



BANQUE DE
PATRIMOINES PRIVÉS
Wealth Management

Banque de Patrimoines Privés

Pillar 3 Disclosure Report 2022



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INDEX OF ABBREVIATIONS

AML	Anti-Money Laundering
BIA	Basic Indicator Approach
BRRD	Bank Recovery and Resolution Directive
CAFG	Credit Andorra Financial Group
CEBS	Committee of European Banking Supervisors
CET1	Common Equity Tier 1 ratio
CRD IV	The Capital Requirements Directive IV
CRR	The Capital Requirements Regulation
CSSF	Commission de Surveillance du Secteur Financier
EBA	European Banking Authority
ECAI	External Credit Assessment Institution
HQLA	High Quality Liquid Assets
IAS	International Accounting Standards
ICAAP	Internal Capital Adequacy Assessment Process
ILAAP	Internal Liquidity Adequacy Assessment Process
KYC	Know Your Customer
LCR	Liquidity Coverage Ratio
LTI	Long Term Incentive
NSFR	Net Stable Funding Ratio
RAS	Risk Appetite Statement
RCSA	Risk and Control Self-Assessment
SREP	Supervisory Review and Evaluation Process
VAR	Value-at-Risk

1. OVERVIEW

1.1. Purpose

This document presents the Pillar 3 disclosure report of Banque de Patrimoines Privés (“BPP” or “the Bank”).

The purpose of this report is to provide information on the implementation of the Basel III framework and risk assessment processes in accordance with the Pillar 3 requirements in accordance with part XIX “Disclosure by Credit Institutions” of the Commission de Surveillance du Secteur Financier (“CSSF”) circular 06/273 as amended, and Circular CSSF 15/618 transposing EBA guidelines on “Pillar 3 disclosures”. In particular, CSSF Circular 06/273 sets out the requirements related to the own funds adequacy in the financial sector by transposing into Luxembourg Law directives 2006/48/EC and 2006/49/EC of the European Parliament and the Council derived from the recommendations of the Basel Committee (Basel III).

The disclosures presented in this document are complimentary to other work undertaken by the Bank in its assessment of capital requirements under the Internal Capital Adequacy Assessment Process (“ICAAP”) and to the 2022 Annual Report.

1.2. Regulatory framework

The Basel framework has established a more risk sensitive approach to capital management, and this is comprised of three pillars. Doing so enables the market to have a greater scope of visibility to its constituents.

1.2.1. Pillar 1

This is the **Minimum Capital Requirement** related to credit, market, and operational risks that the Bank incurs. This further extends beyond solvency requirements and covers the Bank’s liquidity requirements.

1.2.2. Pillar 2

Pillar 2 lays out the requirements for **Supervisory Review and Evaluation Process** (“SREP”) and the settling of individual capital requirements of the Bank, taking into consideration the Bank’s own assessment of capital requirements. Doing so allows supervisors to evaluate the Bank’s assessment of its own risks and determine whether the assessment seems reasonable.

1.2.3. Pillar 3

The aim of Pillar 3 is **Market Discipline** which aims to produce disclosure which allows market participants to assess the capital position, risk exposure and risk management processes. This includes all material risks thus enabling a comprehensive view of the Bank’s risk profile. The purpose here is to have greater transparency in Bank’s financial reporting thus enabling marketplace participants to better strengthen the risk management environment.

The Pillar 3 disclosure will comprise of both quantitative disclosures relating primarily to actual risk exposures and qualitative disclosures relating to risk management practices.

A further qualitative disclosure has been applied by presenting a summary of the Bank's Remuneration Policy.

1.3. Frequency and location of disclosure

This document is prepared and updated at least annually and more frequently if deemed necessary. Unless stated otherwise, all figures are as of December 31st, 2022.

The report will be published on the Bank's website (www.banquedepatrimoinesprives.com) and will not be subject to external audit, except to the extent that any disclosures are equivalent to those made under accounting requirements. The disclosures presented in this report do not constitute any form of audited financial statement.

These disclosures have been reviewed and verified by the Authorized Management and by the Board of Directors of the Bank.

1.4. Materiality

CRR Article 432(1) provides that a firm may omit one or more of the required disclosures if the information provided by such disclosures is not regarded as material. Information is considered as material if its omission or misstatement could change or influence the assessment or decision of a user relying on it for the purpose of making economic decisions.

1.5. Proprietary or confidential information

CRR Article 432(2) provides that an Institution may omit one or more items of information included in the disclosures listed in Titles II and III if those items include information which is regarded as proprietary or confidential in accordance with the second and third subparagraphs, except for the disclosures laid down in Articles 437 and 450.

Information shall be considered as proprietary to a firm if disclosing it publicly would undermine its competitive position and may include information on products or systems which, if shared with competitors, would render the firm's investments therein less valuable. Information is regarded as confidential if there are obligations to customers or other counterparty relationships binding the firm to confidentiality.

Where information has been omitted from these disclosures in accordance with either CRR Article 432(1) or Article 432(2), this has been stated in the relevant section.

2. COMPANY OVERVIEW AND ACTIVITIES

Banque de Patrimoines Privés was incorporated in Luxembourg on 1 July 2010 as a limited company under Luxembourg Law. Since 9 April 2011, the Bank is a wholly owned subsidiary of Crèdit Andorrà Financial Group (hereinafter “the Parent Company”, “the Group” or “CAFG”).

The Bank has its registered office at 30 Boulevard Royal, Luxembourg and is authorized and regulated by the CSSF and as such is subject to minimum regulatory capital requirements.

The Bank established as its core strategy to strengthen and expand its market presence in the Wealth Management and the Corporate & Funds Services, by positioning itself as a one-stop-shop service provider for a wide base of customers, covering different activities and geographical locations.

The Bank’s objective is to propose custom-made solutions for their customers avid to create any investment vehicle types or to settle down to the Grand Duchy via domiciled companies. The Bank’s services include the preparation and the constitution of companies and investment funds, their domiciliation, with possibility for administrative and accounting management, as well as the missions of the depositary bank which ensue from it.

On the other hand, in the dynamics of the Group, the Bank also proposes wealth management services to customers, aiming for both short-term stability and long-term profitability and leveraging on the international experience of the Group.

3. GOVERNANCE

3.1. Board of Directors

3.1.1. Oversight

The Board has the ultimate responsibility for limiting and monitoring the Bank’s risk exposure as well as for setting targets for the capital ratios and risk appetite.

- Responsible for creating and delivering value by governing the Bank’s business while meeting the interest of shareholders and other stakeholders
- Establish, document, and communicate the internal capital planning, management, and adequacy in relation to the Bank’s risk profile.
- Establish the framework to actively promote an internal risk culture among the various operational departments.
- Monitor and approve the implementation of the principles, strategies, and objectives setup as the risk appetite of the Bank.
- Review key documentation such as the ICAAP/ILAAP exercise, as well as key business activity, material risk taking and risk-related control processes.

The Board of Directors meet on a quarterly basis, and it is supported by Specialized Committees; namely the Audit, Risk and Compliance (“ARC”) Committee and the Nomination and Remuneration Committee. The role of these committees is to provide the BoD with critical assessment in respect to the Bank’s

organisation in order to enable the members of the BoD to fulfil their supervisory mission and to take on their responsibilities. Both committees are held, at least, on a quarterly basis.

Specifically, the ARC Committee was established with the objective of providing follow up, assessment and adequacy on the yearly planning and scope of work of the 2nd and 3rd line of defence. This ensures transversal view of topic linked to the internal control environment. During 2021, the ARC Committee met a total of 7 times.

3.1.2. Diversity strategy

The members of the Board of Directors are selected based on their skills and experience, by taking in consideration the business profile of the Bank. The conformation of the Board is done by considering profiles with management experience, preferably in the field of banking or financial institutions, in order to ensure qualified and adequate management, control, supervision and advise in all the activities performed by the Bank.

The Bank, in order to achieve the proper conformation of the Board, applies individual assessment of the qualifications and knowledge of each member of the Board. The individual review is performed on a yearly basis. Each member of the Board is duly authorised to act as a director by the CSSF which assessed their professional standing, experience and reputation in accordance to the law of 5 April 1993 on the financial sector, as amended.

Also, a self-assessment is performed on an annual basis (or when there is a material change to the business model, risk appetite or strategy) by the Chairman of the BoD to ensure proper composition and functioning. The assessment covers, at least, but not limited to:

- Review of the adequacy of the composition of the BoD in terms of competencies, knowledge, skills, and reputation based on the minimum requirements deemed necessary to consider that the members of the Board have good expertise. In case of specific skills are required, the Chairman of the Board will assess the training needs.
- Review of the mandates held by the directors.
- Identification of conflict of interests.
- Availability.
- Adequacy of the frequency of the BoD.
- Assessment of the quality and dissemination of the preparatory documents received.

The results are evaluated by the relevant Committee in order to ensure that the objectives and strategy are properly achieved. Alternatively, where needed, the BoD proposes the changes needed in order to comply with the objective's setup of the relevant year.

As of December 31st, 2022, the Board of Directors is composed by the following persons:

Name	Position	Number of directorships
Andre Roelants	Président du directoire	8
Francesc Xavier Cornella	Vice-Président	11
Carlos Fernandez-Rubies	Administrateur - Directeur Général	2
Alfonso Maristany	Administrateur	5
Esteban Estevez Zurita	Administrateur	9
Dominique Valschaerts	Administrateur	5
Diana Diels	Administrateur	2

3.2. Authorized Management

- Implement sound and effective processes to identify, manage, report and mitigate all material risks, in relation to the established risk-bearing capacity.
- Establish internal reporting tools which allow a proper oversight of the risks identified.
- Ensure the proper management of risks in case that they materialize in a way that might affect the operational effectiveness of the Bank.
- Ensure that proper internal control systems (electronic and non-electronic) are setup, ensuring the follow up of risks.

3.3. Risk Management Department

- Analyse, monitor and control the risks arising during the business activity of the Bank.
- Develop and maintain the Bank's risk management procedures and policies in order to ensure a continuous monitoring over the proper regulatory compliance.
- Provide relevant independent information, analysis and expert judgement on risk exposures and risk decisions
- Assist the Authorized Management and the Board of Directors in order to take informed decisions regarding risk management.
- Assist in the embedding of risk management within all areas of the business

A more detailed description of the objectives, processes and strategies of the Risk Management department is available in Section 4 of this document.

3.4. Compliance Department

- Ensure the Bank remains relevant to the current regulatory guidance and requirements.
- Assisting in the designing of appropriate risk identification, assessment and reporting processes to facilitate the adherence to regulatory requirements.

3.5. Internal Audit Department

- Assist the Board of Directors in their oversight responsibilities relating to financial matters, including corporate reporting, risk management and internal control.

- Responsible for the oversight of the quality and integrity of accounting and reporting practices and the performance of the internal audit function and independent external auditors
- Ensure, through independent audits, that the adequacy of the risk control and risk management function is monitored.

4. RISK MANAGEMENT FRAMEWORK

4.1. Risk Management objectives and policies

The Bank is exposed to a variety of risks as a result of its business activities. As such, active and effective risk management is fundamental to the Bank's core competence. In order to support this, the Bank has developed procedures and policies which help define a structured and formulated approach towards risk management. The key areas which the Risk Management department focuses on are:

- The identification and effective management of all types of risks the Bank is exposed to.
- Use of key risk metrics and business performance indicators to monitor risk levels quantitatively and qualitatively.
- Monitoring the implementation of significant changes in the Bank and their associated impact on the Bank's metrics
- Promoting a culture of ethical conduct, accountability, risk awareness and transparency that extends across the Bank in all its departments and activities carried out.
- Full compliance with applicable regulation, laws and procedures.

The reporting of risk controls, either scheduled or exceptional, is made to the Authorized Management of the Bank on a periodic basis (either monthly, quarterly or annually). The risk reports are produced by using tools and databases which have been developed internally, whereby controls are in place to ensure accuracy, completeness and coherence of the different databases.

Information of the reports is also shared to the Global Risk Management Department in the Parent Company, for the purposes of consolidation of the risks faced by the Group.

4.1.1. Three Lines of Defence

The primary goal of the Risk Management activities of the Bank is to ensure that the outcome of the risk-taking activities across the departments is consistent with the Bank's risk appetite defined by the Board of Directors. The Bank ensures that there is always proper balance between risk and reward, looking to maximize the profits always in the boundaries of the risk limits defined.

In the everyday identification and management of the risks it faces, the Bank operates with a "Three Lines of Defence" model.

1st Line of Defence – Conformed by the business and operational departments who are the owners of the risk originating activities. They are required to maintain effective processes, systems and controls to manage risks inherent to their operations.

2nd Line of Defence – Conformed by the Risk Management and the Compliance departments. These functions have clear segregation of duties and independence and support the first line of defence risk management activities as per the control framework setup across all the activities of the Bank.

3rd Line of Defence – Performed by the Internal Audit Department, who provides an independent evaluation of the compliance with the policies and procedures which are in place at the Bank.

The Internal Control functions (Risk Management, Compliance, and Internal Audit) are independent of each other, report directly to the Authorised Management and have direct access to the Board of

Directors. In despite of this independence, the internal control departments work together and are involved in common controls, each of them within a defined framework.

4.2. Framework

Since its establishment, the Bank has had a Risk Management function in place, which has developed and maintained the risk management framework. The internal risk management approach and monitoring principles of the Bank are established in the Risk Management Policy. The Policy describes how the risks are identified, measured, mitigated, and reported.

The risks are defined in various types and subcategories whose granularity reflects the size and complexity of the Bank's operations. The allocation of own funds is determined by using as reference the information already reported to the CSSF within the Circular 06/273, as amended, and complement by adding the risks and capital requirements that are not covered by these reports and materialized in the ICAAP/ILAAP report.

The ICAAP/ILAAP presents the various risks to which the Bank is facing, or may face, as well as the stress scenarios which allow the Bank's Management to allocate specific capital or liquidity resources to each activity to cover the risk related to such activities. It also serves to implement the necessary procedures to monitor, mitigate and manage the identified risks, and to locate unidentified risks. The report is validated by the Board of Directors and sent to the CSSF, at least, once per year.

4.3. Risk identification and notification

The Bank's risk identification process is a firm-wide initiative which requires a proactive process of constant monitoring and assessment.

All operational units and employees of the Bank have the duty to identify and quantify potential risks in their areas of responsibility. As a result,

All the operational units, including individual employees, (first line of defence) have the duty to identify and quantify potential risks present in their activities. Once a risk is identified, the operational unit must notify, on a timely manner, the Risk Management Department (second line of defence). The Bank has setup a standardised procedure for recording incidents, which is used not only for statistical purposes, but also for proactive risk mitigation.

The Bank's risk identification process is both, statistically based as well as forward-looking. Periodic assessment is done by regular review of processes in order to identify key areas of risk, weak points and points of failure. Similarly, following an incident, the bank conducts a further assessment to push mitigation actions and employ principles of learning from the event.

The Risk Management department ensures that information of the risks identified is available and periodically communicated to the Authorised Management as soon as they are identified and documented. The Authorised Management will determine and articulate remedial actions which will ensure proper mitigation. The Authorised Management communicates actions to the Board of Directors on a timely manner for review and acknowledgement. Also, the summary of the risks identified, and actions are comprised on a quarterly Risk Management report which is submitted to the ARC Committee and the Board of Directors. The Management Body will determine specific actions where needed to the risk appetite, policies, or procedures, where deemed necessary.

4.4. Risk appetite

The general risk appetite targeted by the Bank is low/moderate risk in the development of its business strategies. The Risk Appetite Statement clearly defines the Bank's attitude to risk taking in consideration the type of business, capital targets, shareholders expectations and macroeconomic conditions.

In this sense the Risk Appetite Statement incorporates all material risks facing the Bank and aligns to the strategy using the forward-looking business plan. In order to ensure alignment to the strategy the Bank uses the following processes:

- Risk Capacity (capital and liquidity) is evaluated and quantified.
- Risks arising from the business strategy are identified (quantitative and qualitative) and assessed.

The risk appetite is approved by the Board of Directors on an annual basis as part of the strategic planning process and is outlined through both quantitative and qualitative measures. This is underpinned by the following planning processes:

- **Capital adequacy:** Hold enough capital to maintain capital ratios above both regulatory and stressed capital requirements.
- **Earning stability:** Limit earnings volatility to support the ability to achieve the defined financial objectives.
- **Funding liquidity risk:** Manage liquidity and funding risk by maintaining enough funds to meet all obligations on both a business-as-usual basis and in periods of liquidity stress.
- **Minimization of reputational risk:** Avoid any transactions or services that bring risk of an unacceptable level which result in damage to the Bank's reputation.
- **Control of operational risk:** Ensure robust management of operational risk in the Bank's day-to-day operations and its forward-looking business strategy.
- **Control of ICT risk:** Ensure that ICT risk is robustly embedded within the operational risk management scope through the constant monitoring of cybersecurity risks and by ensuring that a well-tested BCP is in place.
- **Concentration risk:** Proactively control concentrations within position risk by maintaining a well-diversified funding base.
- **Control legal risk:** Conduct business practices that are in line with the Bank's code of conduct and proactively identify sources of risk and/or breaches that may lead to reputational risk or regulatory sanctions.
- **Inclusion of ESG risk:** Ensuring to timely and correctly identify material risks related to the implementation of ESG regulation. Also, by ensuring that regulatory requirements are embedded into the governance and operational framework of the Bank.

4.5. Risk limits and mitigation

The Bank has several techniques which it employs to mitigate each risk depending on its nature. This includes the use of controls, outsourcing, contingency planning, capital allocation and collateral.

Based on these techniques, the Bank has developed approved limits set out by key risk type. Limits are then used as a basis for defining a more granular risk framework. The Authorized Management and the Chief Risk Officer are responsible for setting specific limits deemed necessary to manage the risk within individual lines of business and across counterparties. Some of the limits in place, but not limited to, are as follows:

- Credit risk limits are based on a variety of exposure and stress measures including, for example, counterparty exposure and portfolio loss stress metrics. The overall credit risk management is designed to control overall credit quality, collateral arrangements, and mitigation of concentration risk (such as single name) within the portfolio.
- Operational risk thresholds are based on a series of metrics designed to assess control effectiveness across the activities. The Bank has internally designed an operational risk database tool which allows for calibration and monitoring of events. This tool is designed to identify key areas of potential control weakness and helps drive development programmes to reduce operational risk. These thresholds are set in both quantitative (considering historical losses and gains) and qualitative terms.
- Market risk monitoring is limited to the banking book foreign change exposure risk and the interest rate stress testing. As the Bank doesn't have a trading book, there is no methodology or monitoring procedures in place related to market sensitivity or stress management.

These limits define the Bank's maximum risk appetite given management resources, market environment, business strategy and available resources to absorb potential losses. The metrics are actively monitored, managed, and communicated to the Authorised Management.

The Risk Management department elaborates a quarterly monitoring report which is evaluated and approved by the Audit, Risk and Compliance Committee, where mitigation actions or adequations to the risk appetite of the Bank can be evaluated. Finally, the quarterly Risk Management report, as well as any mitigation actions proposed by the Specialized Committee, are submitted to the Board of Directors which finally approves any of the proposed actions.

4.6. Pillar 2

The Pillar 2 assessment is comprised on the ICAAP/ILAAP evaluation, which is the Banks methodology for determine the level of capital that adequately supports all the Banks current and future risks in its business. The ICAAP/ILAAP focuses on the main risks to the consolidated financial position and examines all risk categories to identify exposure that could put the Bank's capital at risk. The assessment is developed to ensure that capital resources:

- Remain adequate to support the Bank's risk profile and outstanding commitments.
- Maintain capitalisation in events of severe economic downturn stress scenario.
- Meet current and future regulatory requirements.
- Remain consistent with the Bank's strategic and operational goals and our shareholder and investor expectations.

The ICAAP/ILAAP is supported by a scenario analysis which is used to support the determination of a level of capital required for severe but plausible events. It is updated and reviewed annually, with more frequent reviews in the event of a fundamental or anticipated change to the Bank's business. The ICAAP/ILAAP is formally approved by the Authorized Management and Board of Directors, which has the ultimate responsibility for the effective management of risk and approval of the Bank's risk appetite.

4.7. Stress testing

Stress testing is a key part of the Bank's planning and risk management processes helping to identify, analyse and manage risks within the business. Capital planning forms part of the ICAAP and a range of stress test and scenario analysis are used to estimate the impact of stress events on capital resources and regulatory capital requirements. In addition, stress testing is conducted for the ILAAP and supports the Recovery Plan and its associated scenario analysis.

Stress testing and scenario analyses are conducted on a regular basis and the results, trend information and supporting analysis are reported to the Authorized Management. In particular, the scenarios are defined and based upon historical events or on forward-looking, hypothetical plausible events that could impact the Bank's positions in terms of capital, liquidity, or profitability. The scenarios are reviewed and updated as markets and business strategies of the Bank evolve.

4.8. Recovery Plan

In the context of the implementation of the BRRD, the Bank has developed and implemented a Recovery Plan whose procedures are owned, understood, and fully supported by the Authorised Management of the Bank, following the direction of the BoD.

The Recovery Plan outlines the actions which the Bank will follow to react in case of stressed conditions. The actions are deemed as credible and executable to meet challenges which might arise, which will be able to restore the Bank's financial position after a significant deterioration of its financial standing.

As the Recovery Plan is part of the internal risk review process of the Bank, a continuous evaluation of the risk profile is carried on a periodic basis. The Plan is therefore periodically reassessed and adapted to meet the changing conditions coming from the Bank's risk profile or business activities.

4.9. Declaration on the adequacy of Risk Management arrangements

In accordance with article 435 of the EU Regulation No. 575/2013, the Authorised Management and the Board of Directors considers that the risk management policies, procedures, monitoring thresholds, and IT systems in place, which are described in the present document, are adequate given the risk profile and strategy of the Bank.

The Authorised Management and the Board of Directors ensure that the ongoing risk monitoring and assessments maintain the risks management arrangements up to date and appropriate to the strategy and activities of the Bank.

5. CAPITAL MANAGEMENT AND OWN FUNDS

5.1. Solvency

Article 56 of the law of April 5, 1993, related to the Financial Sector gives the CSSF the ability to determine the coefficients to be applied according to the international conventions as well as the European Directives that needs to be respected by the credit institutions under their supervision.

The methods to calculate the solvency ratio are described in CSSF's Circular 06/273 as amended, concerning the definition of Capital and Solvency Ratios.

In such Circular, the following concepts to be applied to Credit Institutions are defined:

- The levels of own funds to be respected.
- The terms of a notification system and the limits of large exposure.
- The capital requirements related to credit risk as well as dilution risk of all activities.
- Capital requirements to cover operational risks associated with the activities it develops.
- Capital requirements for currency risk hedging.
- Capital requirements to cover the risk of price changes in commodities.
- A simplified capital ratio relating to the risk weighting

The solvency ratio can give a clear outlook of the importance of own funds of the institution, as related to credit, currency and operational risks associated to the Bank's activities. In accordance to Circular 06/273, the Bank's own funds must be at least equal to the overall capital requirements.

5.1.1. Regulatory Own Funds

Due to the absence of market activity, the Bank was exempted from calculating an integrated ratio in accordance with EU Regulation No 575/2013.

The Bank has obtained a waiver in order to calculate a simplified ratio during the reporting period in accordance to CSSF's Circular 06/273, Section V, Chapter 2, part 9 as amended, as the Bank has no trading portfolio.

The calculation of the Own Funds of the Bank consists of the sum of Tier 1 Capital (*Common Equity Tier 1 (CET1)*) + Additional Tier 1 Capital + Tier 2 Capital.

As of the end of 2020, the Bank's Own Funds are composed solely by Tier 1 Capital, and no additional capital (Tier 2 components).

In Annex I, there is a description of the Structure of Own Funds, as of December 31st, 2021.

Own Funds disclosure

	31/12/2022	31/12/2021
COMMON EQUITY TIER 1 CAPITAL	53,153,430	56,711,430
Paid up capital	27,500,000	27,500,000
Accumulated other comprehensive income		
Retained earnings and Reserves	26,225,034	30,159,240
<i>Profit or loss eligible</i>	-	-
Additional Tier 1 (T1) capital	-	-
CET1 capital deductions	-	-
Deferred tax assets	-571,604	-947,810
Other intangible assets	-	-
Total Tier 1 (T1) capital	53,153,430	56,711,430
Tier 2 (T2) capital	-	-
Total Capital	53,153,430	56,711,430

Annex II of this document discloses the nature and amounts of specific items on own funds as per Article 4 of the EU Commission implementing regulation (EU) 1423/2013.

Transitional Own Funds disclosure

Annex III discloses the nature of specific items on own funds during the transitional period as per Article 5 of the EU Commission implementing regulation (EU) 1423/2013.

Full Reconciliation of own funds items to audited financial statements

	31/12/2022
Paid up capital	27,500,000
Reserves	25,497,262
Other reserves	7,204,535
Profit	6,368,921
Equity (Annual report)	66,570,718
Profit not eligible	- 6,368,921
Other intangible assets	-
Deferred tax assets	- 571,604
Other deductions	- 6,476,763
OWN FUNDS	53,153,430

5.1.2. Capital Ratios

As per the framework of part III of Regulation (EU) No. 575/2013, the Bank must calculate its minimum regulatory capital requirements to cover Credit, Market and Operational Risks.

As of the end of 2022, the Bank reported a Capital Adequacy ratio of 39.38%.

<i>In Euros</i>	31.12.2022	31.12.2021
Own Funds		
Common Equity Tier 1 (CET1)	53,153,430	56,711,430
Tier 1 (T1) capital	53,153,430	56,711,430
Tier 2 (T2) capital		-
Total Consolidated Capital (CET1+T1+T2)	53,153,430	56,711,430

Risk-weighted Assets		
Credit Risk	101,124,321	209,654,358
Market Risk		-
Operational Risk	33,856,540	31,384,581
Total Risk-weighted assets	134,980,861	241,038,939

CAPITAL RATIOS (*)	31.12.2022	31.12.2021
Common Equity Tier 1 ratio	39.38%	23.53%
Tier 1 ratio	39.38%	23.53%
Total Capital ratio	39.38%	23.53%

(*) As a percentage of total risk exposure amount

The calculation of the capital requirement is detailed below:

<i>In Euros</i>	RWAs		Minimum Capital Requirements	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Credit risk (excluding CCR)	101,124,321	209,654,358	8,089,946	16,772,348
Of which the standardised approach	101,124,321	209,654,358	8,089,946	16,772,348
Of which the foundation IRB (FIRB) approach	-	-	-	-
Of which the advanced IRB (AIRB) approach	-	-	-	-
Of which equity IRB under the simple risk-weighted approach or the IMA	-	-	-	-
CCR	-	-	-	-
Of which mark to market	-	-	-	-
Of which original exposure	-	-	-	-
Of which the standardised approach	-	-	-	-
Of which internal model method (IMM)	-	-	-	-
Of which risk exposure amount for contributions to the default fund of a CCP	-	-	-	-
Of which CVA	-	-	-	-
Settlement risk	-	-	-	-

Securitisation exposures in the banking book (after the cap)	-	-	-	-
Of which IRB approach	-	-	-	-
Of which IRB supervisory formula approach (SFA)	-	-	-	-
Of which internal assessment approach (IAA)	-	-	-	-
Of which standardised approach	-	-	-	-
Market risk	-	-	-	-
Of which the standardised approach	-	-	-	-
Of which IMA	-	-	-	-
Large exposures	-	-	-	-
Operational risk	33,856,540	31,384,581	2,708,523	2,510,766
Of which basic indicator approach	33,856,540	31,384,581	2,708,523	2,510,766
Of which standardised approach	-	-	-	-
Of which advanced measurement approach	-	-	-	-
Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-	-
Floor adjustment	-	-	-	-
TOTAL	134,980,861	241,038,939	10,798,469	19,283,114

5.1.3. Leverage Ratio

The CRR framework requires the disclosure of information related to the Bank's leverage ratio. The EU Commission implementing regulation (EU) 2016/200 which sets down the implementing technical standards for the disclosure of the leverage ratio according to regulation (EU) 575/2013 specifies uniform templates for the purpose of these disclosures, which are detailed in this section.

The leverage ratio is a non-risk-based measure with the objective to limit an excessive build-up of leverage on a credit institution's balance sheet with the objective to contain the cyclical nature of lending.

Although the CRR does not impose a minimum ratio, the Basel Committee on Banking Supervision has suggested a minimum ratio of 3%.

In this regard, the Bank has established specific monitoring procedures which ensure the proper monitoring, identification and management of risks associated with excessive leverage. The Bank has established an internal threshold limited at 6.66%, which is embedded in the risk appetite statement. The Bank monitors the leverage ratio on a quarterly basis, and it is reported to the Authorised Management and the Board of Directors. Results of the quarterly monitoring are used to calibrate the threshold on an ongoing basis.

As of December 31st, 2022, the Bank reported a leverage ratio equal to 5.25%.

Leverage Ratio breakdown

<i>In Euros</i>		31.12.2022	31.12.2021
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	880,497,515	917,184,362
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	--663,145	-1,040,650
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of row 1 and 2)	879,834,370	916,143,713
Derivative exposures			
4	Replacement cost associated with <i>all</i> derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	-	-
5	Add-on amounts for PFE associated with <i>all</i> derivatives transactions	-	-
EU-5a	Exposure determined under Original Exposure Method	71,112,748	124,220,221
6	Gross-up for derivatives collateral provide where deducted from the balance sheet assets pursuant to the operative accounting framework	-	-
7	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	-	-
8	(Exempted CCP leg of client-cleared trade exposures)	-	-
9	Adjusted effective notional amount of written credit derivatives	-	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
11	Total derivative exposures (sum of rows 4 to 10)	171,112,748	124,220,221
Securities financing transaction exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
14	CCR exposure for SFT assets	-	-
15	Agent transaction exposures	-	-
16	Total securities financing transaction exposures (sum of rows 12 to 15)	-	-
Off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	61,604,279	39,318,284
18	(Adjustments for conversion to credit equivalent amounts)	-	-
19	Off-balance sheet items (sum of rows 17 and 18)	61,604,279	39,318,284
Tier 1 capital			
20	Tier 1 capital	53,153,430	56,711,430
21	Total exposures (sum of rows 3, 11, 16 and 19)	1,012,552,397	1,079,682,217
22	Basel III leverage ratio	5.25%	5.25%

Split-up of On Balance Sheet exposures (excluding derivatives, SFTs and exempted exposures)

		Leverage Ratio Exposure Value
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	880,497,515
EU-2	Trading book exposures	-
EU-3	Banking book exposures, of which:	-
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	412,007,223
EU-6	Exposures to regional governments, MDB, international organizations and PSE NOT treated as sovereigns	
EU-7	Institutions	264,341,614
EU-8	Secured by mortgages of immovable properties	
EU-9	Retail exposures	1,137,315
EU-10	Corporate	196,505,682
EU-11	Exposures in default	
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	6,505,681

Leverage ratio reconciliation against published financial statements

1	Total assets as per published financial statements	880,497,515
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	
3	(Adjustment for fiduciary assets recognized on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR")	
4	Adjustments for derivative financial instruments	71,112,748
5	Adjustments for securities financing transactions "SFTs"	
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	61,604,279
7	Other adjustments	-663,145
8	TOTAL LEVERAGE RATIO EXPOSURE	1,012,551,397

5.1.4. Capital Buffers

As per requirements of CRR, Article 440, the Bank shall disclose information related to its compliance with the requirement for a countercyclical buffer referred to in Title VII, Chapter 4 of Directive 2013/36/EU.

Annex IV presents a breakdown of the geographical distribution of its credit exposures relevant for the calculation of its countercyclical capital buffer, as well as the amount of the institution's specific countercyclical capital buffer.

6. PILLAR 1 RISK CATEGORIES

6.1. Credit and Counterparty risk

Credit and counterparty risk arise from the potential failure of the Bank's borrowers or counterparties to fulfil their obligations. This risk is the most significant risk faced by the Bank in terms of regulatory capital requirements that arise from its lending activities.

Credit risk represents the Bank's largest regulatory capital requirement and is controlled through specific procedures that the Bank has in place. These procedures provide the Bank with qualitative and quantitative tools which allow monitoring and limiting the credit risk according to the established risk appetite. The Bank's main credit risk comes from customer lending business, whereas counterparty risk is originated from its interbank activity.

Customer lending business is not a core activity of the Bank, and it is focused as part of global services offered to private clients and well-recognized corporates and funds, and fully collateralized by cash deposits or asset portfolios mainly in custody of the Bank. Specifically, any loan granted must be guaranteed by financial collateral, cash, life insurance policies or bank guarantees.

An internal procedure is in place which encompasses a setup of specific review and authorization steps for credit proposals. The procedure involves individual evaluation and approval by the Credit Committee of the Bank.

The collateral arrangements are periodically monitored by the Risk Management Department. The Bank has a very strict collateral policy related to lending and always requires a high level of collateralization when granting a loan. The credit risk is determined on by the standardized approach as defined by CSSF's Circular 06/273.

As for counterparty risk, the Bank aims to have diversification of the risk between banking counterparties. The Bank has established a "credit rating" based methodology which is shared with the Parent Company. Depending on the obtained rating, and the overall risk appetite established by counterparty, a specific limit will be granted.

The credit rating is periodically monitored to ensure that the counterparty risk profile is always respected. Finally, stress testing is performed related to downgrading of credit ratings to ensure capital adequacy.

The following tables give details on the requirements of regulatory capital by type of exposure as of the end of 2022.

<i>In Euros</i>	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density		Own Funds
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWAs	RWA density	TOTAL
Central governments or central banks	412,007,223	-	731,230,537	-	-	0%	-
Regional government or local authority	-	-	-	-	-	-	-
Public sector entities	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-
Institutions	264,341,614	9,094,318	66,253,738	9,094,318	17,990,732	8%	1,439,259
Corporates	196,505,682	51,588,286	82,328,842	45,356,666	77,426,101	8%	6,194,088
Retail	1,137,315	921,675	404,337	921,675	994,509	8%	79,561
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	-	-	-	-	-	-	-
Other items	6,505,681	-	4,776,174	-	4,712,979	8%	377,038
Total	880,497,515	61,604,279	884,993,628	55,372,659	101,124,321	8%	8,089,946

During 2022, the Bank did not transfer any credit or counterparty risk by using securitization vehicles.

Credit risk exposure by exposure class

<i>In Euros</i>	RISK WEIGHTED EXPOSURE	CAPITAL REQUIREMENT	% OF TOTAL CAPITAL REQUIREMENTS
Central governments or central banks	-	-	0%
Institutions	17,990,732	1,439,259	18%
Corporates	77,426,101	6,194,088	77%
Retail Customers	994,509	79,561	1%
Other	4,712,979	377,038	5%
TOTAL	101,124,321	8,089,946	100%

Credit risk exposure by geographic distribution

<i>In Euros</i>	LUXEMBOURG	EUROPEAN UNION	OTHER	TOTAL
Central governments or central banks	194,096,256	126,369,381	91,541,586	412,0074,223
Institutions	22,315,701	6,857,729	244,262,502	273,435,932
Corporates	200,692,948	12,473,209	34,927,811	248,093,967
Retail Customers	1,391,264	526,107	141,619	2,058,990
Other	6,505,681	-	-	6,505,681
TOTAL	425,001,850	146,226,425	370,873,519	942,101,794

“Other” geographies in the table above are mainly composed by:

- Exposure related to “Institutions” in Andorra, representing 83% of total amount.
- Exposure related to “Central governments or Central Banks” in the United States of America, representing 20% of the total amount.

Remaining exposures are located in countries not part of the European Union as well as countries located in America, Australia, Africa and Asia.

6.1.1. Non-Performing and Forborne Exposures

Performing and nonperforming exposures

<i>In Euros</i>	Gross carrying value of performing and non-performing exposures					
		Of which performing but past due > 30 days and <= 90 days	Of which performing forborne	Of which non-performing		
				Of which defaulted	Of which impaired	Of which forborne
Debt securities	126,451,986	-	-	-	-	-
Loans and advances	350,868,536	31,175	-	271,463	205,694	205,691
Off balance sheet exposures	61,604,279	-	-	-	-	-

The Bank held the following general impairment position:

<i>In Euros</i>	31.12.2022	31.12.2021
Impairments to Financial Institutions	19	13
Impairments to loans and advances	457,963	105,430

Impairments to securities	-(82,605)	-
TOTAL	675,377	105,430

6.1.2. Changes in the stock of specific credit risk adjustments

In the application of Article 442 (i) in the CRR, the following table identifies the changes in the Bank's stock of specific credit risk adjustments held against loans and debt securities that are defaulted or impaired.

Table EU CR2-A – Changes in the stock of general and specific credit risk adjustments

<i>In Euros</i>	Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
Opening balance	105,430	-
Increases due to amounts set aside for estimated loan losses during the period	-	-
Decreases due to amounts reversed for estimated loan losses during the period	-	-
Decreases due to amounts taken against accumulated credit risk adjustments	-	-
Transfers between credit risk adjustments	-	-
Impact of exchange rate differences	-	-
Business combinations, including acquisitions and disposals of subsidiaries	-	-
Other adjustments	352,533	-
Closing balance	457,963	-
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	-	-
Specific credit risk adjustments recorded directly to the statement of profit or loss	-	-

6.1.3. Changes in the stock of defaulted and impaired loans and debt securities

In the application of Article 442 (i) of the CRR, the following table identifies the changes in the Bank's stock of defaulted and impaired loans and debt securities for the year 2022.

<i>In Euros</i>	Gross carrying value defaulted exposures
Opening balance	112,567
Loans and debt securities that have defaulted or impaired since the last reporting period	110,223
Returned to non-defaulted status	-
Amounts written off	-
Other changes	-
At 31 December 2022 (closing balance)	222,790

6.1.4. Credit Risk Mitigation

Even though the core business of the Bank is not in pure lending activities, credit risk exposure is one of the most significant risks faced in terms of regulatory capital requirements.

The exposure is originated by its lending business (i.e., Lombard loans, guarantees, credit lines) and counterparty risk from interbank cash deposits and settlement of obligations.

Therefore, to maintain proper control of its credit exposure, the Bank has established procedures for the evaluation, acceptance and monitoring of loans and advances to customers, as well as for the monitoring of exposure to counterparty risk.

At the same time, the Bank has established specific controls to ensure proper identification and mitigation of concentration risk. Either by client or volume, the Bank has established controls to ensure that regulatory requirements are properly identified and mitigated before the approval of any credit risk intake activity.

Customer Lending Business

On customer loans business, the Bank reviews and approves each proposal based on the rule of full collateralization, to mitigate its credit risk exposure. Collateralization is usually in the form of:

- Pledge of assets, either cash or eligible assets (with specific haircut applied), deposited in the client's accounts in the Bank, and pledged accordingly.
- First demand Bank Guarantees (mainly from the Parent Company) for the full amount of the loan granted.

Collateral accepted is formed mainly by cash deposits in major currencies (EUR, USD, or GBP) or assets which are considered as liquid (traded in major organized markets).

For those assets or currencies which doesn't fulfil these conditions, a specific haircut is determined and applied according to the Group's methodologies.

When assessing pledged assets, the Bank evaluates the pledged collateral, on an individual portfolio basis, and its ability to hold liquidity until the maturity of the lending facility it is related to. For this purpose, the Loan-to-Value (LTV) measurement is used as the basis for such evaluation.

As previously mentioned, the Bank has a very strict collateral policy related to lending and always requires a high level of collateralization when granting a loan. Assets pledged as collateral are evaluated individually and a haircut is applied individually according to the evaluation procedures of CAFG and applied automatically in the banking core system.

The value after haircut of each asset pledged will finally determine the overall value of the collateral and its effect in the LTV. The weighting therefore is not solely dependent on external credit ratings (provided by approved ECAs), but on a series of factors which will ensure convertibility throughout the life of the loan.

Also, the Bank considers that the rules applied for collateral weighting purposes are stringent in terms of final value assigned for collateralization of each asset. This allows that in case of stressed conditions of

the market, which would result in a drop of value in any pledged asset, the movement in the LTV will not be proportional to the actual value of the pledged asset.

The Bank ensures that in case of stress of the market, there will be enough time to adequate the composition of the collateral portfolio and, in such case, terminate and realize the credit exposure with an expectation of no-loss.

The loans portfolio is monitored on a monthly basis to ensure proper coverage by assessing the collateral in place. The Bank has also established specific procedures to manage in-arrears, forborne and defaulted loans, so escalation is done on a timely manner.

In the case of first demand Bank Guarantees granted by the Parent Company, the Bank requires that 100% coverage with European or US government issued bonds, which are pledged to ensure risk transfer. The value of the bonds is affected by an individual haircut and their value is assessed daily.

The Bank applies general provisions to its lending portfolio as per the requirements of the IFRS9 impairment model, which considers the Expected Credit Losses (ECL) model. Under this model, the Bank applies a 12-month and a Lifetime ECL to all credits in the portfolio.

Finally, when deemed as necessary, the Bank will also apply specific impairments when: i) the collateral arrangements are insufficient and, ii) when there is specific evidence of events which might have an impact on the estimated future cash flows of the loans.

Counterparty Exposure

The Bank uses a procedure of request and approval of individual exposure limits. Exposure limits are evaluated at CAFG level as an overall exposure strategy by counterparty and by country. Under this procedure, the Bank gets assigned exposure limits which can accommodate its individual business needs. Where needed, the Bank signs specific agreements which allows to mitigate the counterparty risk (ISDA, CSA, GMRA, but not limited to these).

The Bank monitors the usage of the granted limits by individual counterparty daily. The utilization is reported to the relevant departments in the Bank, as well as to the Group, on a daily basis. Where collateral arrangements are in place, the Bank only accepts cash (Euros).

A specific procedure has been established in the Bank to identify and escalate any overdraft in the established limits, where the reasons for the incident as well as the identification of remedial actions are communicated to the relevant departments, as well as to the Authorised Management. The monitoring and controls are done daily, and an activity report is submitted to the BoD on a quarterly basis.

6.1.4.1. Encumbered and Unencumbered Assets

Below is the detail of Encumbered and Unencumbered assets as per the reporting related to EBA GL/2014/03. In this regard, the figures are based on the average value of the 4 quarters of the previous twelve-months.

As per the business model of the Bank, the assets should remain unpledged and therefore can be used for funding purposes. Any changes to this model should be approved by the Management Body.

Assets

		Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
<i>In Euros</i>		010	040	060	090
010	Assets of the reporting institution	-		847,102,292	
020	Loans on demand	-		40,461,289	
030	Equity instruments	-	-	-	-
040	Debt securities	-	-	217,910,967	198,696,885
050	of which: covered bonds	-	-	-	-
060	of which: asset-backed securities	-	-	-	-
070	of which: issued by general governments	-	-	217,910,967	198,696,885
080	of which: issued by financial corporations	-	-	-	-
090	of which: issued by non-financial corporations	-	-	-	-
100	Loans and advances other than loans on demand	-	-	544,506,830	-
110	of which: mortgage loans	-	-	-	-
120	Other assets	-		44,223,205	

Collateral received

		Non-encumbered		
		Fair value of encumbered collateral received, or own debt securities issued	Fair value of collateral received, or own debt securities issued available for encumbrance	Nominal of collateral received or own debt securities issued non available for encumbrance
<i>In Euros</i>		010	040	070
130	Collateral received by the reporting institution	-	90,695,624	108,500,000
140	Loans on demand	-	-	-
150	Equity instruments	-	-	-
160	Debt securities	-	90,695,624	108,500,000
170	of which: covered bonds	-	-	-
180	of which: asset-backed securities	-	-	-
190	of which: issued by general governments	-	90,695,624	108,500,000
200	of which: issued by financial corporations	-	-	-
210	of which: issued by non-financial corporations	-	-	-
220	Loans and advances other than loans on demand	-	-	-
230	Other collateral received	-	-	-
240	Own debt securities issued other than own covered bonds or asset-backed securities	-	-	-

Sources of Encumbrance

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received, and own debt securities issued other than covered bonds and ABSs encumbered
<i>In Euros</i>	010	030
Carrying amount of selected financial liabilities	-	-
Derivatives	-	-
Deposits	-	-
Repurchase agreements	-	-
Other sources of encumbrance	-	-
TOTAL SOURCES OF ENCUMBRANCE	-	-

6.2. Market risk

Market risk is the risk of changes in market prices, interest rates, currencies or other economic factors that could cause a reduction in the value of assets or portfolio of assets. Market risk can arise from open market positions (either long or short) or imperfectly hedged positions. The Bank's exposure to market risk is mainly concentrated in foreign exchange rate and interest rate risk.

The Bank does not own a trading portfolio and as such is not subject to capital requirements to cover position risks. However, the bank is exposed to currency risk as it holds cash in different currencies.

The Bank's policy regarding the decisions to take foreign exchange positions is conservative and is to have enough cash to cover small operations from clients. However, an exchange risk on corporate credit lines as well as hedging spot/forward positions initiated by the clients, still exist. To control this market risk, the Risk Management department performs daily checks on the foreign currency exposure in the banking book against a specific

The Bank does however face the potential of market risk in the form of interest rate risk (as a result of fluctuations in interest rates in connection with cash movements or borrowing or currency risk in operating business when recognising net revenues denominated in foreign currencies). In this regard, the business model of the Bank is reviewed in order to ensure that risks are correctly identified and mitigated, either by business line, or by overall Bank's activity.

6.2.1. Interest rate risk

As specified in its dedicated policy, the Bank covers the treasury market risk in operations on behalf of its clients. The Bank's policy normally accepts on exceptional basis commitments which exceed 6 months and requests to cover most of its position when it is for more than 30 days (based on their expectations). However, due to the low sensitivity to movements in interest rates, no limits have been defined for this risk.

Stress tests are performed by the Bank, as per CSSF's Circular 08/338 as amended, which are done in a monthly basis. The methodology followed to perform the stress tests is by scenario simulation, taking in account those assets in the balance sheet that are sensitive to changes in interest rate. A calculation of the economic value and impact occurred when the interest rates changes are performed, allowing to calculate the financial margin and the impact on the income statement. The stress tests are designed to determine the impact in the Capital position of the Bank, from an upward or downward movement of 200 basis points in the interest rates curves. In the other hand, the Bank has adopted the stress testing of the 6 scenarios as per EBA guidelines GL/2023/04. The results are evaluated internally against specific internal thresholds to ensure integration in the risk control framework.

As of December 31, 2022, the results of the stress test for a variation of +/-200 basis points on the interest rates were as followed:

Sensitivity	Economic Sensitivity Value
+200bp	-7.48%
-200bp	1.65%

6.3. Operational risk

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people, and systems or from external events. The objective of the administration structure of the Bank is to ensure the business functions and to have available the necessary support for their operations.

The operational risk capital requirement has been based on the CSSF Circular 06/273 Part XV, as amended. The Bank has elected the Basic Indicator Approach (“BIA”) for operational risk. The gross income indicator has been calculated based on accounting values for the last three years.

The total capital requirement for operational risk amounted, at the end of December 2022, to EUR 2.7 million.

While the Bank currently employs the BIA approach, the firm continues to work towards the developing the foundation of a sound risk control framework based on the Principles for a Sound Management of Operational Risk from the Basel Committee in applying the Risk and Control Self-Assessment (“RCSA”) practice to analyse its risk profile as well as the adequacy of its control to cover it.

The Bank also notes two sub-risks which fall under operational risk:

- **Compliance risk:** Defined as the risk generate by the macroeconomic and regulatory environment which the Bank operates in. This risk is mitigated by the Compliance function within the Bank identifying and evaluating compliance risk.
- **Reputational risk:** Defined as the risk from negative public perception which could cause a contraction in the customer base, costly litigations, or shareholder value. This risk is mitigated by the robust application of Anti-Money Laundering (“AML”) and Know Your Customer (“KYC”) principles.

6.3.1. Reporting, measurement, and mitigation

For monitoring purposes, the Bank has set up a database tool developed by the Parent Company whose methodology is known and accepted by the Bank. The purpose of the tool is centralising all reported operational risk incidents in order to ensure the collection of the entire incidents as well as to monitor the operational risk profile of the Bank.

Consequently, all operational incidents (with and without a financial impact) are assessed and logged, both on paper and electronically in the form of an incident report form, in order to control the deficiencies through all the processes, better adapt risk management processes and refine back testing work.

The monitoring of this database is ensured by the Risk Management Department of the Bank, who ensures the collection and registration of all operational incidents through the database, based on report incidents received by the responsible business lines.

6.4. Liquidity risk

6.4.1. Overview

Liquidity risk is defined as the possibility of incurring losses when there are not enough cash or liquid resources to comply with the obligations assumed. The Bank is exposed to liquidity risk as it may lack enough liquidity to meet its daily payment obligations or incur refinancing costs in the event of liquidity stress.

The management of liquidity risk is detailed by the Bank's liquidity risk procedure, which set out the full coverage of the Bank's liquidity standards as required by the regulator, stress tests and scenario analyses. The Bank utilises reverse liquidity stress tests to ensure that efficient liquidity during potential market disruptions and idiosyncratic scenarios.

Strategy and Process

The Liquidity risk governance framework is defined by the Board of Directors, which mandates the elaboration of a specific Liquidity Risk Management procedure. The Bank has embedded specific liquidity risk indicators such as the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) in the Risk Appetite Statement. Other metrics have also been developed (i.e., Deposits Fluctuation), which are also part of the liquidity management framework. All the metrics have established internal thresholds which are reviewed, at least, annually.

The Bank takes a conservative approach to liquidity risk management, which requires that the Bank always meets the regulatory requirements on liquidity, as well as its ability to sustain a prolonged period of liquidity stress. In this regard, the Bank ensures that proper metrics and stress methodologies are in place.

Structure and Organization

The Board of Directors delegates the responsibility to manage liquidity risk to the Authorised Management daily.

The Risk Management function oversees the daily monitoring and reporting of liquidity ratios to ensure meeting with the internal and regulatory thresholds. The reports are submitted daily to the Authorised Management and on a quarterly basis to the Board of Directors.

The information reported to the Authorised Management and the Board of Directors serves for the purpose of testing the liquidity resilience of the Bank, and the identification of possible sources of liquidity stress and the effectiveness of the Bank's Recovery Plan, which would be invoked in the event of a liquidity crisis.

Liquidity Risk Management

The Bank, as a result of its usual business activities, acknowledges its exposure to Liquidity Risk when its access to funding markets is compromised either by stressed market movements or by other idiosyncratic events. The Bank considers liquidity risk on both assets and liabilities side, unfolding it into funding risk (liabilities) and market liquidity risk (assets).

Funding Liquidity risk understood as the risk of not being able to meet efficiently both expected and unexpected current and future cash flow needs without affecting its daily operations. Market Liquidity risk

is understood as the inability to easily offset or eliminate a position at market price because of inadequate market depth or market disruptions.

In general terms and looking to ensure the maintenance of its liquidity risk profile, the Bank has established management strategies and guidelines which allow to mitigate possible shortfalls in liquidity. The Bank therefore manages its liquidity position by carefully forecasting the cash flows, closely monitoring liquidity limits, asset-liability mismatch assessment, and maintaining an adequate liquidity buffer.

The Bank mitigates liquidity risk through the maintenance of a liquidity reserve, formed by high quality, highly marketable assets, which can be converted in a reasonable time frame, or which could be eligible as collateral with no haircut. Cash management funds are also maintained to meet the withdrawals and lending needs of customers. The amount of funds is continually evaluated and adjusted to ensure its effectiveness.

As of December 31, 2022, the schedule of financial assets and liabilities is as follows:

Maturities of financial assets and liabilities (book value)

<i>In Euros</i>					
Instrument Category (Financial Assets)	≤ 3 months	> 3 m < 1 yr	> 1 yr < 5 yr	> 5 yr	Total
Treasury and balances with Central Banks	194,159,452	-	-	-	194,159,452
Financial Assets held for trading	29,826,515	7,479,061	19,853	-	37,325,429
Loans and advances to credit institutions	215,526,053	17,711,209	-	-	233,237,262
Loans and advances to customers	88,301,093	7,521,707	61,237,226	574,574	157,634,600
Investments held to maturity	-	-	217,910,967	-	217,910,967
TOTAL	527,813,113	32,711,977	279,168,046	574,574	840,267,710

<i>In Euros</i>					
Instrument Category (Financial Liabilities)	≤ 3 months	> 3 m < 1 yr	> 1 yr < 5 yr	> 5 yr	Total
Financial liabilities held for trading	29,847,864	7484517			37,332,381
Amounts owed to credit institutions	13,720,049	110,061,111	-		123,781,160
Customer Deposits	599,924,575	15,543,856	2,161,466		617,629,897
Guarantees	9,154,318	200,000	641,000	134,922	10,130,240
Engagements	2,136,900	49,142,786	178,150	16,204	51,474,040
Lease Liability	-	-	-	1,709,456	1,709,456
TOTAL	654,783,706	182,432,270	2,980,616	1,860,582	842,057,174

6.4.2. Reporting, measurement, and mitigation

As explained in the previous section, the Bank employs a range of liquidity risk assessments and stress tests to assess its ability to meet its obligations when they fall due.

The Bank performs daily assessment on the following regulatory ratios:

- **Liquidity Coverage Ratio (“LCR”):** The Liquidity Coverage Ratio requires financial institutions to hold a stock of liquid assets to cover the net cash outflow of the Bank over a period of 30 days. The net cash outflow is defined as the difference between the total cash outflows and the minimum between the total cash inflows and 75% of the total cash outflows
- **The Net Stable Funding Ratio (“NSFR”):** The purpose of the Net Stable Funding Ratio (“NSFR”) is to ensure that banks hold a minimum amount of stable funding based on the liquidity characteristics of their assets and activities over a one-year horizon. The objective is to reduce maturity mismatches between the asset and liability items on the balance sheet and thereby reduce funding risks.

Additionally, the Bank also analyses metrics regarding depositor concentrations, geographical location and currencies on top of quarterly stress tests to assess the Bank’s liquidity resilience.

Below is the calculation of the LCR disclosure template, as of December 31, 2022:

<i>In Euros</i>		Total unweighted value	Total weighted value
High-quality liquid assets			
1	Total HQLA		476,514,238
Cash outflows			
2	Retail deposits and deposits from small business customers, of which:	13,203,910	2,640,782
3	Stable deposits	-	-
4	Less stable deposits	13,203,910	2,640,782
5	Unsecured wholesale funding, of which:	600,017,347	561,923,813
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	34,410,713	8,602,678
7	Non-operational deposits (all counterparties)	565,606,634	553,321,135
8	Unsecured debt	-	-
9	Secured wholesale funding	-	-
10	Additional requirements, of which:	69,051,042	38,030,921
11	Outflows related to derivative exposures and other collateral requirements	17,577,002	17,577,002
12	Outflows related to loss of funding of debt products	-	-
13	Credit and liquidity facilities	51,474,040	20,453,919
14	Other contractual funding obligations	-	-
15	Other contingent funding obligations	10,390,116	-
16	TOTAL CASH OUTFLOWS		602,595,516
Cash inflows			
17	Secure Lending (e.g. reverse repos)	-	-
18	Inflows from fully performing exposures	141,719,445	141,717,911
19	Other cash inflows	17,575,022	17,575,022
20	TOTAL CASH INFLOWS	159,294,466	159,292,932

High-quality liquid assets			
			Total adjusted value
21	Total HQLA		476,514,238
22	Total net cash outflows		443,302,584
23	Liquidity coverage ratio (%)		107.49%

Liquidity coverage ratio – Quarterly data

	Total Adjusted Value			
	31/03/2022	30/06/2022	30/09/2022	31/12/2022
<i>In Euros</i>				
LIQUIDITY BUFFER	505,267,399	623,715,793	428,277,244	476,514,238
TOTAL NET CASH OUTFLOWS	465,788,285	537,541,948	378,045,472	443,302,583
LIQUIDITY COVERAGE RATIO (%)	108.48%	116.03%	113.29%	107.49%

NSFR disclosure – Yearly data

<i>In Euros</i>	31.12.2021	31.12.2022
Available Stable Funding (ASF)	156,317,574	139,639,213
Required Stable Funding (RSF)	120,767,877	103,726,885
NSFR	129.44%	149.94%

6.4.3. Declaration of adequacy

The Board of Directors consider that the Bank's liquidity risk management framework, controls and systems in place are adequate and satisfactory with regards to the Bank's profile and strategy.

7. REMUNERATION DISCLOSURE

7.1. Introduction

The remuneration disclosure provides information related to the Bank's remuneration policy and practices for the staff. The disclosure is based on the policies and procedures applicable. As a credit institution, the Bank is in conformity with the following regulatory requirements:

- Provisions of the Law of 23 July 2015 on the transposition of the Directive 2013/36/EU (CRD IV) and CSSF Circular 11/505.
- CSSF Circular 15/622 describing the procedure for higher ratio notification procedure applicable to remuneration policy according to Article 94(1)(g)(ii) of Directive 2013/36/EU ("CRD IV") following its transposition into Luxembourg law via Article 19,7°, Point g of the law of 23 July 2015.
- CSSF Circular 14/585 concerning the transposition of the European Securities Markets Authority's (ESMA) guidelines on remuneration policies and practices (MiFID) - Addition of Annexe V to CSSF Circular 07/307.
- Commission Delegated Regulation (EU) No 604/2014 of 4 March 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile.
- Article 450 of the European Regulation (EU) 575/2013 concerning the requirements for terms of disclosure of information related to compensation.
- Circular CSSF 17/658 related to the adoption of the EBA Guidelines on sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU (CRD IV) and disclosures under Article 450 of Regulation (EU) No 575/2013 (EBA/GL/2015/22).
- Directive 2014/65/EU (MiFID II).

7.2. Remuneration Policy

The Bank has established a Remuneration Policy ("the Policy") which is validated by the Board of Directors, at least, on a yearly basis. The Policy aims to encourage prudent and sound risk management in order to not exceed the level of the Bank's tolerated risk. For such purpose, the Bank ensures having robust governance arrangements and effective processes to identify, manage, monitor, and report the risks that is, or might be, exposed to. The activity is performed by the Risk Management Department, which is supervised directly by the Authorised Management of the Bank.

The Policy takes in consideration the Bank's conservative business strategy and the long-term interests and underlying values of wealth preservation and sustainable growth. This is highlighted by the reasonable percentage of variable remuneration paid, which is specifically designed to preserve a sound risk management culture avoiding conflict of interests with non-sustainable business profitability and excessive risk taking.

The Policy applies to all employees of the Bank and placing emphasis on takers of material risks as required by the Capital Requirements Directive. The implementation of the Policy is responsibility of the Authorized Management with the support of the Human Resources Department. The application of the Policy is reviewed yearly by the control functions and is also subject to a review by both the internal and external auditors of the Bank. Changes resulting from those reviews are finally submitted for approval of the Board of Directors.

7.3. Performance Management

In order to encourage its employees to participate as actively as possible in the achievement of the strategic objectives, controls and business goals, while respecting the work contracts in effect over time, the Bank applies, in a general manner and whenever possible, compensation policies which provides a fixed and a variable component based on the results achieved when pursuing the assigned objectives. The adoption of an adequate compensation mechanism allows to:

- Guide and encourage positive desired behaviours
- Influence motivation / personal expectations
- Support the achievement of strategic objectives in the long and short term.
- Recognize and reward individual / collective contributions
- Contribute to the competitiveness and the attractiveness of the Group in respect to other competitors in the labour market
- Retain the employees

The Bank has defined the remuneration structure for its employees based on the following two elements:

- **Salary:** The fixed part of the remuneration (including any benefits provided for in the collective agreement and / or the contract of employment). Fixed remuneration has the objective to reflect the relevant professional experience and organisational responsibilities required on the job description.
- **Bonus:** The variable part of the remuneration paid, which is linked to financial and non-financial performance. It is determined by an evaluation which combines the individual, business line and overall Bank's performance. The variable part allocated by the Bank is discretionary and does not confer on the employee any right to such a variable part in the future.

The Remuneration Policy of the Bank is, as far as possible, adapted to the actual duties and responsibilities as set out in the job descriptions. It is also adapted to the commitment demonstrated, according to the position held, to the seniority and experience acquired by the employee. The assignment of an adequate remuneration makes it possible to positively influence employees towards professional and ethical behaviour. Equitable remuneration further enables the value of merit to be put into practice.

7.4. Limits to variable compensation

The Bank has set a maximum ceiling for the variable component. Pursuant to Article 38.6 (g) of the Act of 23 July 2015 transposing CRD IV, the variable component may not exceed 100% of the fixed component for material risk takers. Any approval of a higher ratio shall be made in agreement with the Board of Directors and following a specific procedure.

No employee of the Bank was entitled to a total remuneration of more than EUR 1,000,000 during this year. On a yearly basis, the CSSF organizes a High Earners Data Collection report (cf: EBA guidelines) related to any total remuneration that equals or is higher than EUR 1,000,000. This report is done by the Head of Human Resources department and communicated to the CSSF accordingly. This report is duly shared with the members of the Board of Directors.

The Board of Directors is also entitled to require any employee, including its own members (the Management Body) to reimburse all or part of the variable compensation, granted or already paid, based on data or elements, which subsequently prove to be fraudulent¹.

7.5. Identification and Remuneration of Material Risk Takers

The Remuneration Policy of the Bank applies to different categories of employees. In general terms, the Bank differentiates between Material Risk Takers from Other Employees.

Material Risk Takers are identified by a review procedure taking in several pre-established criteria, such as (but not limited to): size, nature and/or complexity of its activities, as well as its place in the organization or the type of information handled.

The analysis is led by the Authorized Management, with the assistance of the Human Resources department and the support of the Control Functions, in accordance with the applicable laws and regulations. Finally, the analysis is approved by the Nomination and Remuneration Committee of the Bank, on an annual basis.

For each of the categories, the risks associated with these categories are detailed, as is the number of persons involved (as of 31 December 2022):

Category	Eligibility for variable remuneration	Risk taker	Number of persons concerned
<u>Members of the Board of Directors</u> (*)	No	Material	6
<u>Members of the Direction</u> - <i>Managing Director</i> - <i>Chief Operating Officer</i>	Yes	Material	2
<u>Control Functions</u> - <i>Chief Internal Auditor</i> - <i>Chief Risk Officer</i> - <i>Chief Compliance Officer</i>	Yes	Material	3
<u>Commercial, Operational and support activities</u> - <i>Head of Finance and General Services</i> - <i>Head of IT</i> - <i>Head of Wealth Management</i> - <i>Head of Depositary Development and Advisory</i>	Yes	Material	4
Others (Employees not included in the previous categories)	Yes	N/A	93

(*) Including the Managing Director

¹ Application of this provision is according to the definitions setup in the Remuneration Policy

7.6. Breakdown of total remuneration by type of Risk Taker

Remuneration of the staff identified as Risk Takers in relation to performance at the end of 2022:

Number of Identified Risk Takers	15
Annual fixed Remuneration granted	2,326,265 Eur
Variable remuneration granted	962,169 Eur
Number of identified Risk Takers with total 2020 remuneration above 1m Euros	-
Reduced amount through performance adjustments (holdback/clawback)	-

As of December 31, 2022, the following two summary tables show the share of variable remuneration on the total remuneration paid:

Risk takers:	Number of people	Variable portion of total compensation ²	Pension contribution	Long-term indemnities
<u>Members of the Board of Directors</u> (*)	6	n/a	None	None
<u>Members of the Direction</u> - Managing Director - Chief Operating Officer	2	8.38 %	None	None
<u>Control Functions</u> - Chief Internal Auditor - Chief Risk Officer - Chief Compliance Officer	3	4.51 %	None	None
<u>Commercial, Operational and support activities</u> - Head of Finance and General Services - Head of IT - Head of Wealth Management - Head of Depositary Development and Advisory	3	28.46 %	None	None

(*) Including the Managing Director

Employees of the Bank	Number of people	Variable portion of total compensation
Non-Risk Takers (other employees)	93	10.42 %

² Given that variable compensation, consisting exclusively of a bonus / bonus for the relevant period, is only paid at the beginning of the following year.

ANNEX I

Capital instruments' main features template (1)		
1	Issuer	N/A
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	N/A
	<i>Regulatory treatment</i>	N/A
4	Transitional (CRR) rules	N/A
5	Post-transitional (CRR) rules	N/A
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	N/A
7	Instrument type (types to be specified by each jurisdiction)	N/A
8	Amount recognized in regulatory capital (currency in million, as of most recent reporting date)	N/A
9	Nominal amount of instrument	N/A
9a	Issue price	N/A
9b	Redemption price	N/A
10	Accounting classification	N/A
11	Original date of issuance	N/A
12	Perpetual or dated	N/A
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	<i>Coupons / dividends</i>	N/A
17	Fixed or floating dividend / coupon	N/A
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	N/A
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
(1) 'N/A' inserted if the question is not applicable		

ANNEX II

Own funds disclosure

Common Equity Tier 1 capital: instruments and reserves (1)		31/12/2022	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE
1	Capital instruments and the related share premium accounts	27,500,000	26 (1), 27, 28, 29
	of which: Instrument type 1		EBA list 26 (3)
	of which: Instrument type 2		EBA list 26 (3)
	of which: Instrument type 3		EBA list 26 (3)
2	Retained earnings	25,497,262	26 (1) (c)
3	Accumulated other comprehensive income (and any other reserves)	819,314	26 (1)
3a	Funds for general banking risk		26 (1) (f)
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1		486 (2)
5	Minority interests (amount allowed in consolidated CET1)		84,
5a	Independently reviewed interim profits net of any foreseeable charge or dividend		26 (2)
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	53,816,576	sum of rows 1 to 5a
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-91,542	34, 105
8	Intangible assets (net of related tax liability) (negative amount)		36 (1) (b), 37
9	Empty set in the EU		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	- 571,604	36 (1) (c), 38
11	Fair value reserves related to gains or losses on cash flow hedges		33 (a)
12	Negative amounts resulting from the calculation of expected loss amounts		36 (1) (d), 40, 159
13	Any increase in equity that results from securitised assets (negative amount)		32 (1)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		33 (1) (b)
15	Defined-benefit pension fund assets (negative amount)		36 (1) (e), 41
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)		36 (1) (f), 42
17	Direct, indirect and synthetic holdings of the CET1 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)		36 (1) (g), 44
18	Direct, indirect and synthetic holdings 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)		36 (1) (h), 43, 45, 46, 49 (2) (3), 79
19	Direct, indirect and synthetic holdings 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)		36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79
20	Empty set in the EU		
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		36 (1) (k)
20b	of which: qualifying holdings outside the financial sector (negative amount)		36 (1) (k) (i), 89 to 91

20c	of which: securitisation positions (negative amount)		36 (1) (k) (ii) 243 (1) (b) 244 (1) (b) 258
20d	of which: free deliveries (negative amount)		36 (1) (k) (iii), 379 (3)
21	Deferred tax assets arising from temporary difference (amount above 10 % threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		36 (1) (c), 38, 48 (1) (a)
22	Amount exceeding the 15% threshold (negative amount)		48 (1)
23	of which: 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		36 (1) (i), 48 (1) (b)
24	Empty set in the EU		
25	of which: deferred tax assets arising from temporary difference		36 (1) (c), 38, 48 (1) (a)
25a	Losses for the current financial year (negative amount)		36 (1) (a)
25b	Foreseeable tax charges relating to CET1 items (negative amount)		36 (1) (l)
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment		
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)		36 (1) (j)
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	- 663,146	Sum of rows 7 to 20a,21,22 and 25a to 27
29	Common Equity Tier 1 (CET1) capital	53,153,430	Row 6 minus row 28
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts		51, 52
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		486 (3)
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties		85, 86
35	of which: instruments issued by subsidiaries subject to phase-out		486 (3)
36	Additional Tier 1 (AT1) capital before regulatory adjustments	-	Sum of rows 30,33 and 34
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)		52 (1) (b), 56 (a), 57
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)		56 (b), 58
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)		56 (c), 59, 60, 79, 475 (4)
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)		56 (d), 59, 79
41	Empty set in the EU		
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		56 (e)
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	-	Sum of rows 37 to 42

44	Additional Tier 1 (AT1) capital	-	Row 36 minus row 43
45	Tier 1 capital (T1 = CET1 + AT1)	53,153,430	Sum of row 29 and row 44
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts		62, 63
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2		486 (4)
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties		87, 88
49	of which: instruments issued by subsidiaries subject to phase-out		486 (4)
50	Credit risk adjustments		62 (c) & (d)
51	Tier 2 (T2) capital before regulatory adjustment	-	
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		63 (b) (i), 66 (a), 67
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institutions designed to inflate artificially the own funds of the institution (negative amount)		66 (b), 68
54	Direct, indirect and synthetic 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)		66 (c), 69, 70, 79
55	Direct, indirect and synthetic holdings 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 amounts)		66 (d), 69, 79
56	Empty set in the EU		
57	Total regulatory adjustments to Tier 2 (T2) capital	-	Sum of rows 52 to 56
58	Tier 2 (T2) capital	-	Row 51 minus row 57
59	Total capital (TC = T1 + T2)	53,153,430	Sum of row 45 and row 58
60	Total risk-weighted assets		
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount	39,38%	92 (2) (a)
62	Tier 1 (as a percentage of total risk exposure amount	39,38%	92 (2) (b)
63	Total capital (as a percentage of total risk exposure amount	39,38%	92 (2) (c)
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount) ¹⁾	13.89%	CRD 128, 129, 130, 131, 133
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical buffer requirement	0.39%	
67	of which: systemic risk buffer requirement	0.0%	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.0%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount) ²⁾	39,38%	CRD 128
69	[non-relevant in EU regulation]		
70	[non-relevant in EU regulation]		
71	[non-relevant in EU regulation]		
Amounts below the thresholds for deduction (before risk-weighting)			

72	Direct and indirect holdings of the capital 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)		36 (1) (h), 45, 46, 56 (c), 59, 60, 66 (c), 69, 70
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		36 (1) (i), 45, 48
74	Empty set in the EU		
75	Deferred tax assets arising from temporary difference (amount below 10 % threshold, net of related tax liability where the conditions in Article 38 (3) are met)		36 (1) (c), 38, 48
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardized approach (prior to the application of the cap)		62
77	Cap on inclusion of credit risk adjustments in T2 under standardized approach		62
78	Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)		62
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		62
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	- Current cap on CET1 instruments subject to phase-out arrangements		484 (3), 486 (2) & (5)
81	- Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		484 (3), 486 (2) & (5)
82	- Current cap on AT1 instruments subject to phase-out arrangements		484 (4), 486 (3) & (5)
83	- Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		484 (4), 486 (3) & (5)
84	- Current cap on T2 instruments subject to phase-out arrangements		484 (5), 486 (4) & (5)
85	- Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		484 (5), 486 (4) & (5)
(1) 'N/A' inserted if the question is not applicable			

¹⁾ CET1 capital requirement including buffer requirements

²⁾ CET1 capital ratio as reported, less minimum requirement of 4.5% (excluding buffer requirements) and less any CET1 items used to meet the Tier 1 and total capital requirements.

ANNEX III

Transitional own funds disclosure

Common Equity Tier 1 capital: instruments and reserves (1)		31/12/2022	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
1	Capital instruments and the related share premium accounts	27,500,000	26 (1), 27, 28, 29, EBA list 26 (3)	N/A
	of which: Instrument type 1		EBA list 26 (3)	N/A
	of which: Instrument type 2		EBA list 26 (3)	N/A
	of which: Instrument type 3		EBA list 26 (3)	N/A
2	Retained earnings	25,497,262	26 (1) (c)	N/A
3	Accumulated other comprehensive income (and any other reserves)	819,314	26 (1)	N/A
3a	Funds for general banking risk		26 (1) (f)	N/A
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1		486 (2)	N/A
	Public sector capital injections grandfathered until 1 January 2020		483 (2)	N/A
5	Minority interests (amount allowed in consolidated CET1)		84, 479, 480	N/A
5a	Independently reviewed interim profits net of any foreseeable charge or dividend		26 (2)	N/A
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	53,816,576		N/A
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative amount)	-91,542	34, 105	N/A
8	Intangible assets (net of related tax liability) (negative amount)		36 (1) (b), 37, 472 (4)	N/A
9	Empty set in the EU			N/A
10	Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	- 571,604	36 (1) (c), 38, 472 (5)	N/A
11	Fair value reserves related to gains or losses on cash flow hedges		33 (a)	N/A
12	Negative amounts resulting from the calculation of expected loss amounts		36 (1) (d), 40, 159, 472 (6)	N/A
13	Any increase in equity that results from securitised assets (negative amount)		32 (1)	N/A
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		33 (1) (b) (c)	N/A
15	Defined-benefit pension fund assets (negative amount)		36 (1) (e), 41, 472 (7)	N/A
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)		36 (1) (f), 42, 472 (8)	N/A
17	Holdings of the CET1 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)		36 (1) (g), 44, 472 (9)	N/A

18	Direct, indirect and synthetic holdings 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)		36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10)	N/A
19	Direct, indirect and synthetic holdings 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)		36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79, 470, 472 (11)	N/A
20	Empty set in the EU			N/A
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		36 (1) (k)	N/A
20b	of which: qualifying holdings outside the financial sector (negative amount)		36 (1) (k) (i), 89 to 91	N/A
20c	of which: securitisation positions (negative amount)		36 (1) (k) (ii) 243 (1) (b) 244 (1) (b) 258	N/A
20d	of which: free deliveries (negative amount)		36 (1) (k) (iii), 379 (3)	N/A
21	Deferred tax assets arising from temporary difference (amount above 10 % threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	N/A
22	Amount exceeding the 15% threshold (negative amount)		48 (1)	N/A
23	of which: 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		36 (1) (i), 48 (1) (b), 470, 472 (11)	N/A
24	Empty set in the EU			N/A
25	of which: deferred tax assets arising from temporary difference		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	N/A
25a	Losses for the current financial year (negative amount)		36 (1) (a), 472 (3)	N/A
25b	Foreseeable tax charges relating to CET1 items (negative amount)		36 (1) (l)	N/A
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment			N/A
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468			N/A
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR		481	N/A
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)		36 (1) (j)	N/A
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	- 663,146		N/A
29	Common Equity Tier 1 (CET1) capital	53,153,430		N/A
Additional Tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts		51, 52	N/A
31	of which: classified as equity under applicable accounting standards			N/A
32	of which: classified as liabilities under applicable accounting standards			N/A
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1		486 (3)	N/A
	Public sector capital injections grandfathered until 1 January 2020		483 (3)	N/A
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties		85, 86, 480	N/A

35	of which: instruments issued by subsidiaries subject to phase-out		486 (3)	N/A
36	Additional Tier 1 (AT1) capital before regulatory adjustments	-		N/A
Additional Tier 1 (AT1) capital: regulatory adjustments				
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)		52 (1) (b), 56 (a), 57, 475 (2)	N/A
38	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)		56 (b), 58, 475 (3)	N/A
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)		56 (c), 59, 60, 79, 475 (4)	N/A
40	Direct, indirect and synthetic holdings of the AT1 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)		56 (d), 59, 79, 475 (4)	N/A
41	Regulatory adjustments applied to Additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 585/2013 (ie. CRR residual amounts)			N/A
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013		472, 473(3)(a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	N/A
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013		477, 477 (3), 477 (4) (a)	N/A
41c	Amounts to be deducted from added to Additional Tier 1 capital with regard to additional filters and deductions required pre- CRR		467, 468, 481	N/A
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		56 (e)	N/A
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	-		N/A
44	Additional Tier 1 (AT1) capital	-		N/A
45	Tier 1 capital (T1 = CET1 + AT1)	53,153,430		N/A
Tier 2 (T2) capital: instruments and provisions				
46	Capital instruments and the related share premium accounts		62, 63	N/A
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2		486 (4)	N/A
	Public sector capital injections grandfathered until 1 January 2020		483 (4)	N/A
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third party		87, 88, 480	N/A
49	of which: instruments issued by subsidiaries subject to phase-out		486 (4)	N/A
50	Credit risk adjustments		62 (c) & (d)	N/A
51	Tier 2 (T2) capital before regulatory adjustment	-		N/A
Tier 2 (T2) capital: regulatory adjustments				
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		63 (b) (i), 66 (a), 67, 477 (2)	N/A

53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institutions designed to inflate artificially the own funds of the institution (negative amount)		66 (b), 68, 477 (3)	N/A
54	Direct, indirect and synthetic 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)		66 (c), 69, 70, 79, 477 (4)	N/A
54a	Of which new holdings not subject to transitional arrangements			N/A
54b	Of which holdings existing before 1 January 2013 and subject to transitional arrangements			N/A
55	Direct, indirect and 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 (negative amounts)		66 (d), 69, 79, 477 (4)	N/A
56	Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)			N/A
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013		472, 472(3)(a), 472 (4), 472 (6), 472 (8), 472 (9), 472 (10) (a), 472 (11) (a)	N/A
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013		475, 475 (2) (a), 475 (3), 475 (4) (a)	N/A
56c	Amounts to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre-CRR		467, 468, 481	N/A
57	Total regulatory adjustments to Tier 2 (T2) capital		-	N/A
58	Tier 2 (T2) capital		-	N/A
59	Total capital (TC = T1 + T2)	53,153,430		N/A
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amount)			N/A
	Of which: items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc)		472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b)	N/A
	Of which: items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)		475, 475 (2) (b), 475 (2) ©, 475 (4) (b)	N/A
	Items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc)		477, 477 (2) (b), 477 (2) (c), 477 (4) (b)	N/A
60	Total risk-weighted assets			N/A
Capital ratios and buffers				
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	39,38%	92 (2) (a), 465	N/A
62	Tier 1 (as a percentage of total risk exposure amount)	39,38%	92 (2) (b), 465	N/A
63	Total capital (as a percentage of total risk exposure amount)	39,38%	92 (2) (c)	N/A

64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount) ¹⁾	13.89%	CRD 128, 129, 140	N/A
65	of which: capital conservation buffer requirement	2.5%		N/A
66	of which: countercyclical buffer requirement	0.39%		N/A
67	of which: systemic risk buffer requirement	0.0%		N/A
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.0%	CRD 131	N/A
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount) ²⁾	39,38%	CRD 128	N/A
69	[non-relevant in EU regulation]			N/A
70	[non-relevant in EU regulation]			N/A
71	[non-relevant in EU regulation]			N/A
Amounts below the thresholds for deduction (before risk-weighting)				
72	Direct and indirect holdings of the capital 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)		36 (1) (h), 45, 46, 472 (10) 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)	N/A
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		36 (1) (i), 45, 48, 470, 472 (11)	N/A
74	Empty set in the EU			N/A
75	Deferred tax assets arising from temporary difference (amount below 10 % threshold, net of related tax liability where the conditions in Article 38 (3) are met)		36 (1) (c), 38, 48, 470, 472 (5)	N/A
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)		62	N/A
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		62	N/A
78	Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)		62	N/A
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		62	N/A
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)				
80	Current cap on CET1 instruments subject to phase-out arrangements		484 (3), 486 (2) & (5)	N/A
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		484 (3), 486 (2) & (5)	N/A
82	Current cap on AT1 instruments subject to phase-out arrangements		484 (4), 486 (3) & (5)	N/A
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		484 (4), 486 (3) & (5)	N/A
84	Current cap on T2 instruments subject to phase-out arrangements		484 (5), 486 (4) & (5)	N/A
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		484 (5), 486 (4) & (5)	N/A
(1) 'N/A' inserted if the question is not applicable				

¹⁾ CET1 capital requirement including buffer requirements

²⁾ CET1 capital ratio as reported, less minimum requirement of 4.5% (excluding buffer requirements) and less any CET1 items used to meet the Tier 1 and total capital requirements.

ANNEX IV

Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

	General credit exposures		Trading book exposures		Securitisation exposures		Own funds requirements				Own funds requirements weights	Countercyclical capital buffer rate
	Exposure value for SA	Exposure value for IRB	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Exposure value for SA	Exposure value for IRB	of which: General credit exposures	of which: Trading book exposures	of which: Securitisation exposures	Total		
<i>In EUR</i>	010	020	030	040	050	060	070	080	090	100	110	120
Breakdown by country												
Luxembourg	105,889,559						5,237,316			5,237,316	79.15%	0.50%
United Kingdom	140,079						10,405			10,405	0.10%	1.00%
Cayman Islands	9,448,464						755,877			755,877	7.06%	0.00%
Spain	1,063,623						83,929			83,929	0.80%	0.00%
France	2,918,451						225,797			225,797	2.18%	0.25%
British Virgin Islands	10,334,395						23,594			23,594	7.72%	0.00%
Republic of Congo	20,000						1,200			1,200	0.01%	0.20%
Other	3,972,967						312,555			312,555	2.97%	0.00%
TOTAL	133,787,538						6,650,673			6,650,673	100%	

Amount of institution-specific countercyclical capital buffer

<i>In EUR</i>	Countercyclical capital buffer rate
Total risk exposure amount	133,787,538
Institution specific countercyclical capital buffer rate	0.39%
Institution specific countercyclical capital buffer requirement	-



Crédit Andorrà Financial Group

