ;
- 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

NUMERATOR, DENOMINATOR, RATIO		VALUE / PERCENTAGE
010	Liquidity buffer	367,261,180
020	Net liquidity outflow	131,028,334
030	Liquidity coverage ratio (%)	280.29%
NUMERATOR CALCULATIONS		
040	L1 excl. EHQCB liquidity buffer (value according to Article 9): unadjusted	263,131,731
050	L1 excl. EHQCB collateral 30 day outflows	-
060	L1 excl. EHQCB collateral 30 day inflows	-
070	Secured cash 30 day outflows	28,180,815
080	Secured cash 30 day inflows	-

091	L1 excl. EHQCB "adjusted amount"	234,950,916
100	L1 EHQCB value according to Article 9: unadjusted	28,229,974
110	L1 EHQCB collateral 30 day outflows	-
120	L1 EHQCB collateral 30 day inflows	-
131	L1 EHQCB "adjusted amount"	28,229,974
160	L2A according to Article 9: unadjusted	25,037,420
170	L2A collateral 30 day outflows	-
180	L2A collateral 30 day inflows	-
191	L2A "adjusted amount"	25,037,420
220	L2B according to Article 9: unadjusted	52,649,059
230	L2B collateral 30 day outflows	-
240	L2B collateral 30 day inflows	-
251	L2B "adjusted amount"	52,649,059
280	Excess liquid asset amount	1,787,004
290	Liquidity buffer	367,261,180
DENOMINATOR CALCULATIONS		
300	Total Outflows	244,893,662
310	Fully Exempt Inflows	-
320	Inflows Subject to 90% Cap	-
330	Inflows Subject to 75% Cap	308,849,050
340	Reduction for Fully Exempt Inflows	-
350	Reduction for Inflows Subject to 90% Cap	-
360	Reduction for Inflows Subject to 75% Cap	244,893,662
370	Net liquidity outflow	131,028,334
PILLAR 2		
380	Pillar 2 requirement as set out in Article 105 CRD	

ASSET ENCUMBRANCE

		CARRYING AMOUNT OF ENCUMBERED ASSETS	FAIR VALUE OF ENCUMBERED ASSETS	CARRYING AMOUNT OF NON-ENCUMBERED ASSETS	FAIR VALUE OF NON-ENCUMBERED
010	Assets of the reporting institution	101,378,454	-	1,417,207,107	-
020	Loans on demand	-	-	325,769,285	-
030	Equity instruments	-	-	1,603,586	1,603,586
040	Debt securities	101,378,454	101,378,454	452,235,698	452,235,698
050	of which: covered bonds	-	-	-	-
060	of which: asset-backed securities	-	-	-	-
070	of which: issued by general governments	10,064,110	10,064,110	83,971,424	83,971,424

080	of which: issued by financial corporations	75,957,142	75,957,142	227,530,857	227,530,857
090	of which: issued by non-financial corporations	15,357,203	15,357,203	140,209,389	140,209,389
100	Loans and advances other than loans on demand	-	-	570,798,006	-
110	of which: mortgage loans	-	-	348,062,764	-
120	Other assets	-	-	66,800,532	-

The largest part of encumbered assets amounting to EUR 101.4 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:

- Internal fraud,
- External fraud,
- Employment practices and workplace safety,
- Client, product and business practices,
- Damage to physical assets,
- Business disruption and system failures (IT-processing / IT – Security / IT – Ongoing development / IT– Innovative technology), and
- 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 Management 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 Procedure.

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 Support functions;
- The Compliance and Legal functions;
- The Risk 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 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 using realized data related to 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 permanent 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.e. 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.

Treasury Risk Control Unit monitors every day the non-settled operations for securities transactions through queries highlighting these transactions by counterparty and by settlement date. Persistent unsettled transactions are subject to deeper analysis with Head of Treasury & Execution Department for action if needed.

Treasury Risk Control Unit is in charge of monitoring compliance with the brokers' limits while Risk function is monitoring compliance with cash and deposit limits.

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 activity, which do not enter into the scope of the "classic custody" activities.

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

The enhanced safekeeping 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 oversight process in compliance with the UCITS V and AIFMD requirements. The account structure ensures segregation of assets.

The oversight 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 "Non-bankable Assets - Ownership Verification Procedure".

Any incident related to the tasks of the Bank in relation to the depositary activity is recorded in the Incident management tool 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 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

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). The DPO informs relevant committees on aspects related to data protection.

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, Other items, Secured by mortgages on immovable property, Exposure in default, Equity exposure and retails.

BREAKDOWN OF TOTAL EXPOSURES BY RISK WEIGHTS AND CREDIT QUALITY STEPS

RISK WEIGHTS	0%	10%	20%	35%	50%	75%	100%	150%
CREDIT QUALITY STEPS	1	2	2	3	3	4	5	6
CENTRAL GOVERNMENT/CENTRAL BANKS								
Exposure net of value adjustments and provisions	192,581,306	-	-	-	-	-	2,949,473	732
Net exposure after CRM	-	-	-	-	-	-	2,949,473	1,098
REGIONAL GOVERNMENTS OR LOCAL AUTHORITIES								
Exposure net of value adjustments and provisions	15,214,703	-	-	-	-	-	-	-
Net exposure after CRM	-	-	-	-	-	-	-	-
PUBLIC SECTOR ENTITIES								
Exposure net of value adjustments and provisions	7,645,648	-	41,521,412	-	3,677,244	-	-	-
Net exposure after CRM	-	-	8,304,282	-	1,838,622	-	-	-
MULTILATERAL DEVELOPMENT BANKS								
Exposure net of value adjustments and provisions	25,481,484	-	-	-	-	-	-	-
Net exposure after CRM	-	-	-	-	-	-	-	-
CORPORATE								
Exposure net of value adjustments and provisions	-	-	24,731,920	-	49,018,244	-	465,830,658	1,570,750
Net exposure after CRM	-	-	4,946,384	-	24,509,122	-	301,928,913	2,356,125
INSTITUTIONS								
Exposure net of value adjustments and provisions	-	-	236,745,910	-	122,983,826	-	35,332,406	318,635
Net exposure after CRM	-	-	47,349,182	-	61,491,913	-	35,140,281	477,952
ITEMS ASSOCIATED WITH PARTICULARLY HIGH RISK								
Exposure net of value adjustments and provisions	-	-	-	-	-	-	-	-
Net exposure after CRM	-	-	-	-	-	-	-	-

OTHER ITEMS								
Exposure net of value adjustments and provisions	1,830,165	-	-	-	-	-	39,345,473	-
Net exposure after CRM	-	-	-	-	-	-	39,345,473	-
SECURED BY MORTGAGES ON IMMOVABLE PROPERTY								
Exposure net of value adjustments and provisions	-	-	-	287,683,132	3,162,458	-	-	-
Net exposure after CRM	-	-	-	91,386,037	1,557,209	-	-	-
EXPOSURE IN DEFAULT								
Exposure net of value adjustments and provisions	-	-	-	-	-	-	11,703,246	-
Net exposure after CRM	-	-	-	-	-	-	10,270,349	-
EQUITY								
Exposure net of value adjustments and provisions	-	-	-	-	-	-	2,150,456	-
Net exposure after CRM	-	-	-	-	-	-	2,150,456	-
RETAIL								
Exposure net of value adjustments and provisions	-	-	-	-	-	-	33,463,039	-
Net exposure after CRM	-	-	-	-	-	-	7,505,088	-

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	195,531,510	-	195,531,510	-	2,950,571	-
Regional governments or local authorities	15,214,703	-	15,214,703	-	-	-
Public sector entities	52,844,304	-	52,844,304	-	10,142,904	-
Multilateral Develop-ment Banks	25,481,484	-	25,481,484	-	-	-
International Organisa-tions	-	-	-	-	-	-
Institutions	375,132,069	650,000	374,939,943	650,000	124,860,620	-
Corporates	461,999,575	73,378,553	371,476,383	-	327,967,100	-
Retail	18,504,055	14,949,812	7,495,915	-	7,495,915	-
Secured by mortgages on immovable property	290,845,590	-	264,217,381	-	92,943,246	-
Exposures in default	10,270,349	1,432,897	10,270,349	-	10,270,349	-
Items associated with particular high risk	-	-	-	-	-	-
Covered bonds	-	-	-	-	-	-
Claims on institutions and corporates with a short-term credit as-sessment	-	-	-	-	-	-

Collective investments undertakings (CIU)	-	-	-	-	-	-
Equity	2,150,456	-	2,150,456	-	2,150,456	-
Other Items	41,175,639	-	41,175,639	-	39,345,473	-
TOTAL	**1,489,149,733**	**90,411,262**	**1,360,798,068**	**650,000**	**618,126,634**	**1**

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	375,132,069	18,504,055	461,999,575
Financial collateral on balance	(192,125)	(12,327,746)	(90,523,191)
Fully adjusted exposure	**374,939,943**	**6,176,309**	**371,476,383**
Exposure net value off balance	650,000	14,949,812	72,905,040
Financial collateral off balance	-	-	(2,130,454)
Fully adjusted exposure	**650,000**	**14,949,812**	**70,774,586**
Exposure net value Derivatives	19,598,709	9,173	5,773,444
Financial collateral Derivatives	-	-	-
Fully adjusted exposure	**19,598,709**	**9,173**	**5,773,444**

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 2020, 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	1,478,754
Securities not quoted on a recognised market	48,598
TOTAL	**1,527,352**

All shares and other variable-yield securities held are included in the structural portfolio.

As at 31st December 2020, the Bank hold shares and other variable-yield transferable securities for hedging purposes in the frame of contracts for differences ("CFD") with clients for a total amount of EUR 1,437,186 (2019: EUR nil).

Next to its equity portfolio, as at 31st December 2020 the Bank fixed income portfolio can be summarized as follow:

BANK FIXED INCOME PORTFOLIO EUR AMOUNTS	
Securities quoted on a recognised market	506,270,323
Securities not quoted on a recognised market	38,165,296
TOTAL	**544,435,619**

Debt securities and other fixed-income securities held are included in the structural portfolio. The Group uses the European Central Bank Monetary Policy Operations to finance a part of its eligible securities portfolio.

As at 31st December 2020, the Bank is committed in sale and repurchase agreements with a firm repurchase obligation. These securities still appear on the balance sheet of the Bank for a total amount of EUR 123,957,108 with Luxembourg central bank (2019: EUR nil) and EUR 8,980,371 with another credit institution (2019: EUR nil).

7. REMUNERATION POLICY

The Remuneration Policy of the Bank aims to set up a remuneration regime compatible with the business strategy, objectives, values, long-term interests and sound and efficient risk management across all activities and entities of the Bank. It aims to provide for an effective framework for performance measurement, risk adjustment and the linkages of performance to reward. It also aims to help the Bank attracting, retaining and motivating its talents. Furthermore, this policy is set up with the intention of protecting the interests of the clients of the Bank.

This Remuneration Policy is in line with the relevant directives, laws, guidelines, circulars as:

- Capital Requirement Directive IV (CRD IV),
- Law of the Financial Sector dated 5th April 1993, as amended (hereafter the LFS),
- Law of 23 December 2016 – Article L. 226-36 transposing EUR Directive 2014/17/EU,
- EBA guidelines on sound remuneration policies EBA/GL/2015/22. (the "Guidelines"),
- EBA Guidelines GL/2016/06 on remuneration policies and practices related to the sale and provision of retail banking products and services,
- CSSF Circular 11/505 and CSSF Circular 15/622,
- Circular CSSF 14/585 25.02.2014: Transposition of the European Securities Markets Authority's (ESMA) guidelines on remuneration policies and practices (MiFID),
- Circular CSSF 12/552 as amended,
- Commission delegated Regulation (EU) No 604/2014 of 4 March 2014,
- Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013, Article 450,
- Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability- related disclosures in the financial services sector (SFDR).

The Board of Directors is responsible for the design, the review and the correct implementation of the policy. It ensures its compliance with mandatory laws and regulations applicable to the Bank. The Board of Directors acts upon recommendation of the Group Nomination and Remuneration Committee ("NRC"), based on preparation and proposed amendments of the relevant Internal Control Functions (Risk Management, Compliance, Internal Audit) and HR Function. The Board of Directors has the final decision power and responsibility regarding all aspects of the Remuneration Policy.

The Remuneration Policy is available on the Bank's website.

7.1. QUANTITATIVE INFORMATION

In 2020, 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	17
2	Total fixed remuneration (3+5+7)	3,363,374	2,381,294
3	of which: cash-based	3,363,374	2,381,294
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	17
10	Total variable remuneration (11+13+15)	1,127,580	275,900
11	of which: cash-based	1,127,580	275,900
12	of which: deferred	149,472	-
13	of which: shares or other share-linked instruments	-	-
14	of which: deferred	-	-
15	of which: Other forms	-	-
16	of which: deferred	-	-
TOTAL		**4,490,954**	**2,657,194**

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	149,472	-	-	-	220,625
Cash	149,472	-	-	-	220,625
Shares	-	-	-	-	-
Cash-linked instruments	-	-	-	-	-
Other	-	-	-	-	-
Other material risk-takers	-	-	-	-	-
Cash	-	-	-	-	-
Shares	-	-	-	-	-
Cash-linked instruments	-	-	-	-	-
Other	-	-	-	-	-
TOTAL	**149,472**	**-**	**-**	**-**	**220,625**

In 2020, 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.

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