PILLAR 3 DISCLOSURES 2023

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 2023 of Havilland Group S.A., the prudential consolidation entity, which considers these figures relevant and representative for that year. All amounts are expressed in euro ("EUR").

The Pillar 3 disclosures are available upon request in electronic or paper format at our registered office in Luxembourg or via our website (www.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 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.

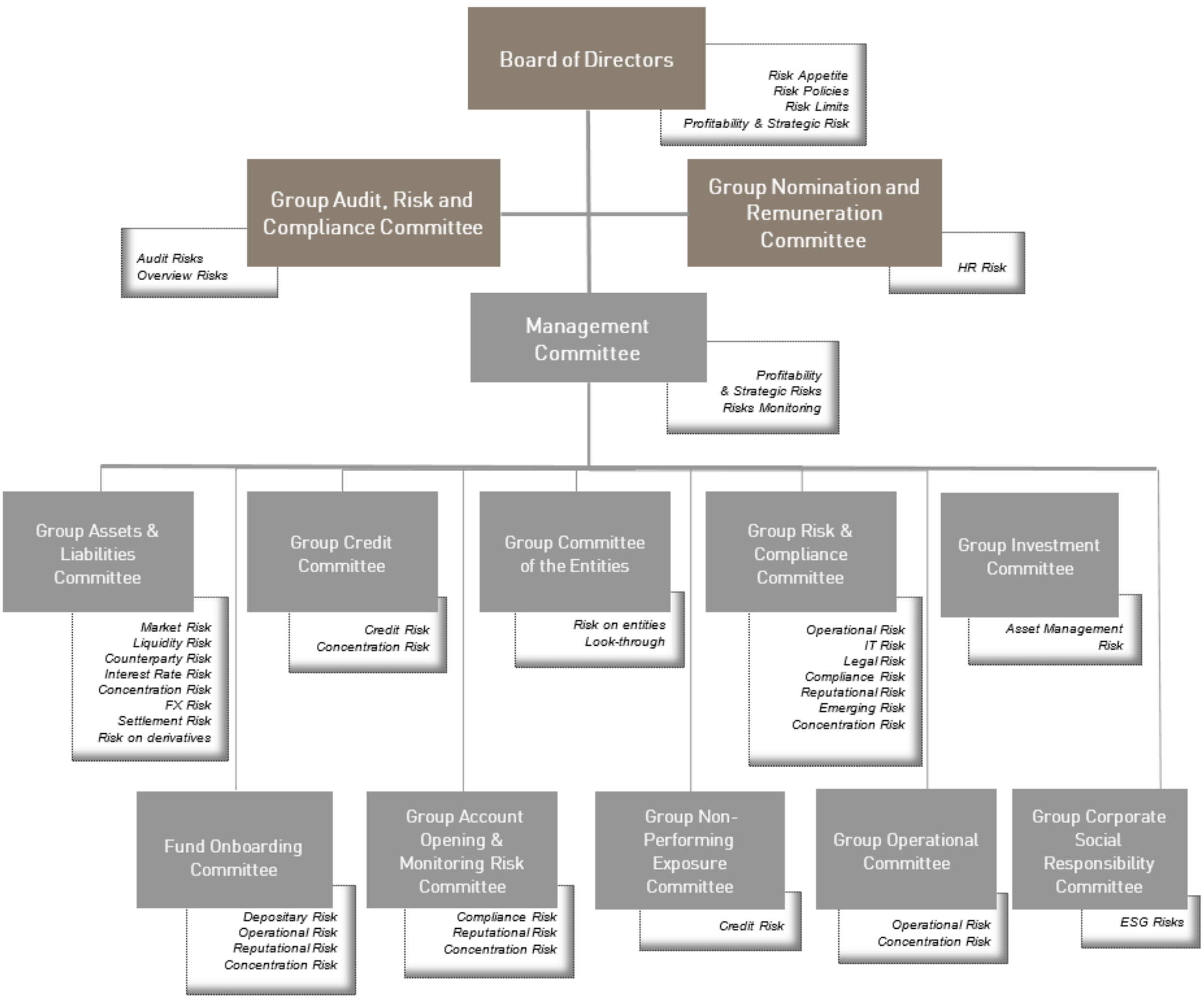
4 GOVERNANCE

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 for the Bank.

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 appetite, risk strategy and risk profile at a group level;
- 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;
- Monitoring the efficiency of the follow-up of 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 2023, the ARCC consists of 3 members with voting rights and permanent guests. In 2023, 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, bodies and business units concerning the design, implementation and oversight of the institution's remuneration policies.

As at 31st December 2023, the NRC consists of 3 members with voting rights and permanent guests who are excluded when nomination and remuneration are debated. In 2023, 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;
- Provide its assessment of the capital and liquidity adequacy and approve the key elements of the Internal Capital and Liquidity Adequacy Assessment Process ("ICLAAP") ICLAAP;
- 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;
- 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; and
- 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.

The number of members on the MCO is determined by the BoD.

As at 31st December 2023, the MCO was composed of the Chief Executive Officer, 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 (including, but not limited to, DRP/BCP policy, Business Impact Analysis, DRP Plan, BCP Plan)
- Review recommendations issued by risk management;
- Present the risks arising in a changing environment. In this respect, it shall also monitor the implementation of the changes in the activities ("New Product Approval Process") in order to guarantee that the associated risks remain under control;
- Review and approve new product proposals;
- Monitor risk acceptance process and deadlines;
- Provide Information Security update;
- Promote Environmental, Social and Governance principles within the organization and processes;
- 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 2023, 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 Group Account Opening & Monitoring Risk Committee

The Group 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; and
  - 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; and
  - 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; and
  - Monitoring the missing/expired documents statistics.

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

As at 31st December 2023, the AOMRC is composed at least 3 individuals and shall include at least two members from the Management and the Chief Compliance Officer.

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 approved by the BoD.

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:

Under and Non-Performing Exposure Management

- Decision body overviewing the Bank's under and/or Non-Performing Exposures ("NPEs"); to the extent applicable and always subject to local law and regulatory requirements the GNPEC's responsibilities also enfold the overviewing of under- and non-performing exposures of the Bank's entities;
- Assessment of and/or directing relevant measures applicable in the life cycle of NPEs; and

- 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.

Forborne Exposure Management

- Determination of Forborne Exposures ("FBEs") options, viability, strategy and processes;
- Decision body overviewing the Bank's FBEs; to the extent applicable and always subject to local regulatory requirements, the GNPEC's responsibilities also enfold the overviewing of forborne exposures of the Bank's entities;
- Assessment of and/or directing relevant measures applicable in the life cycle of FBEs; and
- 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.

Strategies and Performance

- Implementation, development and regular assessment of the group wide NPE strategy including review of the Group NPE Policy; and
- Implementation, assessment and regular update of the Bank's operational environment and plan in relation to NPEs and FBEs.

Impairments and Write Offs

- Decision body for individual and collective estimated provisions/impairments and write offs of NPEs; including processes, procedures and other relevant aspects pertaining hereto.

Collateral Valuation

- Decision body for governance, procedures and controls for valuation methodology and frequency of valuation for assets and collaterals linked to NPEs and FBEs.

Review

- Reviewing the Bank's NPEs and FBEs at least on a semi-annual basis.

Governance and Operations

- 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; and
- Compliance with applicable laws and regulations as well as changing economic and/or banking conditions.

Authority

- 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 watchlists.

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

As at 31st December 2023, the GNPEC is composed of the Authorized Manager in charge of Credit (Chairman), the 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; and
- 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; and
- 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; and
- Control of the risk appetite.

Interest Rates Risks

- Overview the interest rate risk borne by the Bank; and
- Control of the risk appetite.

Foreign Exchange Risk

- Overview the foreign exchange activity of the Bank; and
- Control of the risk appetite.

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; and
- Control of the risk appetite.

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

As at 31 December 2023, 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 and the BoD.

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 2023, 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; and
- 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; and
- 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.

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;

- For credit requests exceeding GCC's authorization threshold, require Board approval for such credit exposures; and
- Decision shall be founded in the Group Credit Policy and therein defined Credit Framework as amended and approved by the Board of Directors of Banque Havilland S.A. from time to time.

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; and
- 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 2023, 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, and within the scope defined by each local BoD.

The main responsibilities of the CE are:

Strategy and Business

- Report on strategy implementation decided by the BoDs (Group and local Boards);
- Share financial performances, human resources information, internal/external communication and ESG Initiatives; and
- Report on Group operations activities including group Project, Platform issue and resolutions.

Internal Control Framework

- 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;
- Follow up of the effectiveness of first line of defence controls across the Group; and
- Follow up on open and overdue recommendations and escalate them if necessary.

Governance & Risk

- Report on Governance issues (based on Group and local regulatory requirements);
- Relationship report with local regulators and local Board;

- Share General Corporate Governance topics;
- 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; and
- Develop a risk & compliance culture management within the organization.

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

As at 31st December 2023, the CE is composed of the CEO acting as Chairman, the Authorized Manager(s), the Chief Compliance Officer, the CEO of Havilland Group S.A. (shareholder of Banque Havilland S.A.), the Group General Secretary, the Branch Manager of BH Suisse, the CEO of BH Liechtenstein, the CEO of BH Monaco and the Head of Dubai Representative Office.

4.1.12 Group Investment Committee

The Group 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 2023, the IC is composed of the Group Head of Asset Management and Advisory (Chairman), the Deputy Head of Asset Management and Advisory, Authorized Managers' representative (except the AMC member in charge of the Market Activities and the CRO in case already being the Risk Management representative), Asset Management and Advisory team members 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 each local BoD.

The main responsibilities of the CSRC are:

- Consider and propose the integration of Corporate Sustainability topics and ESG matters, including climate-related and environmental risks, into the Bank's strategy (subject to approval by the Board of

Directors) and operations;

- Create a common understanding and build awareness on ESG regulations and market practices;
- Contribute and make proposals to the MCO / Board on new CSR initiatives and partnership with NGOs to be incorporated to the yearly plan;
- Review how the Business strategy should be updated to take into account the risks impacted by ESG risks drivers;
- Review on a yearly basis the materiality assessment and risk identification of ESG Risks (for approval by the Board);
- Review on a yearly basis how the risk appetite statement is taking into account ESG Risks (for approval by the Board);
- Follow up on KPIs/KRIs and review any breach with Risk Committee; and
- Contribute and review internal and external content / reports (external communications, yearly report….) on ESG strategy and initiatives and trainings.

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

As at 31 December 2023, the CSRC is composed of the CEO acting as Chairman, 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, one Member of the Executive Committee of BH Monaco, the Head of Representative office Dubai, a Corporate Officer and the Group Head of Regulatory Compliance 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:

- 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;
- Follow up and decision on Project Management related to risk mitigation;
- 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 existing ones;
- 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 Operations, 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 2023 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 2024):

	NON-EXECUTIVE DIRECTORSHIP	EXECUTIVE DIRECTORSHIP
BOARD OF DIRECTORS		
Mr. Bernard Herman	14	1
Mr. Antony Turner	1	
Mr. Harley Rowland	1	0
Mrs. Venetia Lean	1	
Mr Christoph Mauchle (from 01.09.2022)	3	
Mr. Jean-François Willems	1	2
AUTHORISED MANAGEMENT		
Mr. Marc Arand	1	2
Mr. Juho Hiltunen		
Mr. Artyom Grigoryan		
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 17July 2023 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 11 July 2023 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 of 31st December 2023, the Bank's CET1 ratio is 30.55%, and its Total Capital Ratio is also 30.98%, significantly exceeding the minimum requirements.

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

		31/12/2023	31/12/2022
	Available own funds (amounts)		
1	Common Equity Tier 1 (CET1) capital	161,201,215	151,457,351
2	Tier 1 capital	161,201,215	151,457,351
3	Total capital	163,477,040	153,588,308
	Available own funds (amounts)		
4	Total risk-weighted exposure amounts	527,634,313	532,523,589
	Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	30.55%	28.44%
6	Tier 1 ratio (%)	30.55%	28.44%
7	Total capital ratio (%)	30.98%	28.84%
	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 (%)	6.50%	5.00%
EU 7b	of which: to be made up of CET1 capital (percentage points)	8.16%	7.31%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	10.88%	9.75%
EU 7d	Total SREP own funds requirements (%)	14.50%	13.00%
	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 (%)	0.003%	0.09%
EU 9a	Systemic risk buffer (%)	-	-
10	Global Systemically Important Institution buffer (%)	-	-
EU 10a	Other Systemically Important Institution buffer	-	-
11	Combined buffer requirement (%)	2.503%	2.59%
EU 11a	Overall capital requirements (%)	17.35%	15.59%
12	CET1 available after meeting the total SREP own funds requirements (%)	9.35%	7.59%
	Leverage ratio		

13	Total exposure measure	1,357,892,745	1,499,781,201
14	Leverage ratio (%)	11.87%	10.24%
	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)	455,832,187	480,919,024
EU 16a	Cash outflows - Total weighted value	394,204,401	307,559,974
EU 16b	Cash inflows - Total weighted value	50,606,115	47,264,515
16	Total net cash outflows (adjusted value)	147,417,323	220,623,565
17	Liquidity coverage ratio (%)	343.54%	239.40%
	Net Stable Funding Ratio		
18	Total available stable funding	969,397,048	906,396,148
19	Total required stable funding	471,667,516	456,123,530
20	NSFR ratio (%)	206%	199%

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.

For the purpose of facilitating comparison, the Bank hereby presents its CET1 ratio alongside 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 2023, 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 49,044,500The reserves and retained earnings are EUR 67,592,666;
- Accumulated other comprehensive income is (13,862,135);
- Additional Tier 2 capital amounts to EUR 2,275,825; Less:
- Adjustments to CET1 due to prudential filters is EUR 711,431; Less:
- Other intangible assets is EUR 2,276,370; Less: and
- Profit or loss attributable to owners of the parent EUR (8,586,016).

As at 31st December 2023, the Prudential Supervision Common Equity Tier 1 Capital and the Total Capital amount to EUR 161,201,215 and EUR 163,477.040 (2022: EUR 153,588,308. This represents an increase of 6.4% of the Total Capital.

The transition from Luxembourg GAAP to Regulatory Financial reports affects the Bank's financial position as at December 31st, 2023 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		(13,862,135)	(13,862,135)
Debt Instruments		(15,262,027)	
IFRS 9 ECL		(1,399,892)	
Foreign currency translation reserve	(138,528)	4,195,398	4,056,870
Reserves (including retained earnings)	37,598,683	25,900,920	63,499,603
Minority interests			
Profit from current year	(6,171,676)	(8,193,269)	(14,364,945)
Reversal of value adjustments on securities classified in fair value through OCI			
Fair value changes of instruments measured at fair value through Profit and loss			
Fair value changes of Debt instruments measured at fair value through Profit and loss			
IFRS 9 ECL Securities portfolio			
IFRS 9 ECL Loans and advances			
IFRS 9 ECL Commitments and Guarantees			
Reversal of lux GAAP value adjustments on loans and advances			
IFRS 16 adjustments			
TOTAL SHAREHOLDER'S EQUITY	150,332,979	8,040,914	158,373,893

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	59,006,651	EBA Corep Standard Conso (DPM 3.0)
3	Accumulated other comprehensive income (and other reserves)	13,862,135	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	164,189,016	EBA Corep Standard Conso (DPM 3.0)
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	711,431	EBA Corep Standard Conso (DPM 3.0)
8	Intangible assets (net of related tax liability) (negative amount)	2,276,370	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)	2,987,801	EBA Corep Standard Conso (DPM 3.0)
29	Common Equity Tier 1 (CET1) capital	161,201,215	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)**	**161,201,215**	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	2,275,825	EBA Corep Standard Conso (DPM 3.0)
51	**Tier 2 (T2) capital before regulatory adjustments**		
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**	**2,275,825**	EBA Corep Standard Conso (DPM 3.0)
58	**Tier 2 (T2) capital**	**2,275,825**	EBA Corep Standard Conso (DPM 3.0)
59	**Total capital (TC = T1 + T2)**	**163,477,040**	EBA Corep Standard Conso (DPM 3.0)
60	**Total risk exposure amount**	**527,634,313**	EBA Corep Standard Conso (DPM 3.0)
Capital ratios and requirements including buffers			
61	Common Equity Tier 1	161,201,215	EBA Corep Standard Conso (DPM 3.0)
62	Tier 1	161,201,215	EBA Corep Standard Conso (DPM 3.0)
63	Total capital	163,477,040	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	13,190,858	EBA Corep Standard Conso (DPM 3.0)
66	of which: countercyclical capital buffer requirement	1,838,779	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**	**30.98%**	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 2023			
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
		31/12/2023	31/12/2022	31/12/2023
1	Credit risk (excluding CCR)	439,860,575	446,601,555	35,188,846
2	Of which the standardised approach	439,860,575	446,601,555	35,188,846
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	1,300,873	928,090	104,070
9	Of which other CCR	-	-	-
10	Not applicable			
11	Not applicable			
12	Not applicable			
13	Not applicable			
14	Not applicable			
15	Settlement risk	44,773	11,740	3,582
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	86,428,091	84,982,206	6,914,247
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	527,634,313	532,523,589	42,210,745

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 2023, the Bank's total risk-weighted assets amounts to EUR 527,634,313 of which EUR 439,860,575 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.

5.2.3.1 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	1,588,104,367
Institution specific countercyclical capital buffer rate	0.0035
Institution specific countercyclical capital buffer requirement	1,838,779

5.2.3.2 GEOGRAPHICAL DISTRIBUTION OF CREDIT EXPOSURES

It has to be noted that the 2023 relevant countercyclical buffers rates are set except from the ones below:

- Bulgaria: 2.00%
- Croatia: 1.00%
- Cyprus: 0.50%
- Czech Republic: 2.00%
- Denmark: 2.50%
- Estonia: 1.50%
- France: 0.50%
- Germany: 0.75%
- Iceland: 2.00%
- Ireland: 1.00%
- Lithuania: 1.00%
- Luxembourg: 0.50%
- Netherlands:1.00%
- Norway: 2.50%
- Romania: 1.00%
- Slovakia: 1.50%
- Slovenia: 0.50%
- Sweden: 2.00%

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	37,146,490					28,353,736	2,268,299			2,268,299	2,683,673	0.61%	0.00%
CA	CANADA	22,465,891					22,453,361	1,796,269			1,796,269	8,392,573	1.91%	0.00%
CY	CYPRUS	3,543,513					32,280	2,582			2,582	25,705	0.01%	0.50%
DK	DENMARK	2,552,095					2,550,958	204,077			204,077	1,275,479	0.29%	2.50%
EE	ESTONIA	1,558,215					102,648	8,212			8,212	20,530	0.00%	1.50%
FI	FINLAND	12,087,509					7,034,621	562,770			562,770	7,034,630	1.60%	0.00%
FR	FRANCE	121,841,709					107,066,037	8,565,283			8,565,283	46,824,066	10.65%	0.50%
DE	GERMANY	103,137,391					100,105,318	8,008,425			8,008,425	22,400,286	5.09%	0.75%

HK	HONG KONG	20,246,952	13,719,583	1,097,567	1,097,567	11,929,790	2.71%	0.00%
IS	ICELAND	2,504,424	3,026	242	242	605	0.00%	2.00%
IE	IRELAND	9,596,285	9,581,309	766,505	766,505	8,849,517	2.01%	1.00%
IT	ITALY	48,061,872	40,240,896	3,219,272	3,219,272	15,532,849	3.53%	0.00%
KZ	KAZAKHSTAN	17,366,988	6,757,270	540,582	540,582	6,685,925	1.52%	0.00%
LI	LIECHTENSTEIN	112,252,552	47,404,636	3,792,371	3,792,371	23,892,458	5.43%	0.00%
LU	LUXEMBOURG	146,378,111	143,817,784	11,505,423	11,505,423	46,604,116	10.60%	0.50%
MC	MONACO	131,543,972	88,554,932	7,084,395	7,084,395	44,796,438	10.18%	0.00%
NL	NETHERLANDS	30,782,750	29,712,607	2,377,009	2,377,009	19,362,657	4.40%	1.00%
RO	ROMANIA	5,679,048	5,664,581	453,166	453,166	566,458	0.13%	1.00%
RU	RUSSIA	32,632,966	19,987,867	1,599,029	1,599,029	8,203,177	1.86%	0.00%
ES	SPAIN	12,682,909	11,393,726	911,498	911,498	6,976,294	1.59%	0.00%
SE	SWEDEN	24,668,244	1,709,864	136,789	136,789	10,534	0.00%	2.00%
CH	SWISS	237,985,085	178,272,781	14,261,822	14,261,822	43,511,285	9.89%	0.00%
TR	TURKEY	14,860,183	3,765,607	301,249	301,249	1,726,918	0.39%	0.00%
AE	UNITED ARAB EMIRATES	94,507,100	23,576,318	1,886,105	1,886,105	22,349,014	5.08%	0.00%
GB	UNITED KINGDOM	99,032,878	71,614,059	5,729,125	5,729,125	55,449,685	12.61%	0.00%
US	UNITED STATES	168,088,717	168,056,840	13,444,547	13,444,547	14,384,174	3.27%	0.00%
	OTHER*	74,900,519	51,829,147	4,146,332	4,146,332	20,371,738	4.63%	
	TOTAL	1,588,104,367	1,183,361,791	94,668,943	94,668,943	439,860,575	100.00%	

*The line labelled 'OTHER' aggregates all credit exposures under 10 million to countries with a countercyclical buffer rate of 0%.

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 2023, the Bank has a leverage ratio of 11.87%, well above its minimum level. 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	
		31/12/2023	31/12/2022
	On-balance sheet exposures (excluding derivatives and SFTs)	1,327,832,731	1,447,706,702
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	1,364,582,249	1,480,988,797
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)	(33,761,718)	(30,561,939)
6	(Asset amounts deducted in determining Tier 1 capital)	(2,987,801)	(2,720,156)
7	Total on-balance sheet exposures (excluding derivatives and SFTs)		
	Derivative exposures	30,060,014	27,954,359
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	18,784,880	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	11,275,134	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		
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		
	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	-	24,120,140
19	Off-balance sheet exposures at gross notional amount	-	24,120,140
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
	Excluded exposures		
EU-22a	(Exposures excluded from the 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	161,201,215	151,457,351
24	Total exposure measure	1,357,892,745	1,499,781,201
	Leverage ratio	11.87%	10.10%
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:	1,330,820,532
EU-2	Trading book exposures	-
EU-3	Banking book exposures, of which:	1,330,820,532
EU-4	Covered bonds	44,461,581
EU-5	Exposures treated as sovereigns	332,055,915
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	48,421,188
EU-7	Institutions	279,211,099
EU-8	Secured by mortgages of immovable properties	193,272,030
EU-9	Retail exposures	16,059,868
EU-10	Corporates	335,097,771
EU-11	Exposures in default	52,727,773
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	29,513,307

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

25th 2024). 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.

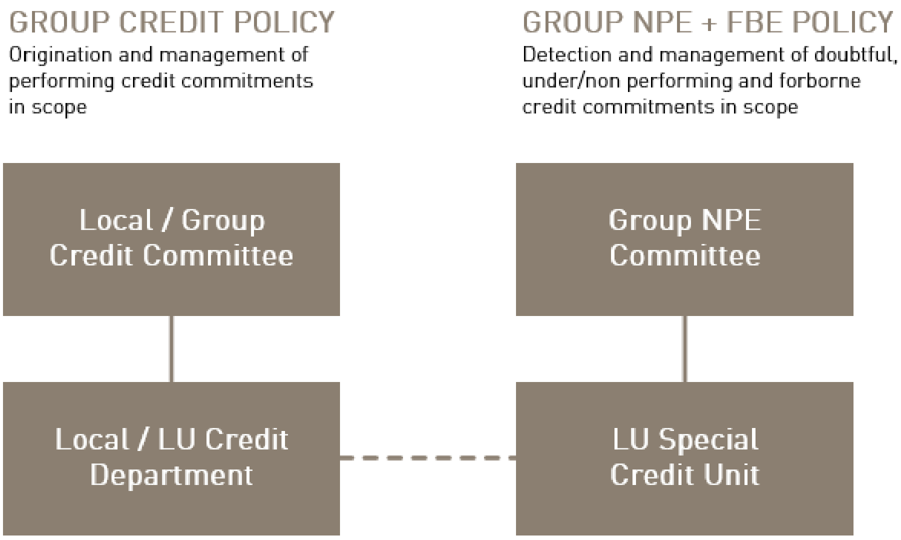
6 CREDIT RISK

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 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

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

The NPE definition shall comply with Article 47a of Regulation (EU) 2019/630 of 17 April 2019 amending Regulation (EU) No 575/2013.

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 2023. 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	228,357,493	68,758,492	161,553,656	6,913,348		465,582,989
2	Debt securities		309,112,294	258,015,457	52,635,777		619,763,528
3	Total	228,357,493	377,870,786	419,569,113	59,549,125		1,085,346,517

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				On performing exposures	On non-performing exposures
			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			
005	Cash balances at central banks and other demand deposits	211,753,585	211,753,585													
010	Loans and advances	408,512,399	368,380,927	**40,131,472**	**62,125,688**		62,125,688	(1,515,085)	**(1,511,307)**	**(3,779)**	**(3,540,013)**		**(3,540,013)**		**406,384,490**	**53,447,707**
020	Central banks															
030	General governments															
040	Credit institutions															
050	Other financial corporations	53,693,311	43,352,700	10,340,611	7,725,139		7,725,139	(699)	(381)	(319)	(2,325,100)		(2,325,100)		53,113,737	5,400,039
060	Non-financial corporations	113,804,802	104,598,444	9,206,358	13,442,142		13,442,142	(5,424)	(4,158)	(1,266)	(997,034)		(997,034)		113,765,429	9,200,906
070	Of which: SMEs															
080	Households	241,014,287	220,429,783	20,584,503	40,958,407		40,958,407	(1,508,963)	(1,506,768)	(2,194)	(217,879)		(217,879)		239,505,324	38,846,761
090	Debt Securities	**621,117,537**	613,303,462	**7,814,075**				**(1,354,009)**	**(341,202)**	**(1,012,806)**						
100	Central banks															
110	General governments	227,252,893	227,252,893					(77,787)	(77,787)							
120	Credit institutions	269,614,365	269,614,365					(116,926)	(116,926)							
130	Other financial corporations	51,428,108	44,602,318	6,825,790				(884,211)	(52,510)	(831,702)						
140	Non-financial corporations	72,822,171	71,833,886	988,285				(275,085)	(93,980)	(181,105)						
150	Off-balance sheet exposures	194,496,964	194,496,964					**(1,030,876)**	**(1,030,876)**						**159,854,754**	
160	Central banks															
170	General governments															
180	Credit institutions															
190	Other financial corporations	87,582,225	87,582,225					(33,546)	(33,546)						83,954,589	
200	Non-financial corporations	32,409,712	32,409,712					(125,079)	(125,079)						24,660,845	
210	Households	74,505,027	74,505,027					(872,251)	(872,251)						51,239,320	
220	**Total**	1,435,880,485	1,387,934,938	47,945,547	62,125,688		62,125,688	(3,899,970)	(2,883,385)	(1,016,585)	(3,540,013)		(3,540,013)		566,239,244	53,447,707

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	50,643,674
020	Inflows to non-performing portfolios	28,087,680
030	Outflows from non-performing portfolios	(16,605,666)
040	Outflows due to write-offs	-
050	Outflow due to other situations	(16,605,666)
060	Final stock of non-performing loans and advances	62,125,688

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	50,643,674	
020	Inflows to non performing portfolios	28,087,680	
030	Outflows from non-performing portfolios	(16,605,666)	
040	Outflow to performing portfolio		
050	Outflow due to loan repayment, partial or total	(15,787,163)	
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		
110	Outflow due to Other Situations	(818,503)	
120	Outflow due to reclassification as held for sale		
130	Final stock of non-performing loans and advances	62,125,688	

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	211,753,585	211,753,585	-	-	-	-	-	-	-	-	-	-
010	Loans and advances	408,512,399	408,512,399	-	62,125,688	45,111,723	2,936,591	9,478,832	2,550,223	2,048,319	-	-	62,125,688
020	Central banks	-	-	-	-	-	-	-	-	-	-	-	-
030	General governments	-	-	-	-	-	-	-	-	-	-	-	-
040	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-
050	Other financial corporations	53,693,311	53,693,311	-	7,725,139	3,180,792	-	-	2,496,028	2,048,319	-	-	7,725,139
060	Non-financial corporations	113,804,802	113,804,802	-	13,442,142	12,904,812	537,329	-	-	-	-	-	13,442,142
070	Of which SMEs			-	-	-	-	-	-	-	-	-	-
080	Households	241,014,287	241,014,287	-	40,958,407	29,026,119	2,399,261	9,478,832	54,195	-	-	-	40,958,407
090	Debt Securities	621,117,537	621,117,537	-	-	-	-	-	-	-	-	-	-
100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	227,252,893	227,252,893	-	-	-	-	-	-	-	-	-	-
120	Credit institutions	269,614,365	269,614,365	-	-	-	-	-	-	-	-	-	-
130	Other financial corporations	51,428,108	51,428,108	-	-	-	-	-	-	-	-	-	-
140	Non-financial corporations	72,822,171	72,822,171	-	-	-	-	-	-	-	-	-	-
150	Off-balance sheet exposures	194,496,964	194,496,964	-	-	-	-	-	-	-	-	-	-
160	Central banks	-			-								-
170	General governments	-			-								-
180	Credit institutions	-			-								-
190	Other financial corporations	87,582,225			-								-
200	Non-financial corporations	32,409,712			-								-
210	Households	74,505,027			-								-
220	Total	1,435,880,485	1,241,383,521	-	62,125,688	45,111,723	2,936,591	9,478,832	2,550,223	2,048,319	-	-	62,125,688

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: subject to impairment			
				of which: defaulted				
010	On balance sheet exposures	65,856,241	33,171,248	33,171,248		(280,619)		
020	GB	21,603,691	21,603,691	21,603,691		(216)		
030	MC	14,809,120	1,725,125	1,725,125		(279,057)		
040	FR	14,333,910	7,831,770	7,831,770		(1,297)		
050	RU	12,065,938	2,010,661	2,010,661		(50)		
060	LU	1,614,436						
070	Other countries	1,429,147						
080	Off balance sheet exposures							
150	TOTAL	65,856,241	33,171,248	33,171,248		(280,619)		

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				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing		Of which: loans and advances subject to impairment		
				of which: defaulted			
010	Agriculture, forestry and fishing						
020	Mining and quarrying						
030	Manufacturing	5,017,797			5,017,797	(1)	
040	Electricity, gas, steam and air conditioning supply						
050	Water supply						
060	Construction	8,230,572			8,230,572	(472)	
070	Wholesale and retail trade	83			83	(0)	
080	Transport and storage	791			791	(0)	
090	Accommodation and food service activities						
100	Information and communication						
110	Real estate activities	30,240,265			30,240,265	(639)	
120	Financial and insurance activities	82,926,672	13,284,188	13,284,188	82,926,672	(843,391)	
130	Professional, scientific and technical activities	666,394	157,954	157,954	666,394	(157,954)	
140	Administrative and support service activities	145,002			145,002	(0)	
151	Public administration and defense, compulsory social security						
160	Education						
170	Human health services and social work activities						
180	Arts, entertainment and recreation	19,282			19,282		
190	Other services						
200	TOTAL	127,246,858	13,442,142	13,442,142	127,246,858	(1,002,458)	

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			On performing forborne exposures	On non-performin g forborne exposures		Of which: Collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted	Of which impaired				
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*	2,726,835				(292)		1,614,436	
060	*Non-financial corporations*		1,725,125	1,725,125			(279,057)	302,975	302,975
070	*Households*	29,958,158	31,446,123	31,446,123		(1,309)	(2,114)	59,457,026	36,001,007
080	Debt Securities								
090	Loan commitments given								
100	Total	32,684,994	33,171,248	33,171,248		(1,602)	(281,171)	61,374,437	36,303,983

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)	13,417,772	6,604,612	28,031,337	1.4	28,031,337	28,027,825	28,027,825	28,027,825
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	13,417,772	6,604,612	28,031,337		28,031,337	28,027,825	28,027,825	28,027,825

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

		a	b	c	d	e	f	g	h	i	j	k	l
	Exposure classes	Risk weight											
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total exposure value
1	Central governments or central banks	305,641,432			5,679,048	6,863,821	13,923,562				689		
2	Regional government or local authorities												
3	Public sector entities	25,575,601											
4	Multilateral development banks	22,870,746											
5	International organisations												
6	Institutions	95,897,170				105,890,833	72,020,441			11,266,045			
7	Corporates	7,680,097				2,662,626	14,658,853			477,736,369			
8	Retail									65,925,116			
9	Institutions and corporates with a short-term credit assessment												
10	Other items	1,457,130								56,778,303			
11	Total exposure value	459,122,176			5,679,048	115,417,280	100,602,856			611,705,833	689		

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 mitigatedthrough the GMRA and the risk of litigation on other OTC derivatives is limited through the ISDA. The CSA mitigatesthe 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, outrights) in the normal course of its banking activity. A significant portion of these transactions has been contracted for the purpose of hedging the effects of the exchange rates fluctuations.

The 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 2023, 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	77,072,681	622,016	(642,699)	181,300	(148,085)			803,316	(790,784)
- Currency swap contracts	779,422,935	16,607,220	(6,396,187)	168,855	(94,707)			16,776,075	(6,490,893)
- Options	1,429,560	422,967	(422,967)	318,013	(319,013)			741,980	(741,980)
Exchange-traded									
- Futures	17,774,530	8,975,486	(8,975,486)					8,975,486	(8,975,486)
EQUITIES									
OTC									
- Contracts for difference	8,571,556	1,560,868	(45,255)					1,560,868	(45,255)
Exchange-traded									
- Options	710,474	236,726	(236,726)	27,950	(27,950)	164,293	(164,293)	428,969	(428,969)
- Futures									
INDEX									
Exchange-traded									
- Futures	6,368,980	3,208,220	(3,208,220)					3,208,220	(3,208,220)
- Options	1,813,851	64,088	(64,088)	987,784	(987,784)			1,051,872	(1,051,872)
COMMODITY									
Exchange-traded									
- Futures	309,990			138,577	(138,577)			138,577	(138,577)
INTEREST									
Exchange-traded									
- Futures	28,706,274	14,568,591	(14,568,591)						

7 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 (cf. 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.

7.1 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; and
- 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.

7.2 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	(4,933,049)	911,888	(5,412,686)	1,777,138	(2,857,324)	686,193	(1,3720,971)	110,652

As per end of 2023, the Bank is sensitive to a positive parallel shift, which would generate a negative impact of EUR 5.4 Mio. The majority of the risk is coming from the investment portfolio. The interest risk of the loans and deposits is significantly mitigated 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	2,558,763	(8,936,133)	1,086,928	(5,290,442)
GBP	13,266	(325,961)	-	(312,695)
USD	2,346,748	(2,779,084)	-	(432,336)
CHF	1,237,498	(381,499)	-	855,999
Other Currencies	389,575	-	-	389,575
TOTAL	6,545,850	(12,422,677)	1,086,928	(4,789,899)

7.3 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; and
- 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; and
- 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; and
- 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.

7.3.1 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.

7.3.2 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.

7.3.3 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.

7.3.4 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 Function 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 defence 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 2023	30 September 2023	30 June 2023	31 March 2023	31 December 2023	30 September 2023	30 June 2023	31 March 2023
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	533,579,506	415,445,559	357,323,594	428,565,889	506,438,302	390,306,303	332,704,519	398,563,132
CASH-OUTFLOWS									
2	retail deposits and deposits from small business customers, of which:	492,499,534	412,754,185	369,197,170	404,665,494	172,927,924	141,655,828	124,809,257	138,581,268
3	*Stable deposits*	68,776,830	66,988,132	65,341,746	66,528,372	3,438,842	3,349,407	3,267,087	3,326,419
4	*Less stable deposits*	423,722,704	345,766,053	303,855,425	338,137,123	169,489,082	138,306,421	121,542,170	135,254,849
5	Unsecured wholesale funding	439,923,691	417,147,251	432,112,091	496,224,049	191,098,935	181,959,144	221,568,413	265,477,963
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	41,631,844	39,594,504	41,866,090	44,268,001	10,407,961	9,898,626	10,466,523	11,067,000
7	*Non-operational deposits (all counterparties)*	398,291,847	377,552,747	390,246,000	451,956,048	180,690,974	172,060,518	211,101,890	254,410,963
8	*Unsecured debt*								
9	*Secured*								

	wholesale funding								
10	Additional requirements	9,926,337	16,814,102	10,010,261	21,355,407	9,926,337	16,814,102	10,010,261	21,335,407
11	*Outflows related to derivative exposures and other collateral requirements*	9,926,337	16,814,102	10,010,261	21,355,407	9,926,337	16,814,102	10,010,261	21,335,407
12	*Outflows related to loss of funding on debt products*								
13	*Credit and liquidity facilities*								
14	Other contractual funding obligations	200,137,196	157,984,441	198,264,345	183,478,889	20,251,206	16,020,194	18,541,868	24,173,209
15	Other contingent funding obligations	17,059,513	29,157,862	22,964,439	55,336,819	-	-	-	-
16	TOTAL CASH OUTFLOWS	1,159,546,271	1,033,857,841	1,032,548,307	1,161,060,658	394,204,402	356,449,268	374,929,799	449,587,846
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)								
18	Inflows from fully performing exposures	367,458,356	391,340,183	425,075,789	421,513,524	246,787,078	255,996,668	294,660,868	302,028,156
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	367,458,356	391,340,183	425,075,789	421,513,524	246,787,078	255,996,668	294,660,868	302,028,156
EU-20a	Fully exempt inflows								
EU-20b	Inflows subject to 90% cap								
EU-20c	Inflows subject to 75% cap					246,787,078	255,996,668	294,660,868	302,028,156
TOTAL ADJUSTED VALUE									
21	LIQUIDITY BUFFER					506,438,302	390,306,303	332,704,519	398,563,132
22	TOTAL NET CASH OUTFLOWS					147,417,324	100,452,600	93,732,450	147,559,690
23	LIQUIDITY COVERAGE RATIO					343.54%	388.55%	354.95%	270.10%

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	-	-	-	163,477,040	163,477,040
2	Own funds		-	-	163,477,040	163,477,040
3	Other capital instruments		-	-	-	
4	Retail deposits		592,669,806	10,978,780	-	546,911,698
5	Stable deposits		71,803,451	755,957	-	68,931,438
6	Less stable deposits		520,866,355	10,222,823	-	477,980,260
7	Wholesale funding:		544,123,187	380,807	-	247,802,861
8	Operational deposits		-	-	-	-
9	Other wholesale funding		544,123,187	380,709	-	247,802,861
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:		34,032,500	-	11,205,448	11,205,448
12	NSFR derivative liabilities					
13	All other liabilities and capital instruments not included in the above categories					
14	Total available stable funding (ASF)		1,170,825,493	11,359,489	174,682,488	969,397,048

		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:					29,175,886
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:*		55,161,748	29,706,893	103,926,817	109,986,751
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach*		55,161,748	29,706,893	103,926,817	109,986,751

	for credit risk					
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*		294,980,976			163,321,060
25	Interdependent assets					
26	Other assets:		33,897,169			16,948,584
27	*Physical traded commodities*					
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*					
29	*NSFR derivative assets*		11,143,120			11,143,120
30	*NSFR derivative liabilities before deduction of variation margin posted*					
31	*All other assets not included in the above categories*		15,348,858	17,603,119	150,226,837	141,092,115
32	Off-balance sheet items					
33	Total RSF					471,667,516
34	Net Stable Funding Ratio (%)					205.53%

7.3.5 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.

7.3.6 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.

8 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 RCC.

The RCC 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 advices 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.

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 2023.

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

		A	B	c	d	e
Banking activities		Relevant indicator			Own funds requirement	Risk exposure amount
		Year-3	Year-2	Last year		
1	Banking activities subject to basic indicator approach (BIA)	46,793,205	41,877,518	49,614,223	6,914,247	86,428,091
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches					
3	*Subject to TSA:*					
4	*Subject to ASA:*					
5	Banking activities subject to advanced measurement approaches AMA					

9 OTHER RISKS

9.1 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.

9.2 SECURITISATION RISK

The Bank does not have any securitisation risk.

9.3 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.

9.4 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.

9.5 LEGAL & COMPLIANCE RISKS

9.5.1 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; and
  - 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.

9.5.2 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

9.5.3 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.

9.5.4 Financial Crime Compliance risk and Regulatory 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.

9.5.5 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.

10 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 derivative3
1	Loans and advances	10,805,891	459,832,197			
2	Debt Securities	605,363,317				
3	Total	616,169,208	459,832,197			
4	Of which non-performing exposures	62,125,688				
EU-5	Of which defaulted	62,125,688				

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	332,055,915	-	332,055,915	-	8,889,571	2.02%
2	Regional government or local authorities						0.00%
3	Public sector entities	25,550,442	-	25,550,442	-	-	0.00%
4	Multilateral development banks	22,870,746	-	22,870,746	-	-	0.00%
5	International organisations						0.00%
6	Institutions	284,984,202	-	282,459,690	-	67,910,220	15.44%
7	Corporates	357,341,960	143,287,481	231,830,113	-	214,693,684	48.81%
8	Retail	16,073,913	49,676,630	5,143,264	-	5,143,264	1.17%
9	Secured by mortgages on immovable property	193,272,030	-	161,572,622	-	57,762,174	13.13%
10	Exposures in default	52,727,773	1,500,000	47,857,869	-	52,913,084	12.03%
11	Exposures associated with particularly high risk						0.00%
12	Covered bonds	44,461,581	-	44,461,581	-	4,446,158	1.01%
13	Institutions and corporates with a short-term credit assessment						0.00%
14	Collective investment undertakings						0.00%
15	Equity	46,243	-	46,243	-	46,243	0.01%
16	Other items	29,513,307	-	29,513,307	-	28,056,177	6.38%
17	TOTAL	1,358,898,111	194,464,112	1,183,361,791	-	439,860,575	

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	305,641,432			5,679,048	6,863,821		13,923,562				689						
2	Regional government or local authorities																	
3	Public sector entities	25,575,601																
4	Multilateral development banks	22,870,746																
5	International organisations																	
6	Institutions	95,897,170				105,890,833		72,020,441			11,266,045							
7	Corporates	7,680,097				2,662,626		14,658,853			477,736,369							
8	Retail										65,925,116							
9	Secured by mortgages on immovable property						186,205,937	8,343,861										
10	Exposures in default										41,132,420	15,372,609						
11	Exposures associated with particularly high risk																	
12	Covered bonds				44,475,415													
13	Institutions and corporates with a short-term credit assessment																	
14	Unit or shares in collective investment undertakings																	
15	Equity										46,243							
16	Other items	1,457,130									56,778,303							
17	TOTAL	459,122,176			50,154,463	115,417,280	186,205,937	108,946,717			652,884,496	15,373,298						

10.1 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; and
- 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 CQ7 – COLLATERAL OBTAINED BY TAKING POSSESSION AND EXECUTION PROCESSES

		a	b
		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
10	Property Plant and Equipment (PP&E)	-	-
20	Other than PP&E	-	-
30	Residential immovable property	-	-
40	Commercial Immovable property	-	-
50	Movable property (auto, shipping, etc.)	-	-
60	Equity and debt instruments	-	-
70	Other collateral	2,787,705	-
80	Total	2,787,705	-

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	470,638,088	408,512,399		62,125,688	45,111,723	14,965,646	2,936,591	9,478,832	2,550,223		2,048,319	
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	*Of which value capped at the value of exposure*												
100	*Of which: Immovable property*												
110	*Of which value above the cap*												
120	*Of which: Immovable property*												
130	Financial guarantees received	459,832,197	406,384,490		53,447,707								
140	Accumulated partial write-off												

10.1.1 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.

10.1.2 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.

11 INFORMATION ON BONDS AND SHARES NOT INCLUDED IN TRADING PORTFOLIO

As at 31st December 2023, 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	5.659.901
Securities not quoted on a recognised market	1.265.553
TOTAL	6.925.454

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

As per 31st December 2023, 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 6.876.003.

Next to its equity portfolio, as at 31st December 2023 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	617.707.128
Securities not quoted on a recognised market	6.804.324
TOTAL	624.511.452

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 2023, the Bank is not committed in sale and repurchase agreements with a firm repurchase obligation.

12 REMUNERATION POLICY

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

12.1 GOVERNANCE STRUCTURE ON REMUNERATION MATTERS

12.1.1 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.

12.1.2 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 2023 No external consultant assisted the NRCs in 2023.

Composition of the Remuneration Committee as at 31st December 2023:

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

12.1.3 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.

12.1.4 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.

12.1.5 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.

12.2 OBJECTIVES OF THE REMUNERATION POLICY

This Policy aims to set up a remuneration regime consistent with the objectives of the institution's business and risk strategy, including environmental, social and governance (ESG) risk-related objectives, corporate culture and values, risk culture, including with regard to long-term interests of the institution, and the measures used to avoid conflicts of interest, and should not encourage excessive risk taking.

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
- Guidelines of the European Securities and Markets Authority ("ESMA") on certain aspects of the MiFID II remuneration requirements (ESMA35-43-3565).

12.3 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 Group Nomination and Remuneration Committee.

12.4 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 Functions, 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 and are subject to additional rules.

It is natural that this category of staff will be evaluated on their ability to generate revenue for the Bank and they should be motivated to do so. Each person falling into this category will agree specific financial targets with their line managers that are appropriate to their ability, and that fits to the Bank's overall Business Plan.

With regard to the non-financial performance criteria, these are deemed equally important in the current internal and external environment. For the Bank it is important to develop its staff in line with the new strategy of high quality service delivery as well as manage its risk in light of the economic situation. With this in mind, the weighting of financial and non-financial criteria should be close to equal with a slight weighting towards the non-financial – qualitative should always override quantitative criteria.

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); or

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.

12.5 CORE PRINCIPLES OF THE REMUNERATION POLICIES

12.5.1 General principles

The Policy has as general principles:

- All recruitment of new employees must be approved by Member of the Management Body 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.

12.5.2 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.

12.5.3 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 ensures that no material conflicts of interest arise for staff, including 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.

12.5.4 Fixed Remuneration

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

- Base Salary; and
- 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.

12.5.5 Other remuneration types

12.5.5.1 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.

12.5.5.2 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.

12.5.5.3 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.

12.5.5.4 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.

12.5.5.5 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.

12.5.5.6 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.

12.5.5.7 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.

12.5.5.8 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.

12.5.5.9 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.

12.5.5.10 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.

12.5.5.11 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).

12.5.5.12 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.

12.5.5.13 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.

12.5.5.14 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.

12.5.5.15 AVOIDANCE STRATEGIES

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

12.5.6 Variable remuneration

12.5.6.1 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.

12.5.6.2 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 remuneration 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.

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.

12.5.7 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.

12.5.8 Quantitative information

In2023, 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	14	17
Total fixed remuneration (3+5+7)	3,587,582	2,747,376
of which: cash-based	3,587,582	2,747,376
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	13
Total variable remuneration (11+13+15)	1,352,076	456,200
of which: cash-based	1,352,076	456,200
of which: deferred	-	-
of which: shares or other share-linked instruments	-	-
of which: deferred	-	-
of which: other forms	-	-
of which: deferred	-	-
TOTAL	4,939,658	3,2023,576

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					
Cash					
Shares					
Cash-linked instruments				-	
Other			-		
Other material risk-takers			-		
Cash					
Shares					
Cash-linked instruments					
Other					
TOTAL					

SPECIAL PAYMENTS	SENIOR MANAGEMENT	OTHER MATERIAL RISK-TAKERS
GUARANTEED BONUSES		
Number of employees	-	-
Total amount	-	-
SIGN-ON AWARDS		
Number of employees	2-	-
Total amount	80,790-	-
SEVERANCE PAYMENTS		
Number of employees	1	1
Total amount	193,896	69,297
TOTAL	274,686	29,297

13 DECLARATION OF THE MANAGEMENT BODY

The Bank's business model focuses on offering wealth management services to its target clients of High Net Worth Individuals ("HNWI") and Ultra High Net Worth Individuals ("UHNWI") and their families across the globe through its network of selected international presence. The Bank also provides custody services to its private clients, both institutional and private. A defensive risk profile is essential to the Bank's strategy, ensuring safety and reliability for its clients. The Board of Directors has approved and established the Bank's risk strategy, encompassing the risk appetite and the overall framework to support its business strategy.

The services offered to clients are classic private banking services ranging from pure custody and execution services to advisory and discretionary asset management services. The Bank accepts deposits from its clients and provides loans, primarily in the context of private banking client relationships. This covers granting Lombard loans to invest into securities and providing mortgage loans against predominantly residential real estate in selected locations.

The Bank manages a part of its assets resultant from the aforementioned activities by investing into a fixed-income portfolio. This portfolio is primarily designed for liquidity management and the diversification of the counterparty risk. These two reasons are particularly very important for the Bank's subsidiaries. This portfolio is indeed an important source of liquid assets (HQLA) for the subsidiaries and a source of diversification as they have a limited number of money market counterparties and are therefore subject to concentration risk.

The pursuit of the Bank's strategic objectives may involve assuming risks that threaten its key resources. The key resources are considered to be the Bank's capital, sustainability, liquidity, reputation and operational effectiveness and resilience. The Risk Appetite Statement sets out the parameters to be used to guide strategic planning and daily operational decisions in the context of the management of these resources.

The Bank's prudent risk profile is evident in its robust key prudential ratios as of December 2023. The Total Capital Ratio stands at 30.98%, the Leverage Ratio at 11.87%, the Liquidity Coverage Ratio (LCR) at 343.54%, and the Net Stable Funding Ratio (NSFR) at 206%. The complete list of key metrics is presented in Table KM1.

Based on the above data and risk-related information from the Bank's various reports, the Management bodies conclude that the Bank's risk profile remains fully aligned with its strategy and risk appetite, as outlined in the Bank's Risk Appetite Statement, in accordance with CRR Article 435(1)(f).

The Bank's Management bodies also attest to the sufficiency of the implemented risk management arrangements, considering the Bank's profile and strategy, in compliance with CRR Article 435(1)(e).

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.

14 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 13. 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 10. Risk mitigation techniques
440	Capital buffers	5. Own funds and Capital Adequacy
441	Indicators of global systemic importance	*Not applicable*
442	Credit risk adjustments	6. Credit risk 10. Risk mitigation techniques
443	Unencumbered assets	*Not applicable*
444	Use of ECAIs	*Not applicable*
445	Exposure to market risk	7. Market risk
446	Operational risk	8. Operational risk
447	Exposures in equities not included in the trading book	11. Information on bonds and shares not included in trading portfolio
448	Exposure to interest rate risk on positions not included in the trading book	7. Market risk
449	Exposure to securitisation positions	*Not applicable*
450	Remuneration policy	12. Remuneration policy
451	Leverage	5. Own funds and Capital Adequacy
452	Use of the IRB Approach to credit risk	*Not applicable*
453	Use of credit risk mitigation techniques	10. Risk mitigation techniques
454	Use of the Advanced Measurement Approaches to operational risk	*Not applicable*
455	Use of Internal Market Risk Models	*Not applicable*

LUXEMBOURG MONACO
LIECHTENSTEIN DUBAI SWITZERLAND