



PILLAR 3
DISCLOSURES 2022
BANQUE HAVILLAND S.A.

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1. INTRODUCTION

This report presents the Pillar 3 disclosures of Havilland Group S.A..

This report meets the consolidated disclosure requirements related to the Part Eight of Regulation (EU) No 575/2013 (EBA/ GL/2016/11 and EBA/ITS/2020/04), known as the Capital Requirements Regulation (CRR) as well as Circular CSSF 23/830 and CSSF Regulation 18-03 as amended on the adoption of the European Banking Authority (EBA) Guidelines, thereby satisfying the regulatory prudential framework applicable to credit institutions. The final Guidelines on Disclosure of Non-Performing and Forborne Exposures (EBA/ GL/2022/13) is also taken into account.

This report uses the figures as at 31st December 2022 of Havilland Group S.A., the prudential consolidation entity, which considers this relevant and representative for that year. All amounts are expressed in euro ("EUR").

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.

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.

In 2022, Banque Havilland (Suisse) SA merged with Banque Havilland (Liechtenstein) AG. The activities of the Group in Switzerland are operated in Zurich under Banque Havilland (Liechtenstein) AG, Zurich Branch.

The activities of the Group in United Kingdom are operated in London under Banque Havilland S.A., UK Branch. The UK Branch has been operating under the Temporary Permissions Regime. Following a recent review of the growth strategy, the Bank has decided that becoming a fully authorised UK third country branch is no longer a strategic priority. It will therefore be closing its branch in London within a year. The Bank will continue to meet the needs of its UK clients in the future from its other locations.

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

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

3. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Board of Directors ("BoD") has approved a Risk Management Policy and has agreed that the main objectives of the Risk Management are to:

- Ensure that all the different risks the Bank 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 risks are measured adequately and coherently giving the required overviews to manage and control all the risks across the Bank;
- Ensure that risk appetite principles permeate the Bank'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 BoD;
- 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 Management Committee, monitors and controls all the risks of the bank in order to obtain a global overview of the interconnected risks of the Bank and is in charge of the ICLAAP (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 increase 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 also collaborates with Compliance and Internal Audit departments to have a coherent and integrated internal control framework.

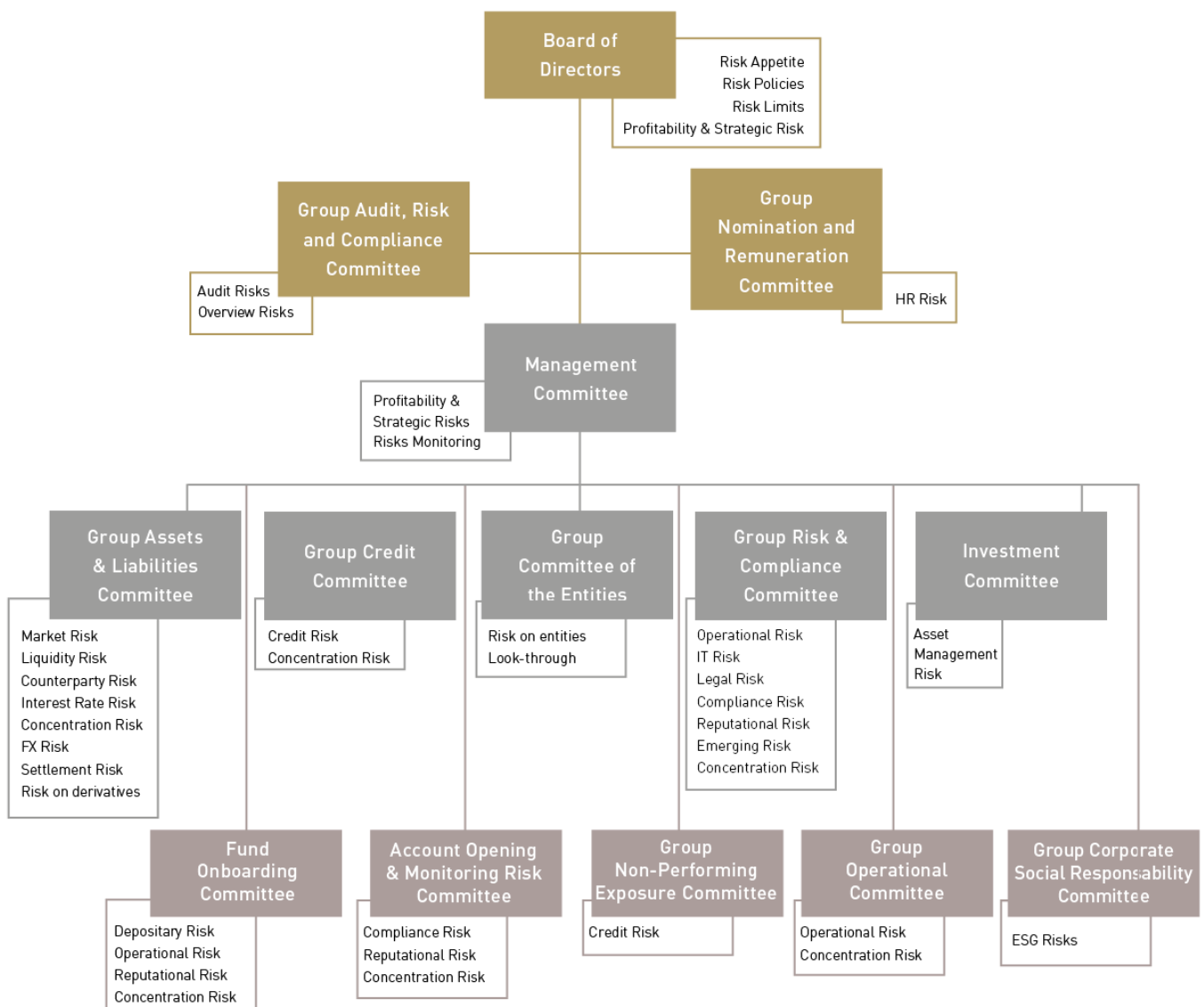
4. GOVERNANCE

4.1 ORGANISATION

The BoD has the overall responsibility. It ensures execution of activities and preserves business continuity by way of sound central administration and internal governance arrangements.

The BoD is supported by two specialized committees: Group Audit, Risk & Compliance Committee (“ARCC”) and Group Nomination and Remuneration Committee (“NRC”).

Chart on Committees’ risks monitoring



4.1.1 Board of Directors

The Board of Directors ("BoD") has the overall responsibility. It ensures execution of activities and preserves business continuity by way of sound central administration and internal governance arrangements.

The BoD is supported by two specialized committees while keeping its powers and responsibilities: Group Audit, Risk & Compliance Committee ("ARCC") and Group Nomination and Remuneration Committee ("NRC").

4.1.2 Group Audit, Risk and Compliance Committee

The Group Audit, Risk and Compliance Committee ("ARCC") is a specialized committee of the Board of Directors.

The ARCC's mission is inter alia to assist the BoD in the fields of:

- Risk: Risk appetite, risk strategy and risk profile at a group level;
- Compliance follow-up of compliance risks at a group level;
- Supervision and monitoring the efficiency of the follow-up of Internal Audit, Compliance & Risk Functions at a group level;
- Statutory audit, and regulators recommendations at a group level;
- Performance of the statutory auditor and the statutory auditor's qualifications and independence, and non-audit service acceptance; and
- Integrity of the Bank's financial statements and the effectiveness of the Bank's internal control over financial reporting at the level of the Bank and its entities.

As at 31st December 2022, the ARCC consists of 4 members with voting rights (one of which is not independent) and permanent guests. In 2022, the ARCC met 4 times.

4.1.3 Group Nomination and Remuneration Committee

The Group Nomination and Remuneration Committee ("NRC") is a specialized committee of the Board of Directors.

The NRC's mission is to assist the BoD in the field of assessment and appointment of key functions, adoption and monitoring of key policies in the field of Human Resources, follow-up of training plan, remuneration and incentives, talent management and succession plan, and other matters linked to human resources.

The NRC should take into account the input provided by all competent corporate functions and bodies and business units about the design, implementation and oversight of the institution's remuneration policies.

As at 31st December 2022, the NRC consists of 4 members with voting rights. (one of which is not independent) and permanent guests which are excluded when nomination and remuneration are debated. In 2022, the NRC met 2 times.

4.1.4 Management Committee

The Management Committee ("MCO") 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 MCO reports to the BoD.

The main responsibilities of the MCO 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 BoD 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;
- 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 BoD;
- 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 BoD 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;
- 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;
- Ensure that the Bank have complete control over its activities and the risks to which it is or may be exposed, including the intra-group activities and risks and regardless of the location of the risks;
- 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 advices and opinions provided by the internal control functions. Where the decisions taken by the MCO have or could have a significant impact on the risk profile of the institution, the MCO 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 MCO prior to submission; and
- Provide its assessment of the capital and liquidity adequacy and approve the key elements of the Internal Capital and Liquidity Adequacy Assessment Process ("ICLAAP").

The number of members on the MCO is determined by the BoD (3 minimum).

As at 31st December 2022, the MCO was composed of the Chief Executive Officer, an executive director of the BoD, the Deputy Chief Executive Officer, the Chief Integration Officer, the Chief Risk Officer, the Chief Compliance Officer and the General Secretary.

4.1.5 Group Risk & Compliance Committee

The Group Risk & Compliance Committee ("RCC") reports to the MCO. The RCC is competent to act autonomously, yet always within the scope of the strategy defined by the MCO.

For the Risk part, the main responsibilities 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;
- Escalate Incident Reports and propose remedial actions to the Management Committee;
- Follow-up and decision on Project Management related to risk mitigation;
- Review and validate policies in the area of Risk Management;
- Monitor risk acceptance process and deadlines;
- Provide Information Security update;
- Promote Environmental, Social and Governance principles within the organization;
- Review recommendations issued by risk management;
- Review and approve new product proposals;
- Review Group Contingency Planning; and
- Promote Risk management culture within the Bank.

For the Compliance part, the main responsibilities are:

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

As at 31st December 2022, the RCC consists of the following members with voting rights: Members of the Management Committee, the Group Chief Risk Officer (Chairman – Risk part), the Group Chief Compliance Officer (Chairman – Compliance part) and the Group General Secretary.

4.1.6 Account Opening & Monitoring Risk Committee

The LU Account Opening & Monitoring Reputational Committee (“AOMRC”) reports to the MCO.

The main responsibilities of AOMRC are:

- 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.
- 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.
- Discuss the reputational risk linked to event driven reviews, or any specific point raised by the first or second line of defence, and escalate any matters to the MCO when required.
- Track the implementation of the decisions taken by:
 - Reviewing the Client Exit list;
 - 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 MCO (5 minimum).

As at 31st December 2022, the AOMRC is composed of the Authorised Management, the Chief Compliance Officer or the Group Head of Financial Crime Compliance, the Head of Private Banking as Chairman for Private Banking files, the Group Head of Institutional Banking or his / her delegate as Chairman for Institutional Banking files.

4.1.7 Group Non-Performing Exposure Committee

The Group Non-Performing Exposure Committee (“GNPEC”) reports to the MCO. The GNPEC is competent to act autonomously, yet always within the scope of the strategy defined by the MCO

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

The main responsibilities of the GNPEC are:

- Decision body overseeing 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 overseeing 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 overseeing the Bank's FBEs; to the extent applicable and always subject to local regulatory requirements, the GNPEC's responsibilities also enfold the overseeing 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 NPE 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; and
- Decision on impairments, write-offs, collateral realization, accepting settlements, recovery, workout and forbearance.

It is understood that the responsibilities of the Group NPE Committee are limited to under-/non-performing, forborne and/or lending exposures, which are, reported in dedicated watch lists.

The number of members and composition of GNPEC is determined by the MCO.

As at 31st December 2022, the GNPEC is composed of Authorized Manager in charge of Credit – (Chairman), Authorized Managers, the Chief Risk Officer, the Head of Special Credit Unit and a Representative of the Legal Department.

4.1.8 Group Asset and Liability Committee

The Group Assets & Liabilities Committee ("ALCO") reports to the MCO. The ALCO is competent to act autonomously, yet always within the scope of the strategy defined by the MCO.

The ALCO determines the Bank's overall policy and strategy on the structure of the balance sheet, liquidity and capital adequacy of the Bank.

The main responsibilities of the ALCO are:

Liquidity of the Bank

- Control 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;
- Determinate of the Bank's Liquidity Policy;

Bank's balance sheet

- 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 utilization of limits and exposures of the bond portfolio;
- Provide guidelines for the day-to-day management of the Bank's own bond portfolio;

Capital adequacy and risk diversification

- Control over the capital adequacy and risk diversification;

Counterparty risk

- Regular review of the various counterparties;

Interest Rates Risks

- Overview the interest rate risk borne by the Bank;

Foreign Exchange Risk

- Overview the foreign exchange activity of the Bank;

Risk transfer pricing

- Fixing / updating / controlling the parameters of the risk transfer pricing policy (liquidity premium, credit spread, etc.);

Bank recovery and resolution

- Embed the role allocated to the ALCO described in the Group Recovery Plan and Group Resolution Exit Plan. The ALCO is also in charge of developing the Contingency Funding Plan and liquidity stress tests;

Large exposures – concentration risk

- Review the large exposure reports.

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

As at 31 December 2022, the ALCO is composed of the Authorized Manager in charge of Market Activities – (Chairman), Authorized Managers, the Group Head of Treasury & Execution, the Chief Risk Officer and the Chief Financial Officer.

4.1.9 Fund Onboarding Committee

The Fund Onboarding Committee ("FOC") reports to the MCO. The FOC is competent to act autonomously, yet always within the scope of the strategy defined by the MCO.

The main responsibilities of FOC are:

- Assess the asset servicing solutions for the structuring, the implementation and the servicing of investment vehicles to the Bank's clients including, but not limited to, depositary, custodian, distribution, paying agent, registrar and transfer agent services;
- Assess every new project of the Institutional Banking business line and check if the project is or is not

subject to prior application of the Group Procedure Implementation of New Products Services; and

- Assess the relevant sensitive factors of the project in the context of the overall strategy and risk appetite of the Bank (including AML, Reputational and Operational risk profiles).

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

As at 31st December 2022, the FOC is composed of the Group Head of Institutional Banking (Chairman), Authorized Managers, 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.

4.1.10 Group Credit Committee

The Group Credit Committee (“GCC”) reports to the MCO. The GCC is competent to act autonomously, yet always within the scope of the strategy defined by the MCO

The main responsibilities of the GCC are:

Credit Risk Management

- Oversight of the credit risk management of the Bank, 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;

Credit Strategies and Performance

- 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;
- Review 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;

Credit Authority

- Decision 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;

Credit Review

- Reviewing the quality and performance of the Bank’s credit portfolio and individual exposures at least on an annual basis;

Governance

- 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.

It is understood that 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 MCO.

As at 31st December 2022, the GCC is currently composed of the Authorized Manager in charge of Credit Activities acting as Chairman, Authorized Managers, the Chief Risk Officer (compulsory presence), the Chief Compliance Officer and the Group Head of Credit.

4.1.11 Group Committee of the Entities

The Group Committee of the Entities ("CE") reports to the MCO. The CE is competent to act autonomously, yet always within the scope of the strategy defined by the MCO.

The CE oversees Banque Havilland S.A. and its entities.

The main responsibilities of the CE are:

- Report on strategy implementation decided by the BoDs (Group and local Boards);
- Follow-up of the effectiveness of first line of defense controls across the Bank;
- Report on Governance issues (based on 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;
- Ensure that the Bank 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; and
- Share financial performances, Human Resources information, internal/external Communication and ESG Initiatives.

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

As at 31st December 2022, the CE is composed of the CEO acting as Chairman, the Authorized Manager(s), the Chief Compliance Officer, the CEO of Havilland Group SA (shareholder of Banque Havilland SA), the Group General Secretary, the CEO of BH Suisse, the CEO of BH Liechtenstein, the CEO of BH Monaco, the Branch Manager of UK and the Head of Dubai Representative Office.

4.1.12 Investment Committee

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

The main responsibilities of the IC are:

- 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;
- 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;
- 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;

- Determine and communicate the overall view of the Bank with regards to financial markets and Investments;
- Produce investment-related documents and publications, including the “Investment Committee Notes” and the “Quarterly Outlook”; and
- Review and oversee, in the context of the Bank Sustainability Risk Procedure, the bank regulatory obligations and reporting.

The IC activity does not influence and it is not related in any way to the Bank 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 MCO.

As at 31st December 2022, the IC is composed of the Deputy Head of Asset Management and Advisory (Chairman), Authorized Managers (except the AMC member in charge of Market Activities), the Group Head of Asset Management and Advisory, the Asset Management and Advisory representative and Risk Management Representative.

4.1.13 Group Corporate Social Responsibility Committee

The Group Corporate Social Responsibility Committee (“CSRC”) reports to the MCO. The CSRC acts autonomously, yet always within the scope of the strategy defined by the MCO, and by each local BoD.

The main responsibilities of the CSRC are:

- Create a common understanding and build awareness on ESG regulations and market practices;
- Oversee and report to the MCO on the implementation of the ESG initiatives decided by the MCO/BoD (ownership, respect of the deadlines, budget);
- Contribute and make proposals to the MCO/BoD on new ESG initiatives to be incorporated to the yearly plan;
- Identify potential ESG risks, select KPI/KRIs, and support sustainability risk management culture within the organization; and
- Contribute and review internal and external content / reports (external communications, yearly report....) on ESG strategy and initiatives.

The number of members and composition of the CSRC is determined by the MCO.

As at 31 December 2022, the CSRC is composed of the CEO, the Deputy CEO, the Chief Integration Officer, the Chief Compliance Officer, the Group Head of Risk or a representative of Risk Department, the Group Head of Asset Management and Advisory, the Group Head of Human Resources, the Group General Secretary, the Group Head of Marketing, the Deputy CEO of BH Liechtenstein, the Head of Representative office Dubai, the Head of Wealth Planning Services, a Corporate Officer and the Head of Regulatory Department.

4.1.14 Group Operational Committee

The Group Operational Committee (“OC”) reports to the MCO and is competent to act autonomously, yet always within the scope of the strategy defined by the Management Committee.

The main responsibilities of the OC are to:

- Review the Projects, IT; Transaction, Depository Oversight Department activities and approve the proposed specific action/plan;
- Approval of new projects and Business Impact analysis;
- Review identified emerging risks inherent to projects, to projects completion

- Review the First Line of Defence ("FLoD") control plan, approve action plan as per escalation procedure;
- Review detected top and emerging risks;
- Review of the open internal and external recommendations;
- Approve new outsourcing arrangement and follow-up on the existing one;
- Promote Operational Risk management culture within the bank; and
- Review and approve Business Continuity Plan ("BCP") and Disaster Recovery Plan ("DRP") plan.

The Group Operational Committee consists of the following members with voting rights: Authorized Manager in charge of Operations, an Authorized Manager other than the authorized manager in charge of Operation, Group COO – Chairman.

4.2 NUMBER OF DIRECTORSHIPS HELD BY MEMBERS OF THE MANAGEMENT BODIES

All members of the Management Bodies comply with the mandate limitation requirement and the time spent requirement established by CRD IV and article 38-2 of the Law of 5 April 1993 on the Financial Sector, as amended.

The BoD assessed on an ongoing basis in 2022 that the mandate limitation requirement or the time spent requirement are respected. Consequently, the members of the Management Bodies are considered to have sufficient time available to perform their duties as directors of the Bank.

The number of directorships as defined in CRD IV regulations held by the members of the Management Bodies is as follows (January 2023):

	NON-EXECUTIVE DIRECTORSHIP	EXECUTIVE DIRECTORSHIP
BOARD OF DIRECTORS		
Mr. Bernard Herman	9	
Mr. Antony Turner	1	
Mr. Fernand Grulms (until 31.08.2022)	non-disclosed	non-disclosed
Mr. Harley Rowland	1	1
Mrs. Venetia Lean	1	
Mr Christoph Mauchle (from 01.09.2022)	2	
Mr. Jean-François Willems	1	2
AUTHORISED MANAGEMENT		
Mr. Marc Arand	1	1
Mr. Juho Hiltunen		
Mr. Artyom Grigoryan		
Mr. Harley Rowland	1	1
Mr. Gil Huart		

4.3 RECRUITMENT POLICY FOR THE SELECTION OF MEMBERS OF MANAGEMENT BODIES

The BoD of the Bank has reviewed and approved on 16 July 2022 the Management Body and Key Functions Policy to be considered by the Bank when selecting members of the Management Bodies (BoD and Authorised Management).

The suitability of the Management Bodies members is assessed according to the joint EBA and the European Securities and Markets Authority ("ESMA") Guidelines on the assessment of the suitability of members of the management Body and key function holders (EBA/GL/2021/06) and to the CSSF Prudential procedure on appointment of Management Body and Key Functions [applicable from 30.06.2022].

In order to ensure that all Key Function holders fulfil the criteria pertaining to the required knowledge, skills, experience, good repute, honesty, integrity, availability and independence of mind, his/her availability for the contemplated function and the conflicts of interest that may affect him/her.

Each person shall be individually assessed, prior to their appointment, by the relevant BoD of the entity for which they will hold the function. The BoD should be assessed collectively in this case. The Bank also performs a periodic re-assessment of the Management Body and Key Functions at least every 2 years.

The assessments are made in writing, through a standard assessment template, are approved by the BoD and materialized in the Minutes of the BoD meetings.

4.4 DIVERSITY

The BoD of the Bank has reviewed and approved on 19 July 2022 the Group Diversity Policy and non-Discrimination to be considered by the Bank when selecting members of the Management Bodies (BoD and Management).

The Bank promotes diversity among its executives, in order to build a diverse pool of management. It should aim to engage a broad set of qualities and competences when recruiting management and staff, to achieve a variety of views and experiences and to facilitate independent opinions and sound decision-making.

The promotion of diversity is based on the principle of non-discrimination and on measures guaranteeing equal opportunities for all employees

Objectives for achieving BoD and management diversity are set on a regular basis. Achievement against such objectives are reviewed as part of on-going management assessment at the appropriate level (NRC for BoD and Management Committee; Management Committee for senior management; other management for their own teams) – benchmarked against similar businesses.

To achieve the diversity objectives, Management commits to measure and assess the proportion of females promoted during one year; and seeking to increase this proportion through short-list requirements in internal promotions and ensures fairness and openness in the recruitment process.

Similar measurable objectives may be set for wider succession planning.

In making recommendations to the BoD regarding potential director candidates, the NRC will consider, among others, the following diversity criteria: age, gender, geographical origin, educational and professional background.

Moreover, the NRC ensures that the Group Remuneration Policy and all related employment conditions are gender neutral, i.e. there are no differentiation between staff of the male, female or diverse genders.

Progress on all such objectives is ultimately monitored by the BoD and factored into its assessment of executive performance.

5. OWN FUNDS AND CAPITAL ADEQUACY

The Bank 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 Bank 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 2022, the Bank has a CET1 ratio of 28.44% and a Total capital ratio of 28.84%; well above the minimum requirement of respectively 8% and 10.5%.

The table below provides a summary of key prudential metrics covering the Bank's available capital and ratios, its risk-weighted assets (RWA), buffer requirements, leverage ratio (LR), liquidity coverage ratio (LCR) and net stable funding ratio (NSFR).

TEMPLATE EU KM1 – KEY METRICS TEMPLATE

		31/12/2022	31/12/2021
Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital	151,457,351	174,066,064
2	Tier 1 capital	151,457,351	174,066,064
3	Total capital	153,588,308	174,709,405
Available own funds (amounts)			
4	Total risk-weighted exposure amounts	532,523,589	837,399,703
Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	28.44%	20.79%
6	Tier 1 ratio (%)	28.44%	20.79%
7	Total capital ratio (%)	28.84%	20.86%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)			
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	13.00%	13.00%
EU 7b	of which: to be made up of CET1 capital (percentage points)	7.31%	8.00%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	-	-
EU 7d	Total SREP own funds requirements (%)	9.75%	5.00%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)			
8	Capital conservation buffer (%)	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-
9	Institution specific countercyclical capital buffer (%)	0.09%	0.01%
EU 9a	Systemic risk buffer (%)	-	-
10	Global Systemically Important Institution buffer (%)	-	-
EU 10a	Other Systemically Important Institution buffer	-	-
11	Combined buffer requirement (%)	2.59%	2.51%
EU 11a	Overall capital requirements (%)	-	-
12	CET1 available after meeting the total SREP own funds requirements (%)	12.79%	5.27%
Leverage ratio			
13	Total exposure measure	1,499,781,201	1,529,087,017
14	Leverage ratio (%)	10.24%	11.38%

Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)			
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-
EU 14b	of which: to be made up of CET1 capital (percentage points)	-	-
EU 14c	Total SREP leverage ratio requirements (%)	-	-
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)			
EU 14d	Leverage ratio buffer requirement (%)	3.00%	3.00%
EU 14e	Overall leverage ratio requirements (%)	3.00%	3.00%
Liquidity Coverage Ratio			
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	480,919,024	347,673,818
EU 16a	Cash outflows - Total weighted value	307,559,974	329,986,419
EU 16b	Cash inflows - Total weighted value	47,264,515	58,780,379
16	Total net cash outflows (adjusted value)	220,623,565	76,467,778
17	Liquidity coverage ratio (%)	239.40%	531.54%
Net Stable Funding Ratio			
18	Total available stable funding	906,396,148	998,111,935
19	Total required stable funding	456,123,530	644,453,519
20	NSFR ratio (%)	199%	155%

5.1 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.

In order to allow a comparison, the Bank discloses hereafter its CET1 and the consolidated Financial Statements Equity.

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

As at 31st December 2022, the Bank's Common Equity Tier 1 Capital is made of:

- Subscribed and fully paid share capital amounts to EUR 70,000,000;
- The share premium reserve is EUR 49,044,500;
- The reserves and retained earnings are EUR 76,729,076;
- Accumulated other comprehensive income is EUR – 32,299,497;
- Additional Tier 2 capital amounts to EUR 2,130,957; Less:
- Adjustments to CET1 due to prudential filters is EUR 453,983; Less:
- Other intangible assets is EUR 2,266,729; Less: and
- Profit or loss attributable to owners of the parent EUR -9,296,014.

As at 31st December 2022, the Prudential Supervision Common Equity Tier 1 Capital and the Total Capital amount to EUR 151,457,351 and EUR 153,588,308 [2021: EUR 174,709,405]. This represents a decrease regarding the previous year Total Capital of EUR 21,121,097.

The transition from Luxembourg GAAP to Regulatory Financial reports affects the Bank's financial position as at December 31st, 2022 as follows:

	LUX GAAP	AD. TO FINREP	FINREP
Paid in capital	70,000,000		70,000,000
Share premium	49,044,500		49,044,500
Fair value changes of instruments measured at fair value through other comprehensive income		[32,299,497]	[32,299,497]
Debt Instruments		[33,636,968]	[32,299,497]
IFRS 9 ECL		1,337,471	1,337,471
Foreign currency translation reserve	[499,871]	3,198,555	2,698,683
Reserves (including retained earnings)	58,399,962	15,630,431	74,030,393
Minority interests			
Profit from current year	[20,801,280]	11,505,265	[9,296,014]
Reversal of value adjustments on securities classified in fair value through OCI		11,545,242	
Fair value changes of instruments measured at fair value through Profit and loss		637,954	
Fair value changes of Debt instruments measured at fair value through Profit and loss		[430,943]	
IFRS 9 ECL Securities portfolio		[244,707]	
IFRS 9 ECL Loans and advances		141,997	
IFRS 9 ECL Commitments and Guarantees		881	
Reversal of lux gaap value adjustments on loans and advances		[246,625]	
IFRS 16 adjustments		101,466	
TOTAL SHAREHOLDER'S EQUITY	156,143,311	[1,965,246]	154,178,065

5.2 REGULATORY CAPITAL ADEQUACY (Pillar I)

5.2.1 Regulatory capital

The following table details the composition of regulatory own funds:

TEMPLATE EU CC1 – COMPOSITION OF REGULATORY OWN FUNDS

	Amounts	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: instruments and reserves		
1 Capital instruments and the related share premium accounts of which: Instrument type 1	119,044,500	EBA Corep Standard Conso (DPM 3.0)
2 Retained earnings	67,433,062	EBA Corep Standard Conso (DPM 3.0)
3 Accumulated other comprehensive income (and other reserves)	[32,299,497]	EBA Corep Standard Conso (DPM 3.0)
EU-3a Funds for general banking risk	-	
4 Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	-	
5 Minority interests (amount allowed in consolidated CET1)	-	
EU-5a Independently reviewed interim profits net of any foreseeable charge or dividend	-	

6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	154,178,064	EBA Corep Standard Conso (DPM 3.0)
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	(453,983)	EBA Corep Standard Conso (DPM 3.0)
8	Intangible assets (net of related tax liability) (negative amount)	(2,266,729)	EBA Corep Standard Conso (DPM 3.0)
9	Not applicable	-	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-	
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-	
12	Negative amounts resulting from the calculation of expected loss amounts	-	
13	Any increase in equity that results from securitised assets (negative amount)	-	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	
15	Defined-benefit pension fund assets (negative amount)	-	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-	
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
20	Not applicable	-	
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	-	
EU-20c	of which: securitisation positions (negative amount)	-	
EU-20d	of which: free deliveries (negative amount)	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-	
22	Amount exceeding the 17,65% threshold (negative amount)	-	
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	
24	Not applicable	-	
25	of which: deferred tax assets arising from temporary differences	-	
EU-25a	Losses for the current financial year (negative amount)	-	
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	-	
26	Not applicable	-	
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-	
27a	Other regulatory adjustments	-	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	(2,720,713)	EBA Corep Standard Conso (DPM 3.0)
29	Common Equity Tier 1 (CET1) capital	151,457,351	EBA Corep Standard Conso (DPM 3.0)
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	-	
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	-	
EU-33a	Amount of qualifying items referred to in Article 494a(1) subject to	-	

	phase out from AT1		
EU-33b	Amount of qualifying items referred to in Article 494b(1) subject to phase out from AT1	-	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	
35	of which: instruments issued by subsidiaries subject to phase out	-	
36	Additional Tier 1 (AT1) capital before regulatory adjustments	-	
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
41	Not applicable	-	
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	-	
42a	Other regulatory adjustments to AT1 capital	-	
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	-	
44	Additional Tier 1 (AT1) capital	-	
45	Tier 1 capital (T1 = CET1 + AT1)	151,457,351	EBA Corep Standard Conso (DPM 3.0)
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	-	
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2 as described in Article 486 (4) CRR	-	
EU-47a	Amount of qualifying items referred to in Article 494a (2) subject to phase out from T2	-	
EU-47b	Amount of qualifying items referred to in Article 494b (2) subject to phase out from T2	-	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	
49	of which: instruments issued by subsidiaries subject to phase out	-	
50	Credit risk adjustments	2,130,957	EBA Corep Standard Conso (DPM 3.0)
51	Tier 2 (T2) capital before regulatory adjustments	2,130,957	
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
54a	Not applicable	-	
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
56	Not applicable	-	
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	-	
56b	Other regulatory adjustments to T2 capital	-	
57	Total regulatory adjustments to Tier 2 (T2) capital	2,130,957	EBA Corep Standard Conso (DPM 3.0)
58	Tier 2 (T2) capital	2,130,957	EBA Corep Standard Conso (DPM 3.0)

59	Total capital (TC = T1 + T2)	153,588,308	EBA Corep Standard Conso (DPM 3.0)
60	Total risk exposure amount	532,523,589	EBA Corep Standard Conso (DPM 3.0)
Capital ratios and requirements including buffers			
61	Common Equity Tier 1	151,457,351	EBA Corep Standard Conso (DPM 3.0)
62	Tier 1	151,457,351	EBA Corep Standard Conso (DPM 3.0)
63	Total capital	153,588,308	EBA Corep Standard Conso (DPM 3.0)
64	Institution CET1 overall capital requirements	13,773,936	EBA Corep Standard Conso (DPM 3.0)
65	of which: capital conservation buffer requirement	13,313,090	EBA Corep Standard Conso (DPM 3.0)
66	of which: countercyclical capital buffer requirement	460,846	EBA Corep Standard Conso (DPM 3.0)
67	of which: systemic risk buffer requirement	-	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	-	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	-	
68	Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	28.84%	EBA Corep Standard Conso (DPM 3.0)
69	Not applicable	-	
70	Not applicable	-	
71	Not applicable	-	
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	-	
74	Not applicable	-	
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	-	
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-	
		-	
		-	
		-	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
82	Current cap on AT1 instruments subject to phase out arrangements	-	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on T2 instruments subject to phase out arrangements	-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	

5.2.2 Overview of risk-weighted assets

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

TEMPLATE EU OV1 – OVERVIEW OF TOTAL RISK EXPOSURE AMOUNTS

		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		31/12/2022	31/12/2021	31/12/2022
1	Credit risk (excluding CCR)	446,601,555	717,246,080	35,728,124
2	Of which the standardised approach	446,601,555	717,246,080	35,728,124
3	Of which the Foundation IRB (F-IRB) approach	-	-	-
4	Of which: slotting approach	-	-	-
EU 4a	Of which: equities under the simple risk weighted approach	-	-	-
5	Of which the Advanced IRB (A-IRB) approach	-	-	-
6	Counterparty credit risk - CCR	-	-	-
7	Of which the standardised approach	-	-	-
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	-	-	-
EU 8b	Of which credit valuation adjustment - CVA	928,090	16,708,125	74,247
9	Of which other CCR	-	-	-
10	Not applicable			
11	Not applicable			
12	Not applicable			
13	Not applicable			
14	Not applicable			
15	Settlement risk	11,740	1,100	939
16	Securitisation exposures in the non-trading book (after the cap)	-	-	-
17	Of which SEC-IRBA approach	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA approach	-	-	-
EU 19a	Of which 1250%	-	-	-
20	Position, foreign exchange and commodities risks (Market risk)	-	-	-
21	Of which the standardised approach	-	-	-
22	Of which IMA	-	-	-
EU 22a	Large exposures	-	-	-
23	Operational risk	84,982,206	103,444,398	6,798,576
EU 23a	Of which basic indicator approach	-	-	-
EU 23b	Of which standardised approach	-	-	-
EU 23c	Of which advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	-	-	-
25	Not applicable			
26	Not applicable			
27	Not applicable			
28	Not applicable			
29	Total	532,523,589	837,399,703	42,601,887

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

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

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

At the end of 2022, the Bank's total risk-weighted assets amounts to EUR 532,523,589 of which EUR 446,601,555 was considered as credit risk. This credit risk comes in majority from lending activity and the Bank's investment portfolio.

5.2.3 Capital buffers

In accordance with Article 440 (a) and (b) in the CRR, the following tables disclose the amount of the Bank's specific countercyclical buffer and the geographical distribution of credit exposures relevant for its calculation.

INSTITUTION SPECIFIC

The following table provides an overview of the Bank's countercyclical exposure and buffer requirements:

TEMPLATE EU CCYB2 – AMOUNT OF INSTITUTION – SPECIFIC COUNTERCYCLICAL CAPITAL BUFFER

TOTAL RISK EXPOSURE AMOUNT	532,523,589
Institution specific countercyclical capital buffer rate	0.087%
Institution specific countercyclical capital buffer requirement	460,846

GEOGRAPHICAL DISTRIBUTION OF CREDIT EXPOSURES

It has to be noted that the 2022 relevant countercyclical buffers rates are set to 0 % except from the ones below:

- Bulgaria: 1.00%
- Czech Republic: 1.50%
- Denmark: 2.00%
- Estonia: 1.00%
- Iceland: 2.00%
- Luxembourg: 0.50%
- Norway: 2.00%
- Romania: 0.50%
- Slovakia: 1.00%
- Sweden: 1.00%

TEMPLATE EU CCyB1 – GEOGRAPHICAL DISTRIBUTION OF CREDIT EXPOSURES RELEVANT FOR THE CALCULATION OF THE COUNTERCYCLICAL BUFFER

		a	b	c	d	e	f	g	h	i	j	k	l	m
		General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own fund requirements			Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)	
		Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures – Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book				Total
Breakdown by country:														
BE	BELGIUM	41,389,366					41,389,366	3,311,149			3,311,149	1,354,584	0.30%	0.00%
CA	CANADA	16,879,217					16,879,217	1,350,337			1,350,337	2,346,435	0.53%	0.00%
CY	CYPRUS	10,681,080					10,681,080	854,486			854,486	3,784,885	0.85%	0.00%
CZ	CZECH REPUBLIC	854					854	68			68	640	0.00%	1.50%
EE	ESTONIA	142,305					142,305	11,384			11,384	325,198	0.07%	1.00%
FR	FRANCE	112,614,219					112,614,219	9,009,138			9,009,138	44,698,291	10.01%	0.00%
DE	GERMANY	66,556,906					66,556,906	5,324,552			5,324,552	15,448,225	3.46%	0.00%
HK	HONG KONG	22,014,071					22,014,071	1,761,126			1,761,126	9,841,082	2.20%	0.00%
IT	ITALY	33,262,724					33,262,724	2,661,018			2,661,018	12,960,384	2.90%	0.00%

LI	LIECHTENSTEIN	20,463,132	20,463,132	1,637,051	1,637,051	19,534,827	4.37%	0.00%
LU	LUXEMBOURG	301,752,810	301,752,810	24,140,225	24,140,225	73,643,774	16.49%	0.50%
MC	MONACO	110,202,900	110,202,900	8,816,232	8,816,232	51,249,279	11.48%	0.00%
NL	NETHERLANDS	37,641,762	37,641,762	3,011,341	3,011,341	20,299,654	4.55%	0.00%
RU	RUSSIA	21,909,576	21,909,576	1,752,766	1,752,766	9,155,824	2.05%	0.00%
ES	SPAIN	11,397,707	11,397,707	911,817	911,817	6,298,649	1.41%	0.00%
SE	SWEDEN	91,944	91,944	7,356	7,356	68,958	0.02%	1.00%
CH	SWISS	259,135,947	259,135,947	20,730,876	20,730,876	45,296,732	10.14%	0.00%
AE	UNITED ARAB EMIRATES	25,048,280	25,048,280	2,003,862	2,003,862	23,934,267	5.36%	0.00%
GB	UNITED KINGDOM	88,898,899	88,898,899	7,111,912	7,111,912	67,136,187	15.03%	0.00%
US	UNITED STATES	36,064,532	36,064,532	2,885,163	2,885,163	16,518,958	3.70%	0.00%
	OTHER*	77,049,793	77,049,793	6,163,983	6,163,983	22,704,720	5.08%	0.00%
TOTAL		1,293,198,024	1,293,198,024	103,455,842	103,455,842	446,601,554	100.00%	

*Line under label "OTHER" sums all credit exposures under 10m EUR to countries with 0.00% countercyclical buffer rate.

5.3 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%.

As at 31st December 2022, the Bank has a leverage ratio of 10.08%, well above the minimum level of 3%. This comfortable level is explained by the limited use of derivatives and securities financing transactions.

Below the tables, presenting information (as referred to in Article 451 of Regulation (EU) No 575/2013) related to the leverage ratio:

TEMPLATE EU LR2 – LRCom: LEVERAGE RATIO COMMON DISCLOSURE

		CRR leverage ratio exposures	
		31/12/2022	31/12/2021
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	1,480,988,797	1,452,979,951
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
4	{Adjustment for securities received under securities financing transactions that are recognised as an asset}	-	-
5	(General credit risk adjustments to on-balance sheet items)	(30,561,939)	(941,470)
6	(Asset amounts deducted in determining Tier 1 capital)	(2,720,156)	(2,890,951)
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	1,447,706,702	1,449,147,530
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	18,498,090	-
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-	-
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	9,456,269	-
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	-	-
EU-9b	Exposure determined under Original Exposure Method	-	60,787,898.11
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	-
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	-
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (original Exposure Method)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	Total derivatives exposures	27,954,359	60,787,898
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	-	-
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	-	-

17	Agent transaction exposures	-	-
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
18	Total securities financing transaction exposures	-	-
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	24,120,140	19,151,588
20	(Adjustments for conversion to credit equivalent amounts)		
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)		
22	Off-balance sheet exposures	24,120,140	19,151,588
Excluded exposures			
EU-22a	(Exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-	-
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a (1) CRR (on and off balance sheet))	-	-
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)	-	-
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)	-	-
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	-	-
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-	-
EU-22g	(Excluded excess collateral deposited at triparty agents)	-	-
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	-	-
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	-	-
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	-	-
EU-22k	(Total exempted exposures)	-	-
Capital and total exposure measure			
23	Tier 1 capital	151,457,351	174,066,064
24	Total exposure measure	1,499,781,201	1,529,087,016
Leverage ratio		10.10%	11.38%
25	Leverage ratio		
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)		
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)		
26	Regulatory minimum leverage ratio requirement (%)		
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)		
EU-26b	of which: to be made up of CET1 capital (percentage points)		
27	Leverage ratio buffer requirement (%)	3%	3%
EU-27a	Overall, leverage ratio requirement (%)	3%	3%
Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure		
Disclosure of mean values			
28	Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables		
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables		
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)		
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)		

31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)

Template EU LR3 – LRSpl: SPLIT-UP OF ON BALANCE SHEET EXPOSURES (EXCLUDING DERIVATIVES, SFTs AND EXEMPTED EXPOSURES)

		CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	1,451,532,282
EU-2	Trading book exposures	-
EU-3	Banking book exposures, of which:	
EU-4	Covered bonds	27,832,580
EU-5	Exposures treated as sovereigns	389,655,625
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	61,632,749
EU-7	Institutions	270,062,968
EU-8	Secured by mortgages of immovable properties	256,883,545
EU-9	Retail exposures	18,598,427
EU-10	Corporates	354,297,977
EU-11	Exposures in default	39,179
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	33,389,127

5.4 INTERNAL CAPITAL AND LIQUIDITY ADEQUACY ASSESSMENT PROCESS (Pillar II)

The Bank establishes its own Internal Capital and Liquidity Adequacy Assessment Process (“ICLAAP”) for determining “current and future capital and liquidity requirements in relation to the risks incurred and their business strategies”, as well as to evaluate their own capital and liquidity 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; and
- The adequacy of Total Capital to cover all relevant measurable risks and any strategic corporate needs.

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

The ICLAAP is updated and submitted for review to the BoD at least on an annual basis (BoD Approval on April 30th 2023). ICLAAP is also submitted to the CSSF on a yearly basis. Updates to the ICLAAP may be more frequent if there is a fundamental change to our business or the environment in which the Bank operates.

This assessment draws on the results of existing risk management techniques and reporting. Scenario analysis and stress testing are performed to assess the Bank'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.

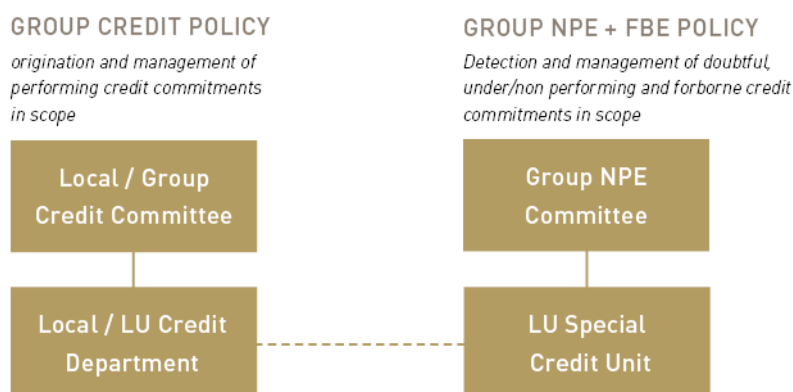
6. CREDIT RISK

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 Bank 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).

The Bank does not disclose a discussion of the impact of the amount of collateral the institution would have to provide given a downgrade in its credit rating as this is not relevant since the Bank is not rated.

6.1 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 Bank's overall credit framework and operational setup is subdivided in two sections as illustrated below:



6.2 GROUP CREDIT POLICY

The Bank's Group Credit Policy, as approved by the BoD, forms the overall framework of the credit and lending activities within the Bank 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 Bank.

The Group Credit Policy includes the description of key elements for lending activities of the Bank. It forms part of the risk management framework, and outlines the core requirements for a diligent business approach. Therefore, all lending 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; and
- Compliant with all procedures, manuals, guidelines being directly or indirectly referred to, or regulated by, the Group Credit Policy.

The Group Credit Policy, as amended from time to time, is applicable to all entities of the Bank 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 Bank.

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 Bank's capital, earnings and reputation;
- Establishment of a common credit culture resting on the core values of the Bank;
- Cooperation between entities, departments and employees;
- Supporting the growth of the profitability of the Bank 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 Bank; and
- Prevent intra group arbitrage on product offering, pricing and regulatory matters.

6.3 CREDIT RISK CARTOGRAPHY

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

The Credit Risk that the Bank is exposed to, with its private and corporate clients (institutional clients included), is mainly related to the risk of default and potential insolvency. The bank has established internal Credit rating and Creditworthiness rating to measure the characteristics of the loan and repayment capacity of the obligors. The Bank manages and monitors the credit risk by differentiating the lending activities by 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 Bank's security rights. Each transaction is supported by an independent valuation report from a surveyor appointed by the Bank. 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 Bank 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 BoD.

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 Bank 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 Group Liquidity Policy - approved by the BoD 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, Treasury Risk Control Department and by the Risk Function. The ALCO reviews the Investment Portfolio and its compliance with the Investment Guidelines during ALCO meetings. The BoD 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 Group Liquidity Policy - approved by the BoD 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 are implemented and reliable at all control levels. The Bank 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 AML/KYC checks, 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 BoD for ratification at least once a year in the framework of the periodical review process.

Concentration Risk arises if the Bank'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 Group Credit Policy – approved by the BoD – involves directly the BoD for approval of important credits for privates and corporates. The Investment Guidelines – which are ancillary to the Group Liquidity Policy and approved by the BoD – impose concentration limits on financial institutions and on investment portfolio. It is the responsibility of the AOMRC 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 GCC 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.

6.4 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 Bank.

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

The Group Credit Policy, as approved by the BoD, 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 Bank.

The Group NPE and FBE Policy, as approved by the BoD, 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 GNPEC in the Bank.

As far as the Bank respects the concentration limits, the main financial counterparty of the branches & subsidiaries is the head office itself. The branches and subsidiaries have other counterparties for specific reasons (i.e. local payments, SEPA, salary, cheques, risk diversification...). These counterparties are directly under the management of the Group Treasury department and follow the same level of monitoring, reporting and control as the Bank.

6.5 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 GCC is informed on a monthly basis about the developments of the Bank's credit risk.

6.6 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 Bank and the guidelines for mentioned credit exposures.

The Group NPE and FBE Policy, as amended from time to time, 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.

6.6.1 Impairment

This is the Bank's Policy that establish specific loss allowances to cover the potential risks pertaining to delinquent, defaulted, non-performing, forborne and/or non-recoverable credit exposures. In accordance with this policy, the Special Credit Unit ("SCU") is in charge of sanctioning and recovering non-performing credit

exposures. Within its responsibilities, the SCU is reviewing delinquent credit files and defining adequate recovery strategies, which may also result in tabling impairment recommendations/proposals for approval to the GNPEC. 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.

Impairments should be considered for the balance not recoverable from the pledged or mortgaged assets that have been recently valued and are disposable. Once Credit Exposure has been decided to be impaired it shall be adjusted automatically to capture any increase due to accrued interests, costs and foreign exchange fluctuations to ensure the relative level of the impairment remains constant.

6.6.2 Past due

The Bank recognises an exposure as past-due when any amount of principal, interest or fee has not been paid at the date it was due. Unauthorised overdraft amounts are also considered as past-due amount. Past due amounts are monitored every day at the level of each exposure.

6.6.3 Default

The Bank applies the prudential definition of “default” under Article 178 of Regulation (EU) No. 575/2013:

“A default is considered to have occurred with regard to a particular obligor when either or both of the following have taken place:

- The Bank considers that the obligor is unlikely to pay its credit obligations to the Bank in full, without recourse by the institution to actions such as realising security;
- The obligor is more than 90 days past due on any material credit obligation to the Bank.

6.6.4 Non-performing exposure

A credit exposure is classified “non-performing” or “NPE” where either or both of the following criteria are satisfied:

- Material exposure(s) and/or payment(s) is/are more than 90 days past-due; and/or
- The debtor is assessed as unlikely to pay its credit obligation in full without realization of collateral, regardless of the existence of any past-due amount or the number of days past due.

In addition to the above it shall be noted that:

- Any transaction which is impaired be it in parts or totally is considered non-performing; and
- Where an exposure of a debtor which is more than 90 days past due corresponds to 20% of its entire on-balance exposure then all exposures linked to this debtor have to be considered non-performing.

6.6.5 Forbearance exposure

Forbearance measures are concessions extended to any exposure towards a debtor facing or about to face financial difficulties in meeting its financial commitments. Such concessions entail:

- Modification of previous terms and conditions of the contract that would not have been granted had the debtor not been in financial difficulties (judgment in identifying of financial difficulties);
- Total or partial refinancing of an exposure that would not have been granted had the debtor not been in financial difficulties.

6.6.6 Monitoring

SCU is in charge of monitoring the doubtful, under-performing, non-performing, and forborne credit exposures and commitments; this includes as well the sanctioning process where covenants are breached. The main monitoring processes and guidelines are defined in a set of procedures covering credit sanctioning, credit impairment under Local GAAP, credit impairment under IFRS9, credit write-off, early warning indicators (EWI), and default and unlikeliness to pay (UTP) and the assessment of contractual modifications in relation to forbearance criteria.

6.7 CREDIT RISK EXPOSURE

This section presents different metrics of the credit risk exposures.

6.7.1 Exposure by maturity

In the accordance with Article 442 (f) of the CRR, the template below illustrates the net value of exposure broken down by exposure classes and residual maturities at year-end 2022. It comprises figures obtained using the Standardised method.

TEMPLATE EU CR1-A: MATURITY OF EXPOSURES							
		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	232,471,492	116,900,161	159,695,179	17,709,675		526,776,506
2	Debt securities		107,200,246	254,176,915	53,212,008		414,589,169
3	Total	232,471,492	224,100,407	413,872,093	70,921,683		941,365,676

6.7.2 Performing and non-performing exposures

TEMPLATE EU CR1: PERFORMING AND NON-PERFORMING EXPOSURES AND RELATED PROVISIONS

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk provisions						Accumulated partial write-off	Collaterals and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – Accumulated impairment and provisions		Non-performing exposures – Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						
		of which: Stage 1	of which: Stage 2		of which: Stage 2	of which: Stage 3		of which: Stage 1	of which: Stage 2		of which: Stage 2	of which: Stage 3			On performing exposures	On non-performing exposures
005	Cash balances at central banks and other demand deposits	460,969,092	460,969,092	-	-	-	-	-	-	-	-	-	-	-	-	-
010	Loans and advances	480,343,175	427,151,715	53,191,460	50,643,674		50,643,674	[550,276]	[349,388]	[200,888]	[3,357,979]	-	[3,357,979]	-	381,136,735	47,285,696
020	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
030	General governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
040	Credit institutions	6,536,100	6,536,100	-	-	-	-	-	-	-	-	-	-	-	-	-
050	Other financial corporations	65,218,599	62,806,271	2,412,329	9,189,586	-	9,189,586	[5,011]	[5,010]	[1]	[2,093,018]	-	[2,093,018]	-	48,339,609	7,096,567
060	Non-financial corporations	158,043,645	153,052,448	4,991,197	9,233,101	-	9,233,101	[303,598]	[105,918]	[197,680]	[1,083,271]	-	[1,083,271]	-	147,773,203	8,149,829
070	Of which: SMEs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
080	Households	250,544,831	204,756,896	45,787,935	32,220,988	-	32,220,988	[241,667]	[238,461]	[3,207]	[181,689]		[181,689]		185,023,923	32,039,299
090	Debt Securities	408,928,480	397,188,509	11,739,971	-	-	-	[1,379,489]	[712,105]	[667,383]	-	-	-	-	-	-
100	Central banks	5,108,754	5,108,754	-	-	-	-	[6,140]	[6,140]	-	-	-	-	-	-	-
110	General governments	112,289,026	111,753,868	535,158	-	-	-	[265,269]	[85,732]	[179,536]	-	-	-	-	-	-
120	Credit institutions	163,771,193	159,341,049	4,430,144	-	-	-	[239,302]	[186,928]	[52,373]	-	-	-	-	-	-
130	Other financial corporations	44,148,508	41,730,602	2,417,906	-	-	-	538,975	[182,342]	[356,632]	-	-	-	-	-	-
140	Non-financial corporations	83,611,000	79,254,237	4,356,763	-	-	-	329,803	[250,962]	[78,841]	-	-	-	-	-	-
150	Off-balance sheet exposures	152,065,764	152,065,764	-	-	-	-	1,201,185	1,201,185	-	-	-	-		136,975,108	-
160	Central banks	-	-	-	-	-	-	-	-	-	-	-	-		-	-
170	General governments	-	-	-	-	-	-	-	-	-	-	-	-		-	-
180	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-		-	-
190	Other financial corporations	60,903,315	60,903,315	-	-	-	-	3,861	3,861	-	-	-	-		58,960,646	-
200	Non-financial corporations	32,243,894	32,243,894	-	-	-	-	178,092	178,092	-	-	-	-		28,785,982	-
210	Households	58,918,555	58,918,555	-	-	-	-	1,019,232	1,019,232	-	-	-	-		49,228,481	-
220	Total	1,502,306,511	1,437,375,080	64,931,431	50,643,674	-	50,643,674	[-3,130,950]	12,262,6791	[868,271]	[3,357,979]	-	[3,357,979]	=	518,111,843	47,285,696

6.7.3 Changes in the stock of non-performing loans and advances

Template EU CR2: Changes in the stock of non-performing loans and advances

		Gross carrying amount
010	Initial stock of non-performing loans and advances	32,068,239.11
020	Inflows to non-performing portfolios	23,784,075.70
030	Outflows from non-performing portfolios	(5,208,640.52)
040	Outflows due to write-offs	(994,543.54)
050	Outflow due to other situations	(4,214,096.98)
060	Final stock of non-performing loans and advances	50,643,674.29

Template EU CR2a: Changes in the stock of non-performing loans and advances and related net accumulated recoveries

		Gross carrying amount	Related net cumulated recoveries
010	Initial stock of non-performing loans and advances	32,068,239.11	-
020	Inflows to non performing portfolios	23,784,075.70	-
030	Outflows from non-performing portfolios	(2,506,516.18)	-
040	Outflow to performing portfolio	-	-
050	Outflow due to loan repayment, partial or total	(681,476.32)	(681,476.32)
060	Outflow due to collateral liquidations	-	-
070	Outflow due to taking possession of collateral	-	-
080	Outflow due to sale of instruments	-	-
090	Outflow due to risk transfers	-	-
100	Outflows due to write-offs	(994,543.54)	-
110	Outflow due to Other Situations	(1,026,104.48)	-
120	Outflow due to reclassification as held for sale	-	-
130	Final stock of non-performing loans and advances	50,643,674.29	-

6.7.4 Credit quality of performing and non-performing exposures

TEMPLATE EU CQ3 – CREDIT QUALITY OF PERFORMING AND NON-PERFORMING EXPOSURES BY PAST DUE DAYS

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount / Nominal amount											
		Performing exposures			Non-performing exposures								
Not past due or Past due < 30 days	Past due > 30 days < 90 days		Unlikely to pay that are not past-due or past-due < = 90 days	Past due > 90 days <= 180 days		Past due > 180 days < =1 year	Past due > 1 year <= 2 years	Past due > 2 year <= 5 years	Past due > 5 year <= 7 years	Past due > 7 years	Of which defaulted		
005	Cash balances at central banks and other demand deposits	460,969,092	460,969,092	-	-	-	-	-	-	-	-	-	-
010	Loans and advances	480,343,175	480,343,175	-	50,643,674	37,664,066	5,749,150	5,270,019	-	1,960,439	-	-	50,643,674
020	Central banks	-	-	-	-	-	-	-	-	-	-	-	-
030	General governments	-	-	-	-	-	-	-	-	-	-	-	-
040	Credit institutions	6,536,100	6,536,100	-	-	-	-	-	-	-	-	-	-
050	Other financial corporations	65,218,599	65,218,599	-	9,189,586	1,531,924	5,697,722	-	-	1,960,439	-	-	9,189,586
060	Non-financial corporations	158,043,645	158,043,645	-	9,233,101	3,963,081		5,270,019	-	-	-	-	9,233,101
070	Of which SMEs	-	-	-	-	-	-	-	-	-	-	-	-
080	Households	250,544,831	250,544,831	-	32,220,988	32,169,060	51,928	-	-	-	-	-	32,220,988
090	Debt Securities	408,928,480	408,928,480	-	-	-	-	-	-	-	-	-	-
100	Central banks	5,108,754	5,108,754	-	-	-	-	-	-	-	-	-	-
110	General governments	112,289,026	112,289,026	-	-	-	-	-	-	-	-	-	-
120	Credit institutions	163,771,193	163,771,193	-	-	-	-	-	-	-	-	-	-
130	Other financial corporations	44,148,508	44,148,508	-	-	-	-	-	-	-	-	-	-
140	Non-financial corporations	83,611,000	83,611,000	-	-	-	-	-	-	-	-	-	-
150	Off-balance sheet exposures	152,065,764	-	-	-	-	-	-	-	-	-	-	-
160	Central banks	-			-								-
170	General governments	-			-								-
180	Credit institutions	-			-								-
190	Other financial corporations	60,903,315			-								-
200	Non-financial corporations	32,243,894			-								-
210	Households	58,918,555			-								-
220	Total	1,502,306,511	1,350,240,747	-	50,643,674	37,664,066	5,749,150	5,270,019	-	1,960,439	-	-	50,643,674

6.7.5 Quality of non-performing exposures by geography

TEMPLATE EU CQ4 – QUALITY OF NON-PERFORMING EXPOSURES BY GEOGRAPHY

		a	B	c	d	e	f	g
		Gross carrying / Nominal amount				Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing	of which: defaulted	Of which: subject to impairment			
010	On balance sheet exposures	50,643,674	50,643,674	50,643,674		[3,357,979]		
020	GB	22,888,176	22,888,176	22,888,176		[56,238]		
030	FR	21,861,481	21,861,481	21,861,481		[960,931]		
040	LU	2,022,457	2,022,457	2,022,457		[623,103]		
050	SA	1,655,319	1,655,319	1,655,319		[1]		
060	VG	1,428,545	1,428,545	1,428,545		[1,428,545]		
070	Other countries	787,697	787,697	787,697		[289,160]		
080	Off balance sheet exposures	-	-	-			-	
150	TOTAL	50,643,674	50,643,674	50,643,674		[3,357,979]		

6.7.6 Credit quality of loans and advances by industry

TEMPLATE EU CQ5 – CREDIT QUALITY OF LOANS AND ADVANCES TO NON-FINANCIAL CORPORATIONS BY INDUSTRY

		a	B	c	d	e	f
		Gross carrying			Of which: loans and advances subject to impairment	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing	of which: defaulted			
010	Agriculture, forestry and fishing						
020	Mining and quarrying						
030	Manufacturing	3,355,734			3,355,734	(1)	
040	Electricity, gas, steam and air conditioning supply						
050	Water supply						
060	Construction	3,001,021			3,001,021.07		
070	Wholesale and retail trade	1,675			1,675		
080	Transport and storage	205			205		
090	Accommodation and food service activities						
100	Information and communication	485,556			485,556		
110	Real estate activities	44,613,140			44,613,140	(1,310)	
120	Financial and insurance activities	115,660,144	9,075,147	9,075,147	115,660,144	(1,227,428)	
130	Professional, scientific and technical activities	159,269	157,954	157,954	159,269	(157,954)	
140	Administrative and support service activities						
151	Public administration and defense, compulsory social security						
160	Education						
170	Human health services and social work activities						
180	Arts, entertainment and recreation						
190	Other services						
200	TOTAL	167,276,745	9,233,101	9,233,101	167,276,745	(1,386,869)	

6.7.7 Quality of forborne exposures

TEMPLATE EU CQ1: CREDIT QUALITY OF FORBORNE EXPOSURES

		a	b	c	d	e	f	g	h
		Gross carrying amount/ Nominal amount of exposures with forbearance measures		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collaterals received and financial guarantees received on forborne exposures			
		Performing forborne	Non-performing forborne	Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures	Of which: Collateral and financial guarantees received on non-performing exposures with forbearance measures	
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	-	-	-	-	-	-	-	-
020	Central banks	-	-	-	-	-	-	-	-
030	General governments	-	-	-	-	-	-	-	-
040	Credit institutions	-	-	-	-	-	-	-	-
-050	Other financial corporations	5,116,845	-	-	-	(447)	-	5,116,399	-
060	Non-financial corporations	-	-	-	-	-	-	-	-
070	Households	18,136,036	25,153,944	25,153,944	-	(161)	(4,044)	43,285,776	36,479,913
080	Debt Securities	-	-	-	-	-	-	-	-
090	Loan commitments given	-	-	-	-	-	-	-	-
100	Total	23,252,881	25,153,944	25,153,944	-	(607)	(4,044)	48,402,174	36,479,913

TEMPLATE EU CQ2 – QUALITY OF FORBEARANCE

		Gross carrying amount of forborne exposures
10	Loans and advances that have been forborne more than twice	N/A
20	Non-performing forborne loans and advances that failed to meet the non-performing exit criteria	N/A

6.8 COUNTERPARTY CREDIT RISK

In the application of Article 439 (f), (g), (k) and (m) in the CRR, the following table shows the methods used for calculating the regulatory requirements for CCR exposure including the main parameters for each method.

TEMPLATE EU CCR1 – ANALYSIS OF CCR EXPOSURE BY APPROACH

		a	b	c	d	e	f	g	h
(in EUR million)		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU1	EU - Original Exposure Method (for derivatives)								
EU2	EU - Simplified SA-CCR (for derivatives)								
1	SA-CCR (for derivatives)	13.21	7.41	28.87	1.4	27.52	25.76	25.76	25.76
2	IMM (for derivatives and SFTs)								
2a	Of which securities financing transactions netting sets								
2b	Of which derivatives and long settlement transactions netting sets								
2c	Of which from contractual cross-product netting sets								
3	Financial collateral simple method (for SFTs)								
4	Financial collateral comprehensive method (for SFTs)								
5	VaR for SFTs								
6	Total	13.21	7.41	28.87	1.4	27.52	25.76	25.76	25.76

6.8.1 Standardised approach - CCR exposures by exposure class and risk weight

In the application of Article 444 (e) in the CRR, the following table provides the counterparty credit risk exposures under the Standardised approach broken down by risk weights and regulatory exposure classes.

TEMPLATE EU CCR3 – STANDARDISED APPROACH – CCR EXPOSURES BY REGULATORY EXPOSURE CLASS AND RISK WEIGHTS

Exposure classes		a	b	c	d	e	f	g	h	i	j	k	l
		Risk weight											Total exposure value
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	
1	Central governments or central banks	347,317,771	-	-	-	14,606,322	10,289,550	-	-	355,622	522	-	372,569,787
2	Regional government or local authorities	17,085,838	-	-	-	-	-	-	-	-	-	-	17,085,838
3	Public sector entities	39,803,091	-	-	-	-	-	-	-	-	-	-	39,803,091
4	Multilateral development banks	21,829,658	-	-	-	-	-	-	-	-	-	-	21,829,658
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	30,869,025	-	-	-	172,385,157	66,379,120	-	-	17,089,049	-	-	286,722,351
7	Corporates	9,885,069	-	-	-	9,163,304	37,616,410	-	-	428,284,804	-	-	484,949,588
8	Retail	-	-	-	-	-	-	-	-	50,802,289	-	-	50,802,289
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items	1,534,762	-	-	27,832,580	-	-	-	-	31,854,365	-	-	61,221,707
11	Total exposure value	468,325,215	-	-	27,832,580	196,154,782	114,285,080	-	-	528,386,129	522	-	1,334,984,309

6.9 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 Bank 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 Bank is engaged in forward foreign exchange transactions (swaps, outright) 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 Bank into relevant maturity buckets.

The Bank 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 CRR 2 regulation and the Standard Approach .

As at 31st December 2022, over-the-counter derivative financial assets and liabilities are analysed as follows (in EUR):

INSTRUMENT CLASS	CONTRACT / NOTIONAL AMOUNT (EUR)	LESS THAN THREE MONTHS		BETWEEN THREE MONTHS AND ONE YEAR		BETWEEN ONE YEAR AND FIVE YEARS		TOTAL	
		FINANCIAL ASSETS	FINANCIAL LIABILITIES	FINANCIAL ASSETS	FINANCIAL LIABILITIES	FINANCIAL ASSETS	FINANCIAL LIABILITIES	FINANCIAL ASSETS	FINANCIAL LIABILITIES
FOREIGN EXCHANGE									
OTC									
- Forward currency contracts	72 495 190	464 312	[536 490]	84 633	[146 760]	-	-	548 945	[683 250]
- Currency swap contracts	933 981 057	8 395 882	[7 817 109]	34 298	[66 632]	-	-	8 430 180	[7 883 741]
- Options	5 178 610	657 503	[657 503]	8 528	[8 528]	-	-	666 031	[666 031]
Exchange-traded									
- Futures	9 271 034	59 922	[59 922]	-	-	-	-	59 922	[59 922]
EQUITIES									
OTC									
- Contracts for difference	5 973 626	1 670 837	[26 661]	-	-	-	-	1 670 837	[26 661]
Exchange-traded									
- Options	4 419 158	358 056	[358 056]	587 629	[587 629]	-	-	945 685	[945 685]
- Futures	-	-	-	-	-	-	-	-	-
INDEX									
Exchange-traded									
- Futures	19 722 267	337 008	[337 008]	-	-	-	-	337 008	[337 008]
- Options	13 322 485	578 429	[578 429]	1 174 626	[1 174 626]	-	-	1 753 055	[1 753 055]
COMMODITY									
Exchange-traded									
- Futures	164 156 758	3 047 715	[3 074 715]	17 328	[17 328]	-	-	3 065 043	[3 065 043]
INTEREST									
Exchange-traded									
- Futures	126 710 026	1 501 429	[1 501 429]	-	-	-	-	1 501 429	[1 501 429]

7. ASSET ENCUMBRANCE

The disclosure requirements in Article 443 of the CRR are specified in the EBA Guidelines on the disclosure of encumbered and unencumbered assets (the EBA Guidelines 2014/03). The following tables illustrate the required information:

TEMPLATE EU AE1 – ENCUMBERED AND UNENCUMBERED ASSETS

		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	050	060	080	090	100
010	Assets of the reporting institution	100,984,320				1,362,781,912			
030	Equity instruments					4,400,034		4,400,034	
040	Debt securities	100,984,320	100,984,320	100,984,320		313,604,849		313,604,849	
050	of which: covered bonds	12,116,750	12,116,750	12,116,750		6,961,532		6,961,532	
060	of which: securitisations								
070	of which: issued by general governments	25,874,409	25,874,409	25,874,409		39,467,737		39,467,737	
080	of which: issued by financial corporations	38,191,218	38,191,218	38,191,218		77,828,884		77,828,884	
090	of which: issued by non-financial corporations	24,801,942	24,801,942	24,801,942		10,028,058		10,028,058	
120	Other assets					1,044,777,029			

TEMPLATE EU AE2 – COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED

		Fair value of encumbered collateral received or own debt securities issued		Fair value of collateral received or own debt securities issued available for encumbrance	
		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA	
		010	030	040	060
130	Collateral received by the disclosing institution	100,984,320	25,867,337		
140	Loans on demand				
150	Equity instruments				
160	Debt securities	100,984,320	25,867,337		
170	of which: covered bonds				
180	of which: securitisations				
190	of which: issued by general governments				
200	of which: issued by financial corporations				
210	of which: issued by non-financial corporations				
220	Loans and advances other than loans on demand				
230	Other collateral received				
240	Own debt securities issued other than own covered bonds or securitisations				
241	Own covered bonds and securitisation issued and not yet pledged				
250	TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	100,984,320	25,867,337		

TEMPLATE EU AE3 – SOURCES OF ENCUMBRANCE

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
		010	030
010	Carrying amount of selected financial liabilities	100,984,320	-

The largest part of encumbered assets amounting to EUR 101 Mio consists of bond portfolio's eligible assets. All the securities that has been lent to the Banque Centrale de Luxembourg in an operation of repurchase agreement.

8. MARKET RISK

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

The Bank's market risk policy is to keep firm track of the market risk embedded in the Bank'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 levels in the Bank'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 the Treasury Risk Control Unit, Risk Function and the ALCO. It is subject to limits defined in the Group Liquidity Policy. 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 the Treasury & Execution Department, its Treasury Risk Control Unit, and the Risk Function and is subject to limits defined in the Group Liquidity Policy.

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 Interest Rate Risk in the Banking Book ("IRRBB") Policy.

8.1 FOREIGN EXCHANGE RISK

The Bank 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 Group Liquidity Policy 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.

8.2 INTEREST RATE RISK

The Interest risk is measured through the IRRBB Policy. 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 shifts considered are positive and negative parallel shifts of 200 basis points and additional standard shocks corresponding to scenarios 1 to 6 set out in Annex III of "EBA/GL/2018/02" guidelines. Floors as defined by the same guidelines are applied.

The risk is measured in terms of impact on the economic value.

The IRRBB Policy, limits the interest rate risk per currency and globally (sum of the impacts), in compliance with circular CSSF 08/338 as amended by circulars CSSF 16/642 and CSSF 20/762, the aforementioned 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	(2,107,176)	2,628,098	(2,516,133)	2,353,158	(985,870)	1,073,738	(283,955)	(242,548)

As per end of 2022, the Bank is sensitive to a positive parallel shift, which would generate a negative impact of EUR 2.5 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 PARALLEL UP	LOANS & DEPOSITS	INVESTMENT PORTFOLIO	OFF-BALANCE	TOTAL EUR
EUR	1'817'353	(8'869'600)	4'386'266	(2'665'981)
GBP	(26'119)	(308'209)	-	(334'328)
USD	3'998'620	(4'066'027)	-	(67'407)
CHF	1'011'589	(310'205)	-	(701'384)
Other Currencies	524'758	(65'233)	-	(459;525)
TOTAL	7'326'201	(13'619'273)	4'386'266	(1'906'807)

8.3 LIQUIDITY RISK

LIQUIDITY RISK FRAMEWORK

The 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. The Liquidity risk is categorized into two risk types:

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

The Group Liquidity Policy – approved by the BoD- sets out the Bank's policy towards liquidity and sets the framework and objectives for the Bank's treasury operations.

In the preparation of the Group Liquidity Policy, and in defining the liquidity risk limits, the Bank has taken note of 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 Bank also follows the CSSF Circular 2007/301 as amended by the circular CSSF 08/338, CSSF 09/403, CSSF 11/506, CSSF 13/568 and CSSF 20/753 on implementation of the Internal Capital Adequacy Process, the CSSF Circular 12/538 on Lending in foreign currencies, the CSSF Circular 12/552 as amended by Circulars CSSF 13/563, 14/597, 16/642, 16/647, 17/655, 20/750, 20/759, 21/785 and 22/807, on Central administration, internal governance and risk management and

the CSSF Circular 13/574 on the Management of Concentration risk.

The Group Liquidity Policy is the cornerstone of the Bank'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 BoD.

The Bank 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.

The 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.

8.3.1 Contingency Funding Plan

The Bank Contingency Funding Plan ("CFP") sets out the Bank'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 Bank 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 CFP also sets liquidity risk limits on some major liquidity metrics.

8.3.2 Structure and organisation

The Liquidity Management is part of the Bank's governance set-up. The main actor of the liquidity management is the Treasury Department, which encompasses the Treasury & Execution, as well as the Treasury Risk Control departments.

The liquidity is managed by the head office's Treasury team. The Branches & Subsidiaries have however to fulfil the liquidity criteria imposed by the local regulators.

The responsibility for monitoring liquidity lies with the Treasury department, as well as with the Risk department. The Risk Management monitors and oversees the liquidity risk exposures from the second line of defence perspective.

At higher level, the ALCO plays an important role as it gathers the information from all the departments (Private Banking, Institutional Banking, Credit and Treasury) on the forthcoming cash flows.

The BoD is in charge of the Group Liquidity Policy's approval, which is regularly reviewed to be aligned with the Bank's Risk Appetite, economic and financial positions or any significant change that affects the Bank. The BoD also approves assigned risk limits.

The BoD, with the support of the Group Audit, Risk and Compliance Committee, monitors the performance of the Bank's Liquid Assets, Key Risk Indicators and risk limits utilization by receiving reports that are timely and sufficiently detailed to allow a fair assessment of the risk facing the Bank.

8.3.3 Liquidity risk appetite

In order to meet its business model, the Bank aims to maintain a strong liquidity position through retaining a high level of customer deposits and a high quality liquidity reserve. The Management Body recognizes that it is of the utmost importance to maintain conservative liquidity ratios to demonstrate the financial conservatism of the Bank, which is strategically key for the private banking activity.

The Bank recognises a low risk appetite toward Liquidity Risk. This high-level risk appetite is translated into risk appetite metrics, against which quantitative boundaries are set such that the Bank is able to measure whether or not it is within its appetite, approved by the BoD through the Risk Appetite Statement, at any given time.

8.3.4 Reporting and measurement systems

Regular internal reporting have been established for Management Bodies in order to manage the liquidity on a continuing way.

The Treasury department can monitor in real-time the cash position of the Bank's nostro accounts with a projection of the cash position for the next 10 days. They also monitor on a daily basis the key liquidity metrics and the gap analysis.

An overview of the liquidity key metrics and a gap analysis is sent daily to the ALCO members.

The Risk Management performs the second line of defense on liquidity risk. A weekly Group Liquidity Report is produced and analysed including a Gap Analysis, and Key Liquidity Metrics.

TEMPLATE EU LIQ1 – QUANTITATIVE INFORMATION OF LCR

		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on	31 December 2022	30 September 2022	30 June 2022	31 March 2022	31 December 2022	30 September 2022	30 June 2022	31 March 2022
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA), after application of haircuts in line with Article 9 of regulation (EU) 2015/61	553,754,637	533,230,220	534,764,570	526,914,238	528,183,539	508,964,914	510,816,268	491,321,649
CASH-OUTFLOWS									
2	retail deposits and deposits from small business customers, of which:	452,946,758	457,171,935	420,233,992	408,856,826	156,432,569	157,977,101	43,193,174	54,327,750
3	<i>Stable deposits</i>	70,703,241	71,119,065	71,144,065	70,007,736	3,535,162	3,555,953	3,557,203	3,500,387
4	<i>Less stable deposits</i>	382,243,517	386,052,870	349,089,926	338,849,090	152,897,407	154,421,148	139,635,971	50,827,363
5	Unsecured wholesale funding	545,760,546	635,787,258	669,563,509	765,493,901	293,230,690	325,760,816	312,888,082	405,122,265
6	<i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>	51,318,255	74,919,643	78,855,561	98,085,876	12,829,564	18,729,911	19,713,890	24,521,469
7	<i>Non-operational deposits (all counterparties)</i>	494,442,291	560,867,615	590,707,948	667,408,025	280,401,126	307,030,906	293,174,192	380,600,796
8	<i>Unsecured debt</i>	-	-	-	-	-	-	-	-
9	<i>Secured wholesale funding</i>	-	-	-	-	-	-	-	-
10	Additional requirements	10,305,421	4,869,328	2,508,961	5,865,723	10,305,421	4,869,328	2,508,961	5,865,723
11	<i>Outflows related to derivative exposures and other collateral requirements</i>	10,305,421	4,869,328	2,508,961	5,865,723	10,305,421	4,869,328	2,508,961	5,865,723
12	<i>Outflows related to loss of funding on debt products</i>	-	-	-	-	-	-	-	-
13	<i>Credit and liquidity facilities</i>	-	-	-	-	-	-	-	-
14	Other contractual funding obligations	161,635,867	188,493,590	125,315,337	97,610,763	21,983,569	24,411,359	18,317,215	15,507,038
15	Other contingent funding obligations	57,230,233	50,765,955	61,544,518	57,545,067	-	-	-	-
16	TOTAL CASH OUTFLOWS	1,227,878,825	1,337,088,066	1,279,166,318	1,335,372,280	481,952,249	513,018,604	476,907,432	480,822,776
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	383,458,164	478,633,738	480,502,198	487,135,560	261,328,685	280,275,427	268,878,031	333,439,334
19	Other cash inflows								

Eu-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)								
Eu-19b	(Excess inflows from a related specialised credit institution)								
20	TOTAL CASH INFLOWS	383,458,164	478,633,738	480,502,198	487,135,560	261,328,685	280,275,427	268,878,031	333,439,334
EU-20a	Fully exempt inflows								
EU-20b	Inflows subject to 90% cap								
EU-20c	Inflows subject to 75% cap								
TOTAL ADJUSTED VALUE						261,328,685	280,275,427	268,878,031	333,439,334
21	LIQUIDITY BUFFER					528,183,539	508,964,914	510,816,268	491,321,649
22	TOTAL NET CASH OUTFLOWS					220,623,565	232,743,177	208,029,402	147,383,442
23	LIQUIDITY COVERAGE RATIO					239.40%	218.68%	245.55%	333.36%

TEMPLATE EU LIQ2: NET STABLE FUNDING RATIO

		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments				153,262,740	153,262,740
2	Own funds				153,262,740	153,262,740
3	Other capital instruments					
4	Retail deposits		483,025,081	17,546,465		454,136,118
5	Stable deposits		72,215,844	218,701		68,812,817
6	Less stable deposits		410,809,237	17,327,764		385,323,301
7	Wholesale funding:		749,634,524	4,170,400		288,341,697
8	Operational deposits					
9	Other wholesale funding		749,634,524	4,170,400		288,341,697
10	Interdependent liabilities					
11	Other liabilities:		20,967,116		10,858,141	10,858,141
12	NSFR derivative liabilities					
13	All other liabilities and capital instruments not included in the above categories					
14	Total available stable funding (ASF)					906,598,697

		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 yr	≥ 1yr	
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool					
16	Deposits held at other financial institutions for operational purposes					
17	Performing loans and securities:		25,571,098			
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut					
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions					
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:					
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk					
22	Performing residential mortgages, of which:		85,031,334	44,585,301	123,897,115	145,341,442
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		85,031,334	44,585,301	123,897,115	145,341,442
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		372,387,833		53,275,696	157,696,759
25	Interdependent assets					
26	Other assets:		36,352,743			18,176,372
27	Physical traded commodities					
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs					

29	NSFR derivative assets		2,123,118		2,123,118
30	NSFR derivative liabilities before deduction of variation margin posted				
31	All other assets not included in the above categories		8,241,706	32,229,418	124,597,158
32	Off-balance sheet items				126,798,171
33	Total RSF				475,706,959
34	Net Stable Funding Ratio (%)				190.58%

8.3.5 Risk measurement

The Bank has selected a set of indicators to assess the Bank's resilience to liquidity risk. These indicators includes liquidity ratios and liquidity gaps.

In addition to the LCR and NSFR, the bank performs a Liquidity Stress Test based on the cumulative liquidity gap, and computes metrics such as Repo Line Utilisation, loans/deposits ratio, FX asymmetry, Cumulative Liquidity Gap per time bucket < 1Y, Liquidity Portfolio on Liquid Assets, Concentration risk on Source of funding, Off-Balance sheet and Contingent Funding Obligations, Estimated Collateral Outflows as per HLBA method.

8.3.6 Hedging and mitigating

Liquidity management guidelines are defined in the Group Liquidity Policy. In order to meet the objectives described above, the Bank has to keep sufficient liquidity sources by retaining access to funding and by possessing liquid assets.

The Bank monitors its obligations and commitments by estimating the cash flows emanating from all assets and liabilities up to different maturities and by setting limits to the available liquidity in relation to the estimated liquidity requirements. This monitoring is done for the whole balance sheet as well as for liquidity positions in each currency. Available overall liquidity per maturity should be large enough to cover expected obligations for the next 12 months.

The Bank does not plan to have access to wholesale funding and avoid de facto any concentration risk towards wholesale funding. The main funding concentration risk of the Bank is the concentration risk towards large clients.

The Bank is active in multiple countries and manages multiple currencies. As the Bank has no access to external source of funding, the Bank has put in place limits on unbalance on currency position (FX asymmetry) to avoid extensive use of FX swap that could translate into asset liquidity risk in case of systemic crisis.

The Bank establishes limits between intra-group lending to avoid excessive intra-group concentration.

9. OPERATIONAL RISK

The 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 Bank.

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 Bank (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 BoD 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 & Compliance Committee (RCC); and
- 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 BoD.

When deemed necessary, the RCC advises the MCO 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 RCC 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 RCC 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.

The following table presents own funds requirement for operational risk as at 31st December 2022.

TEMPLATE EU OR1 – OPERATIONAL RISK OWN FUNDS REQUIREMENTS AND RISK-WEIGHTED EXPOSURE AMOUNTS

Banking activities		a	B	c	d	e
		Relevant indicator			Own funds requirement	Risk exposure amount
		Year-3	Year-2	Last year		
1	Banking activities subject to basic indicator approach (BIA)	47,300,806	46,793,205	41,877,518	6,798,576	84,982,206
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches					
3	<u>Subject to TSA:</u>					
4	<u>Subject to ASA:</u>					
5	Banking activities subject to advanced measurement approaches AMA					

10. OTHER RISKS

10.1 SETTLEMENT RISK

The 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 Group Liquidity Policy – sets out the settlement limits for each broker. The Compliance and Risk functions must endorse any request for a new permanent counterparty made to the ALCO and ratified by the BoD. 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 settlement of operations, which are past due.

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.

The 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 the Head of Treasury & Execution Department for action if needed.

The 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.

10.2 SECURITISATION RISK

The Bank does not have any securitisation risk.

10.3 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.

10.4 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.

10.5 LEGAL & COMPLIANCE RISK

10.5.1 Definition

The Bank 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 Bank and ii) the risk of legal or regulatory sanctions, material loss or loss to reputation, the Bank 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.

10.5.2 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-exhaustive list of the relevant policies and procedures:

- Compliance Function Charter
- Code of Conduct
- Code of Conduct for dealing activities Procedure
- Anti-Fraud Policy
- Whistleblowing Policy
- Conflict of Interest Policy
- Remuneration Policy
- Market Abuse Policy
- Financial Crime Compliance Policy
- Financial Crime Risk Rating Policy
- Data Protection Policy

- Cross-border Policy
- Client Due Diligence Procedure
- Complaints Handling Procedure
- New Counterparty and Counterparty Periodical Review Procedure
- Data Protection Impact Assessment Procedure
- Personal Data Breach Management and Notification Procedure

10.5.3 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 BoD, the Authorised Management, the MCO 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 Bank may be exposed to:

- Review of (draft) agreements and statements to be signed and executed by the Bank, 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 Bank;
- Risk and legal disclosures on external documents. This may include the drafting of disclaimers on presentations by the Bank to clients or business partners;
- Systematic review of the legal aspects of collaterals in credit transactions (e.g., mortgages, guarantees, pledges); and
- 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 Bank may suffer.

10.5.4 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; and
- Banking secrecy.

At a functional level, the Group Chief Compliance Officer have a role, in respect of their relevant responsibilities, of risk prevention and mitigation, advice and control.

Prevention and mitigation of risk 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.

10.5.5 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.

11. RISK MITIGATION TECHNIQUES

In accordance with the CSSF Circular 06/273 as modified and the EU CRR afterwards, the Bank 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 Bank 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, International organisations, Corporates, Institutions, Retail, Secured by mortgages on immovable property, Exposures in default, Exposures associated with particularly high risk Covered bonds, Institutions and corporates with a short-term credit assessment, Collective investment undertakings, Equity exposure and Other items.

TEMPLATE EU CR3 – CRM TECHNIQUES OVERVIEW : DISCLOSURE OF THE USE OF CREDIT RISK MITIGATION TECHNIQUES

		Unsecured carrying amount	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivative ³
1	Loans and advances	102,564,419	428,422,431			
2	Debt Securities	392,943,007				
3	Total	495,507,426	428,422,431			
4	Of which non-performing exposures		50,643,674			
EU-5	Of which defaulted		50,643,674			

TEMPLATE EU CR4 – STANDARDISED APPROACH – CREDIT RISK EXPOSURE AND CRM EFFECTS

Exposure classes		Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		On balance-sheet exposures	Off-balance-sheet exposures	On balance-sheet exposures	Off-balance-sheet exposures	RWEA	RWEA density (%)
		a	b	c	d	e	f
1	Central governments or central banks	372,809,189		372,569,787		8,422,444	1.89%
2	Regional government or local authorities	17,085,838		17,085,838		-	0.00%
3	Public sector entities	39,803,091		39,803,091		-	0.00%
4	Multilateral development banks	21,829,658		21,829,658		-	0.00%
5	International organisations						
6	Institutions	286,722,351		286,641,103		84,739,391	18.97%
7	Corporates	354,297,977	119,885,459	225,352,531		189,328,613	42.39%
8	Retail	18,598,427	32,111,918	8,764,043		8,764,043	1.96%
9	Secured by mortgages on immovable property	256,883,545	60,000	224,156,705		79,585,349	17.82%
10	Exposures in default	39,179,286		35,522,724		40,873,254	9.15%
11	Exposures associated with particularly high risk						0.00%
12	Covered bonds	27,842,896		27,832,580		2,783,258	0.62%
13	Institutions and corporates with a short-term credit assessment						0.00%
14	Collective investment undertakings						0.00%
15	Equity	250,838		250,838		250,838	0.06%
16	Other items	33,389,127		33,389,127		31,854,365	7.13%
17	TOTAL	1,468,692,211	152,057,377	1,293,198,024		446,601,555	100.00%

TEMPLATE EU CR5 – STANDARDISED APPROACH

	Exposure classes	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
		Risk weight																
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Total	Of which unrated
1	Central governments or central banks	347,317,771	-	-	-	14,606,322	-	10,289,550	-	-	355,622	522	-	-	-	-	-	-
2	Regional government or local authorities	17,085,838	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	39,803,091	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	21,829,658	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	30,869,025	-	-	-	172,385,157	-	66,379,120	-	-	17,089,049	-	-	-	-	-	-	-
7	Corporates	9,885,069	-	-	-	9,163,304	-	37,616,410	-	-	428,284,804	-	-	-	-	-	-	-
8	Retail	-	-	-	-	-	-	-	-	-	50,802,289	-	-	-	-	-	-	-
9	Secured by mortgages on immovable property	-	-	-	-	-	249,019,621	7,923,923	-	-	-	-	-	-	-	-	-	-
10	Exposures in default	-	-	-	-	-	-	-	-	-	28,299,030	10,880,256	-	-	-	-	-	-
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Covered bonds	-	-	-	27,832,580	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Unit or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity	-	-	-	-	-	-	-	-	-	250,838	-	-	-	-	-	-	-
16	Other items	1,534,762	-	-	-	-	-	-	-	-	31,854,365	-	-	-	-	-	-	-
17	TOTAL	468,325,215	-	-	27,832,580	196,154,782	249,019,621	122,209,003	-	-	556,935,996	10,880,779	-	-	-	-	-	-

11.1 ASSESSMENT AND MANAGEMENT OF COLLATERAL

The Bank aims to establish credit exposures with Private Clients and Corporate Clients on a collateralised basis only. It is therefore of high importance for the Bank, 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 Group Credit Policy, the Bank 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.

TEMPLATE EU CQ6 – COLLATERAL VALUATION – LOANS AND ADVANCES

		a	b	c	d	e	f	g	h	i	j	k	l
	Loans and advances												
			Performing	Non-performing									
				Of which past due > 30 days <= 90 days		Unlikely to pay that are not past due or past due <= 90 days	Past due > 90 days						
								of which Past due > 90 days <= 180 days	of which Past due > 180 days <= 1 year	of which Past due > 1 years <=2 years	of which Past due > 2 years <=5 years	of which Past due > 5 years <=7 years	of which Past due > 7 years
010	Gross carrying amount	530,986,849	480,343,175		50,643,674	37,664,066	12,979,609	5,749,150	5,270,019		1,960,439		
020	Of which: secured												
030	Of which: secured with Immovable property												
040	Of which: instruments with LTV higher than 60% and lower or equal to 80%												
050	Of which: instruments with LTV higher than 80% and lower or equal to 100%												
060	Of which: instruments with LTV higher than 100%												
070	Accumulated impairment for secured assets												
080	Collateral												

090	<i>Of which value capped at the value of exposure</i>			
100	<i>Of which: Immovable property</i>			
110	<i>Of which value above the cap</i>			
120	<i>Of which: Immovable property</i>			
130	Financial guarantees received	428,422,431	381,136,735	47,285,696
140	Accumulated partial write-off			

11.1.1 Lombard valuation table

All Lombard credits approved by the GCC 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.

11.1.2 Collateral management with counterparties

The Bank performs repo/reverse repos with counterparties, with whom the Bank 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.

12. INFORMATION ON BONDS AND SHARES NOT INCLUDED IN TRADING PORTFOLIO

As at 31st December 2022, the Bank's shares and others variable-yield transferable securities can be analysed as follows:

SHARES AND OTHER VARIABLE-YIELD TRANSFERABLE SECURITIES EUR AMOUNTS	
Securities quoted on a recognised market	4,287,424
Securities not quoted on a recognised market	54,511
TOTAL	4,335,935

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

As per 31st December 2022, the Bank holds 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 of 4 286 710 (2021: EUR 2 938 090).

Next to its equity portfolio, as at 31st December 2022 the Bank fixed income portfolio can be summarized as follow:

DEBT SECURITIES AND OTHER FIXED-INCOME SECURITIES EUR AMOUNTS	
Securities quoted on a recognised market	413,886,150
Securities not quoted on a recognised market	17,468,384
TOTAL	431,354,534

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

As at 31st December 2022, the Bank is committed in sale and repurchase agreements with a firm repurchase obligation. As at December 31st, 2022, the drawing of repurchase line amounted to EUR 25 000 000, (2021: EUR 80 000 000).

13. REMUNERATION POLICY

We refer to our Group Remuneration Policy (the “Policy”) as published on the website of the Bank in its full version.

13.1 GOVERNANCE STRUCTURE ON REMUNERATION MATTERS

13.1.1 Board of Directors

The Board of Directors has the final decision making authority in remuneration matters (subject to compliance with applicable rules on conflicts of interest).

The shareholders’ meeting decides on Board related remuneration.

13.1.2 Group Nomination and Remuneration Committee (“NRC”)

The NRC supports the Board in adopting and maintaining the remuneration policies, overseeing its implementation to ensure it is fully operating as intended.

The points of attention for the NRC are:

- Review the appointment of external remuneration consultants that the supervisory function may decide to engage for advice or support;
- Ensure the adequacy of the information provided to shareholders on remuneration policies and practices, in particular on a proposed higher maximum level of the ratio between fixed and variable remuneration;
- Assess the mechanisms and systems adopted to ensure that the remuneration system properly takes into account all types of risks, liquidity and capital levels and that the overall remuneration policy is consistent with and promotes sound and effective risk management and is in line with the business strategy, objectives, corporate culture and values and the long-term interest of the institution;
- Define and assess the achievement of performance targets by the authorised management and internal control functions and the need for ex post risk adjustment, including the application of malus and clawback arrangements;
- Review a number of possible scenarios to test how the remuneration policies and practices react to external and internal events, and back-test the criteria used for determining the award and the ex-ante risk adjustment based on the actual risk outcomes;
- Approve the CEO scorecard, deriving from the strategic objectives defined by the Board of Directors;
- Review of the identification process and MRT (Material Risk Takers) list on a yearly basis;
- Be responsible for the preparation of decisions on remuneration to be taken by the BoD, in particular regarding the remuneration package of the members of the Management Committee and Head of Internal Control Functions;
- Approve any subsequent material exemptions made for individual staff member and changes to the remuneration policy and carefully consider and monitor their effects;
- Approves bonus and incentive payments following the rules implemented in the Policy;
- Ensure that the institution’s remuneration policies and practices are appropriately implemented and aligned with the institution’s overall corporate governance framework, corporate culture, risk appetite and the related governance processes; and
- Ensure that conflicts of interests with regard to the remuneration policy and remuneration awarded

should be identified and appropriately mitigated, including by establishing objective award criteria based on the internal reporting system, appropriate controls and the four eyes principle. The remuneration policy should ensure that no material conflicts of interest arise for staff in control functions.

The scope of authority of the NRC extends to the entities of the bank. For the Bank's subsidiaries, the NRC has a purely advisory function in such case. The local management of the relevant subsidiary is responsible to provide information to allow the Group Head of Internal Control Functions, and the NRC to perform its responsibilities.

2 NRCs were held in 2022. No external consultant assisted the NRCs in 2022.

Composition of the Remuneration Committee as at 31st December 2022:

- Christoph Mauchle (INED)
- Bernard Herman (INED)
- Antony Turner (INED)
- Venetia Lean

13.1.3 Group Audit, Risk & Compliance Committee ("ARC")

The duties of the ARC linked to the Remuneration Policy, without prejudice to the responsibilities of the NRC are:

- Controls the appropriateness of the benefits provided in the policies and remuneration practices, given the level of risk of the establishment, its own funds and internal liquidity reserves and regulatory as well as its profitability; and
- Reports to the Board as a whole the outcome of its risk deliberations, including its tolerance for current and future risks proposing the necessary measures to correct quickly noticed problems, deficiencies and irregularities.

13.1.4 Management Committee is responsible for:

The duties of the Management Committee linked to the Remuneration Policy, without prejudice to the responsibilities of the NRC are:

- Overseeing the implementation of the present Remuneration policy;
- Reviewing the Policy every year to ensure it is in line with the business strategy and risk profile of the Bank;
- Fostering a sound control environment over remuneration activity;
- Continuously monitoring the soundness and operating effectiveness of the remuneration control environment; and
- Communication to all staff of the remuneration policy.

13.1.5 Role of the Control Functions

The Group Heads of internal control functions must give their consent for any recruitment, dismissal and significant decisions regarding the remuneration of the heads of the control functions in the entities.

The Group Heads of internal control functions participate to the job description and the definition of the objectives of the Local Head of their respective functions, in line with the local CEOs.

They also participate to their yearly performance assessment, before final approval by the local Boards.

The Group Heads of Internal Control functions are responsible for checking the implementation process of the remuneration policy at different levels.

13.2 OBJECTIVES OF THE REMUNERATION POLICY

The Policy aims to set up a remuneration regime compatible with the business & risk strategy including objectives linked to ESG risks, values, long-term interests, sound, and effective risk management across all activities and entities of the Bank

The Policy aims to provide for an effective framework for performance measurement, risk adjustment and the linkages of performance to reward.

The Policy also aims to help the Bank attracting, retaining and motivating its talents.

Furthermore, the Policy is set up with the intention of protecting the interests of the clients of the Bank.

The directives, laws, guidelines, circulars of reference are the following:

- Directive (EU) 2019/878 (CRD V) of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures;
- Regulation (EU) 2019/876 of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012;
- 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);
- Final report on Guidelines on sound remuneration policies under Directive 2013/36/EU, published by the European Banking Authority (EBA) on July 2, 2021;
- EU Commission Delegated Regulation 2021/923 of 25 March 2021 supplementing Directive 2013/36/EU and specifying qualitative and quantitative criteria related to the definition of the Identified Staff;
- EBA Guidelines GL/2016/06 on remuneration policies and practices related to the sale and provision of retail banking products and services;
- The Law of 5 April 1993 on the financial sector, as modified (the “LSF”);
- All the opinions, guidelines and RTS of the European Banking Authority and CSSF Circulars related to remuneration, incl. Circulars 15/622 and 22/797;
- The CSSF Circular 12/552 on central administration, internal governance and risk management; and
- ESMA Guidelines on remuneration policies and practices (MiFID) ESMA/2013/606.

13.3 PROPORTIONALITY PRINCIPLE

In the light of the analysis of the articles 85 to 88 of the EBA Guidelines/2021/04 and the application of articles 92 (2) and 94 (3) of Directive 2013/36/EU as amended, as performed by the Risk Function, the Bank falls into the scope of the proportionality principle “among institutions”.

Indeed, the bank is not a large institution (as defined in point (146) of article 4(1) of Regulation (EU) No 575/2013) and the value of its assets is, on average and on an individual basis, less than EUR 5 billion over the four-year period immediately preceding the current financial year.

Thus, the Bank does not apply in its variable remuneration process the requirements set out in points (l), (m) and the second paragraph of point (o) of paragraph 1 of article 94 of Directive 2013/36/EU.

The results of the proportionality analyses are reported on a yearly basis to the Nomination and Remuneration Committee.

13.4 EMPLOYEE CATEGORIES

The Policy is applicable to all staff of all entities of the Bank.

The Policy describes more specifically requirements applicable to the following categories of employees within the Bank:

Members of the Management Committee: All members will have a scorecard deriving from the Bank's strategic priorities, with personalized weighting depending on their area of responsibilities. These scorecards will be approved every year by the BoD as recommended by the NRC. They will be assessed every year by the BoD as recommended by the NRC.

Control Functions: Heads of Internal Control Functions should be assessed by the NRC/BoD with input from the Authorized Manager in charge of the Internal Control Function. The Chair of the ARCC has the final say on these assessments to ensure the independence in the assessment process.

The remuneration of the employees in control functions should allow the institution to employ qualified and experienced personnel in these functions. Their remuneration should be predominantly fixed, to reflect the nature of their responsibilities.

The methods used for determining the variable remuneration of control functions, i.e. risk management, compliance and internal audit function, should not compromise staff's objectivity and independence.

Where control functions' staff receive variable remuneration, it should be appraised and the variable part of remuneration determined separately from the business units they control, including the performance which results from business decisions (e.g. new product approval) where the control function is involved.

Their variable remuneration is based on the quality and volume of the work performed and on the performance of the institution as a whole independently of any financial consideration linked to the business they control.

The criteria used for assessing the performance and risks should predominantly be based on the internal control functions objectives.

Material Risk Takers: The Bank has the responsibility to identify the members of staff whose professional activities have a material impact on the Bank's risk profile.

The Bank conducts annually a self-assessment in order to identify all staff whose professional activities have or may have a material impact on the institution's risk profile. The identification process is part of the overall remuneration policy of the institution. For Material Risk Takers it will be even more important to balance out the weighting of Qualitative and Quantitative criteria.

The self-assessment is based on the qualitative and quantitative criteria set out in Commission Delegated Regulation (EU) No 604/2014.

Relevant Person: A Relevant Person is being defined in the EBA Guidelines GL 2016/06 as any natural person who is:

- a) directly offering or providing banking products or services to consumers (i.e: our RMs)
- b) directly or indirectly managing a person referred to in point (a), i.e our Head of Private Banking

The criteria used for assessing the performance shall be:

- For the purpose of evaluating the performance of a relevant person, the Bank uses the appropriate criteria taking into account the rights and interests of consumers;
- These criteria are both qualitative and quantitative, and will not promote the offer or provision of a specific product or category of products over other products;
- The ratio between the fixed and variable components of the remuneration is appropriately balanced and takes into account the rights and interests of consumers; and
- Organisational measures adopted in the context of the launch of new products or services appropriately take into account the remuneration policies and practices and the risks that these products or services may pose in terms of conduct of business and conflicts of interests.

13.5 CORE PRINCIPLES OF THE REMUNERATION POLICIES

13.5.1 General principles

The Policy has as general principles:

- All recruitment of new employees must be approved by Member of the Management Committee (or the relevant governing body in the entities) in charge of the Function. All terms and conditions governing the employment and remuneration of new personnel must be approved by the Member of the Management in charge of the Function in line with this Policy.
- The overall bonus envelope must be approved by the Board, upon recommendation of the Group Nomination and Remuneration Committee.
- Any recruitment of directors, Member of the Management Committee, key function holders or of new employees receiving more than EUR 150.000 of fixed remuneration, any changes to existing employment contracts over EUR 150,000 of fixed remuneration must be approved by the Management Committee (or the relevant governing body in the entities) and by the Board, upon recommendation of the NRC.
- Recruitment and evaluation processes must be designed and exercised to avoid conscious or unconscious biases and thrive towards equal and fair treatment.

13.5.2 Diversity Gender Pay Gap (GPG) and remuneration policy neutrality (equal pay)

The Diversity & Non Discrimination Policy reflects gender neutrality principles to ensure equal treatment regardless of gender and any other form of diversity, basing evaluation and remuneration criteria exclusively on professional ability.

The Bank is committed to offering remuneration in line with the market, which reflects each employee's role, capabilities contribution to company performance objectively measured, and professional experience, skills and education thus guaranteeing that the principle of equal opportunities is applied in practice.

The Bank is committed to offer equal pay for male and female workers for equal work or work of equal value.

With reference to inclusion, the Bank guarantees that all its collaborators are treated without distinction, exclusion, restriction or preference, whether direct or indirect, based on their: age, gender, sexual orientation,

civil status, religion, language, ethnic or national origins, physical or mental disabilities, state of pregnancy, maternity or paternity (including as a result of adoption), personal convictions, political opinions, and/or trade union affiliation or activities.

The Board of Directors, respectively the NRC, aims to improve the representation of the underrepresented gender among the identified staff member's personnel in management positions in accordance with the Delegated Regulation 2021/9233.

The Bank pursues the appropriate balance between genders at all levels of the company, focusing in particular on senior and management positions where the gender gap is most felt.

In its regular review of the policies in force, the BoD analyses the gender neutrality of the Policy, examining the gender pay gap in particular and its development over time.

13.5.3 Avoidance of conflicts of interest

Conflicts of interests with regard to the Policy and remuneration awarded are identified and appropriately mitigated, including by establishing objective award criteria based on the internal reporting system, appropriate controls and the four eyes principle. The Bank ensure that no material conflicts of interest arise for staff in control functions.

The Bank ensures that potential conflicts of interest caused by the potential pay out of instruments as part of the variable or fixed remuneration are identified and managed.

Please refer to the Group Policy on Conflicts of Interest for further details.

13.5.4 Fixed Remuneration

The fixed component of the employee remuneration ("Fixed Remuneration") encompasses the following elements:

- Base Salary;
- Fringe benefits including lunch vouchers and the pension scheme established separately by the Bank.

It is also to be noted that the Bank may, at its own discretion, offer additional fringe benefits its employees such as parking places, leasing cars, mobile phones, laptop (non-exhaustive list).

The Fixed Remuneration of each employee is defined in the employment contract also based on the Collective Agreement when the employee is within the Convention. The Fixed Remuneration comprises the monthly fixed base salary and the fringe benefits, which are defined for the given position within the Bank.

The Fixed Remuneration is provided to each employee as primary means to provide compensation for the execution of the tasks or function each employee is assigned for as well as to reflect the seniority and responsibilities of each employee's position.

The Fixed Remuneration is determined on the basis of benchmarking and comparisons of compensation levels and set at a level, which guarantees the employee's standard of living. The employee's fixed remuneration is compared with the remuneration of other employees in similar position and with corresponding experience in the same sector in Luxembourg.

The range of fringe benefits potentially available to employees may vary, based on the position and/or the seniority and/or the length of service and/or other circumstances.

These benefits are mainly composed of, but not limited to, lunch vouchers, supplementary pension schemes with a local pension provider, company car, death/invalidity and health insurances.

13.5.5 Other remuneration types

SEVERANCE PAY

The Bank does not offer guaranteed exit packages. In cases of early termination of a contract, the Bank will only make severance payments, which are in accordance with the provisions of the applicable employment law. In addition, any severance payment should reflect performance achieved over time and should not reward failure or misconduct.

The amount of severance payments awarded during the financial year that are disclosed have to be split into paid upfront and differed.

Severance payments in the framework of a settlement agreement to prevent a potential labour dispute or end an actual labour dispute might be considered to avoid a long and costly procedure in labour courts.

All rewards should be based on good (not failed) performance that is evidenced and in line with the CRD IV Luxembourg Law and the EBA guidelines.

Severance payments for the identified staff will be first assessed by the Risk Management and Compliance, and then authorized by the Board of Directors upon assessment of the Nomination and Remuneration Committee.

GUARANTEED VARIABLE REMUNERATION

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

BUY OUT BONUSES

Variable Remuneration relating to compensation for the buy-out from a prior employment contract, if ever paid, shall align with the long-term interests of the Bank.

RISK-ADJUSTED REMUNERATION, MALUS AND CLAWBACK PROVISIONS

The profit-based variable compensation paid out to Material Risk Takers is subject to ex-ante and to ex-post risk adjustment measures.

EX-ANTE

The NRC will take into account the performance of the department of the employee, the Bank's overall results as well as non-financial criteria of the employee while setting any discretionary bonus.

The variable remuneration is granted according to the financial situation of the Bank as a whole, and justified on the basis of the performance of the Bank, the business unit and the individual concerned.

Subject to employment law, the granting of the total variable remuneration might considerably be reduced where subdued or negative financial performance of the Bank occurs. This does not apply to pay-outs of amounts previously earned and granted, apart from the malus or clawback arrangements as set out herein.

EX-POST

As an ex-post risk adjustment mechanism, in certain circumstances the Bank is entitled to retain, reduce or eliminate variable remuneration awarded to any employee (malus) or reclaim amounts already paid out (clawback) up to 100% of the total variable remuneration.

The malus or/and clawback arrangements are applied regardless of the method used for the payment, including deferral arrangements.

Malus and/or clawback arrangements are in particular applied in cases of fraud or other conduct with intent or gross negligence, which led to significant losses to the Bank or failure to meet appropriate fit and proper standards.

In any case, there must be reasonable evidence that the employee's intentional or gross negligent conduct is causally related to the Bank's losses or failure to meet appropriate standards. Malus and/or clawback arrangements are applied for a period of three years after the date at which the (upfront part of) awarded variable remuneration is paid.

The Group Head of HR has the sole discretion to recommend to the NRC/ BOD a malus / clawback on specific individual cases.

SIGN UP BONUS

Sign up bonus "Welcome bonuses" are granted in the context of recruiting of new employees will remain extraordinary and can be offered only during the first year of employment.

RETENTION BONUS

According to EBA/GL/2021/04 article 8.4, employees might be awarded with a retention bonus, subject to a permanence condition, a performance condition and the absence of malus event, as detailed above. Retention bonus is payable only when retention and performance conditions are justified.

TARGETED BONUS

The Bank may on a case by case basis agree on a target bonus linked/ driven by the financial performance of Members of the Management Committee, Material Risk Takers and Relevant Persons. This shall be formulated in an appendix to the employment contract. The Target Bonus shall remain at the discretion of the relevant committee.

LEGITIMACY

The Bank must specify the legitimate interest in awarding retention (restructurings, in wind-down, or to ensure the finalisation of major projects,...). The Bank will document the event or justification that made it necessary to award a retention bonus and the time period, including the start and the end date, for which the reason is assumed to exist.

PERFORMANCE

The performance conditions must differ from the performance conditions applied to other parts of the variable remuneration and must include a retention condition. Retention bonuses should not lead to a situation where the total variable remuneration, consisting of performance-related variable remuneration and retention bonus, of the staff member is no longer linked to the performance of the individual, the business unit concerned and the overall results of the institution as required under Articles 92(2)(g)(ii) and 94(1)(a).

PERMANENCE

The Bank must specify a retention period and a date or event after which it determines whether the retention and performance conditions have been met. Calculation Retention bonuses will always be considered as variable remuneration for the purposes of calculating the upper limits of variable remuneration. The retention bonus can be split into annual amounts for each year of the retention period calculated on a linear pro rata

basis or the full amount of the retention bonus can be considered in the year when the retention condition is met.

PERSONAL HEDGING

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

AVOIDANCE STRATEGIES

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

13.5.6 Variable remuneration

VARIABLE PAY

The Bank may reward its employees through variable pay. This is designed to attract, retain and motivate its staff without encouraging the taking of inappropriate risk. Performance based remuneration is awarded in a manner which promotes sound risk management and does not induce excessive risk taking.

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

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

The purpose of the discretionary bonus is to annually reward and incentive excellent performance and to align the success of the Bank with the pay of the employees.

PROPORTION OF VARIABLE REMUNERATION VS FIXED REMUNERATION PER EMPLOYEE CATEGORY

This table gives an indication of the proportion of the variable remuneration vs fixed remuneration per employee category.

Indeed the Bank has to implement remuneration policies in compliance with the specific provisions in a way that is appropriate for the category of staff, e.g. it can be appropriate that the Policy sets out different maximum ratios for the variable remuneration categories of identified staff as their impact on the risk profile during the business cycle differs.

CATEGORY OF EMPLOYEE	INDICATION OF PROPORTION OF VARIABLE REMUNERATION VS FIXED REMUNERATION
Board of Directors	0%
Management Committee	0 - 200%
Other Material Risk Takers	0 - 150%
Non Material Risk Takers	0 - 100%

As stated in recital 65 of the CRD and point 91 of the Guidelines EBA/GL/2021/04 on sound remuneration, the limitation of the variable remuneration to 100% of the fixed remuneration (200% with shareholders' approval) should be applied in any case.

According to the CSSF circular 15/622, the CSSF has to be informed on an annual basis of any approval by Bank's shareholders of a higher maximum level of the ratio between the fixed and variable components of

remuneration exceeding 100%. This notification process consists of two separate steps; one declaration for the recommendation of the application of a higher ratio submitted to the shareholders (up to 200%), the second for the decision regarding the approved higher maximum ratio (without delay).

The discretionary bonus will be capped for all employees:

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

The Bank outlines that the maximum ratios above are indicated for regulatory purposes and are not representative of what the Bank applies or intends to apply.

13.5.7 Review

The Policy will be reviewed on a yearly basis by the Management Committee to ensure it is in line with the business strategy and risk profile of the Bank.

The Policy will be reviewed independently on an annual basis by the control functions of the Bank and a report will be submitted to the BoD.

The Policy will also be part of the review by the statutory auditor of the Bank and will be assessed as part of the Long Form Report.

13.5.8 Quantitative information

In 2022, the total remuneration by individual was below EUR 1 million for all the employees of the Bank. The variable remuneration has never exceeded 100% of the fixed remuneration for all the employees. The Bank considers other information as discretionary with regards to the proportionality principle and the private/non-listed character of the Bank.

REMUNERATION OF IDENTIFIED STAFF	SENIOR MANAGEMENT	OTHER MATERIAL RISK-TAKERS
FIXED REMUNERATION		
Number of employees	13	19
Total fixed remuneration (3+5+7)	3,187,354	2,978,974
of which: cash-based	3,187,354	2,978,974
of which: deferred	-	-
of which: shares or other share-linked instruments	-	-
of which: deferred	-	-
of which: other forms	-	-
of which: deferred	-	-
VARIABLE REMUNERATION		
Number of employees	9	16
Total variable remuneration (11+13+15)	892,837	432,705
of which: cash-based	892,837	432,705
of which: deferred	-	-
of which: shares or other share-linked instruments	-	-
of which: deferred	-	-
of which: other forms	-	-
of which: deferred	-	-

TOTAL		4,080,191	3,411,679
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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	60,755	-	-	-	60,755
Cash	60,755	-	-	-	60,755
Shares	-	-	-	-	-
Cash-linked instruments	-	-	-	-	-
Other	-	-	-	-	-
Other material risk-takers	-	-	-	-	-
Cash	-	-	-	-	-
Shares	-	-	-	-	-
Cash-linked instruments	-	-	-	-	-
Other	-	-	-	-	-
TOTAL	60,755	-	-	-	60,755

SPECIAL PAYMENTS	SENIOR MANAGEMENT	OTHER MATERIAL RISK-TAKERS
GUARANTEED BONUSES		
Number of employees	-	-
Total amount	-	-
SIGN-ON AWARDS		
Number of employees	-	-
Total amount	-	-
SEVERANCE PAYMENTS		
Number of employees	1	5
Total amount	139,450	288,156
TOTAL	139,450	288,156

14. 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 the Bank's Management.

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

15. PILLAR III CROSS REFERENCE TABLE

CRR articles	Themes	Pillar 3 report reference
435	Risk management objectives and policies	3. Risk Management Objectives and Policies 4. Governance 14. Declaration of the Management Body
436	Scope of application	2. Scope of Application
437	Own funds	5. Own funds and Capital Adequacy
438	Capital requirements	5. Own funds and Capital Adequacy
439	Exposure to counterparty credit risk	6. Credit risk 11. Risk mitigation techniques
440	Capital buffers	5. Own funds and Capital Adequacy
441	Indicators of global systemic importance	<i>Not applicable</i>
442	Credit risk adjustments	6. Credit risk 11. Risk mitigation techniques
443	Unencumbered assets	7. Asset encumbrance
444	Use of ECAs	<i>Not applicable</i>
445	Exposure to market risk	8. Market risk
446	Operational risk	9. Operational risk
447	Exposures in equities not included in the trading book	12. Information on bonds and shares not included in trading portfolio
448	Exposure to interest rate risk on positions not included in the trading book	8. Market risk
449	Exposure to securitisation positions	<i>Not applicable</i>
450	Remuneration policy	13. Remuneration policy
451	Leverage	5. Own funds and Capital Adequacy
452	Use of the IRB Approach to credit risk	<i>Not applicable</i>
453	Use of credit risk mitigation techniques	11. Risk mitigation techniques
454	Use of the Advanced Measurement Approaches to operational risk	<i>Not applicable</i>
455	Use of Internal Market Risk Models	<i>Not applicable</i>



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