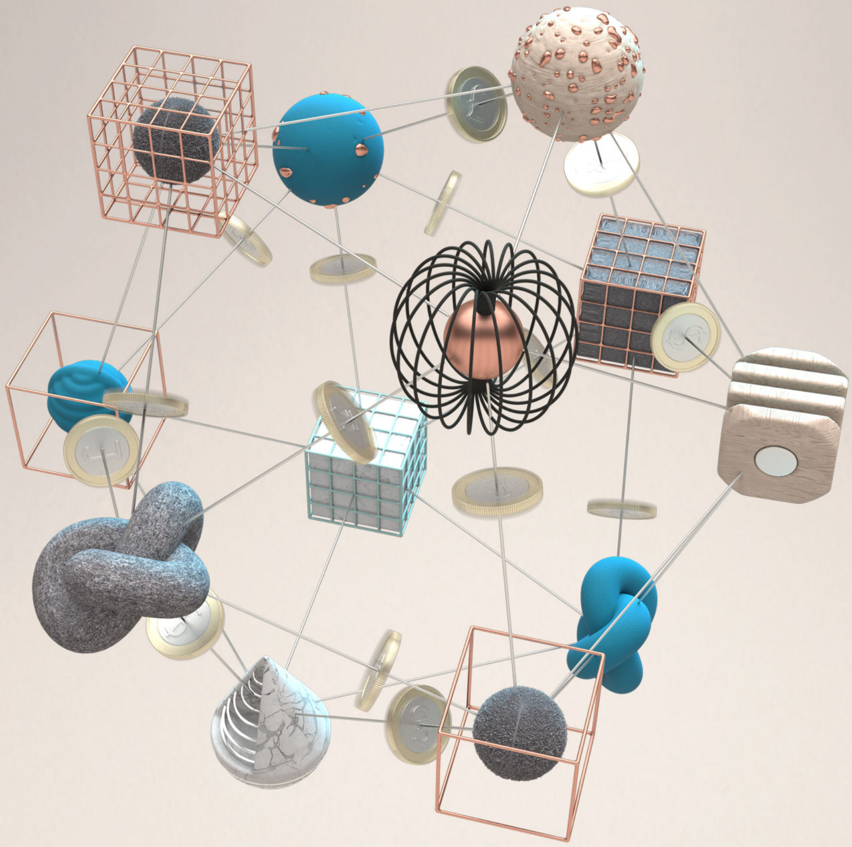

BANKING CIRCLE

Pillar 3 Report

For the financial year ending 31 December 2020

Banking Circle S.A.

June 2021

bankingcircle.com

Contents

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1. Introduction

The present report constitutes the Pillar 3 disclosures of Banking Circle S.A. (herein referred to as "BC" or "the Bank") for the financial year ending 31 December 2020.

It corresponds with the requirements of the global regulatory framework for capital and liquidity established by the Basel Committee on Banking Supervision (also referred to as the "BCBS"), also known as Basel 3. These requirements are, at the European level, implemented in the disclosure requirements as laid down in Part Eight of the "Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms" (also referred to as the "Capital Requirements Regulation" or "CRR") and the "Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms" (also referred to as the "Capital Requirements Directive IV" or "CRD IV").

The European Banking Authority (also referred to as the "EBA") has provided additional disclosure guidance in its "Final Report on the Guidelines on Disclosure Requirements under Part Eight of Regulation (EU) No 575/2013" (herein referred to as the "EBA Guidelines 2016/11"). Finally, at Luxembourg level, the CSSF Circular 17/673 also defines the sections of the EBA Guidelines 2016/11 to which the Bank is subject.

On 11 December 2018 the BCBS published an updated framework on Pillar 3 disclosure requirements. The revised Pillar 3 framework reflects the Committee's December 2017 Basel III post-crisis regulatory reforms. Most of the points addressed in the updated Pillar 3 disclosure framework are already covered in the CRR II.

The CRR II amends the disclosure requirements under Part Eight of the CRR to implement the new international standards and reflect the regulatory changes introduced by CRR II. The CRR II amends the CRR in several aspects, namely the leverage ratio, the net stable funding ratio (NSFR), requirements for own funds and eligible liabilities, counterparty credit risk, and introduces clarifications regarding disclosures on remuneration. In addition, it includes new disclosure requirements on performing, non-performing and forborne exposures, and on collateral and financial guarantees received.

In this context, and as required in Article 434a of the CRR II, EBA developed implementing technical standards (ITS) specifying uniform disclosure formats seeking consistency of disclosure formats with the BCBS Pillar 3 standards. Thus, the EBA ITS promotes consistency between the disclosure and the reporting frameworks. Moreover, the ITS include several proportionality measures, and the CRR II provides definitions for 'small and less complex institutions' and 'large institutions' that support proportionality of Pillar 3 disclosures.

The ITS is adopted by the European Commission and applicable as of 28 June 2021.

This report is divided into nine sections, as follows:

- Section 2 presents the Bank's structure, business model, governance and risk management framework;

- Section 3 presents the Bank's own funds, capital adequacy, leverage ratio and net stable funding ratio;
- Section 4 presents information on credit risk;
- Section 5 presents information on market risk;
- Section 6 presents information on liquidity risk;
- Section 7 presents information on operational risk;
- Section 8 presents information on other risks;
- Section 9 presents information on remuneration.

The Bank publishes its Pillar 3 report on an annual basis.

The disclosures made in this document do not constitute financial statements and are not required to be subjected to an external audit.

1.1 Key metrics and figures

The purpose of the Pillar 3 disclosure report is to give information on the risk management of the Bank as at end December 2020. All figures presented within this document are shown in EURs.

Template EU KM1[1]: Key Metrics Template

		Amounts
Available own funds		
1	Common Equity Tier 1 (CET1) capital	36,065,368
2	Tier 1 capital	36,065,368
3	Total capital	36,065,368
Risk-weighted exposure amounts		
4	Total risk-weighted exposure amount	72,532,813
Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	49.72%
6	Tier 1 ratio (%)	49.72%
7	Total capital ratio (%)	49.72%
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)		
EU 7a	Additional CET1 SREP requirements (%)	0.00%
EU 7b	Additional AT1 SREP requirements (%)	0.00%
EU 7c	Additional T2 SREP requirements (%)	0.00%
EU 7d	Total SREP own funds requirements (%)	8.00%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
8	Capital conservation buffer (%)	2.50%

[1] Numbering of all tables and templates included herein in accordance with disclosure requirements as per EBA/GL/2016/11

EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%
9	Institution specific countercyclical capital buffer (%)	0.01%
EU 9a	Systemic risk buffer (%)	0.00%
10	Global Systemically Important Institution buffer (%)	0.00%
EU 10a	Other Systemically Important Institution buffer	0.00%
11	Combined buffer requirement (%)	2.51%
EU 11a	Overall capital requirements (%)	10.51%
12	CET1 available after meeting the total SREP own funds requirements (%)	Not applicable
Leverage ratio		
13	Leverage ratio total exposure measure	1,556,863,650
14	Leverage ratio	2.32%[2]
Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)		
EU 14a	Additional CET1 leverage ratio requirements (%)	Not applicable
EU 14b	Additional AT1 leverage ratio requirements (%)	Not applicable
EU 14c	Additional T2 leverage ratio requirements (%)	Not applicable
EU 14d	Total SREP leverage ratio requirements (%)	Not applicable
EU 14e	Applicable leverage buffer	Not applicable
EU 14f	Overall leverage ratio requirements (%)	Not applicable
Liquidity Coverage Ratio		
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	566,270,591
EU 16a	Cash outflows - Total weighted value	740,610,696
EU 16b	Cash inflows - Total weighted value	453,878,629
16	Total net cash outflows (adjusted value)	286,732,067
17	Liquidity coverage ratio (%)	197.49%
Net Stable Funding Ratio		
18	Total available stable funding	224,604,522
19	Total required stable funding	104,534,630
20	NSFR ratio (%)	214.86%

[2] The Bank was fully compliant with the applicable minimum requirement at 28 June 2021. See section 3.4 below for details.

2. Presentation of the Bank

2.1 Structure

The Bank is a public limited liability company (Société Anonyme) registered in Luxembourg, and a credit institution licensed by the Commission de Surveillance de Secteur Financier (CSSF) and European Central Bank (ECB). The Bank has established and registered branches in Denmark, Germany, and the UK.

The Bank is owned jointly by EQT VIII (through B Circle Holding S.A., Moneyball Bidco S.àr.l., BC Midco PTE. LTD and Moneyball Topco PTE. Ltd), EQT Ventures Investments S.àr.l., and some minority shareholders (less than 10% individually). It is headquartered in Luxembourg, and has offices in London, Munich, and Copenhagen.

2.2 Business model and activities

The Bank is a global scale financial utility supporting the payment service propositions of its clients and their customers. It offers business-to-business payment solutions which have been specifically created to meet the needs of businesses who trade globally. These clients consist of a wide spectrum of financial institutions (including card acquirers, payment service providers (PSPs), alternative payment method providers and FX payment providers). The Bank's clients provide business activities qualifying as payment services and thus in turn qualifying as financial customers.

The Bank is indirectly participating in various payment clearing schemes and to provide clearing – in the context of payments – and is the core service of the Bank's business model. This is done by providing clients with access to a global account infrastructure where they can perform local payments in different currencies globally and have local accounts in many parts of the world thus using the clearing mechanisms as if it were a direct member. Moreover, the Bank provides access to clearing mechanisms including Single Euro Payments Area (SEPA), Faster Payments, Clearing House and Payment Service (CHAPS), and via the usage of SWIFT. Simultaneously providing a sophisticated reconciliation process e.g. inflows from both Payment Service Providers and credit card schemes are collected on the same accounts and reconciled conveniently before settling to merchants.

Therefore, the Banks's value proposition thus enables a fast and cost-effective way for the clients to make and receive local and cross border payments. The clients can access clearing mechanisms / payment methods as depicted above being accompanied by a wide range of local pay-out and collection capabilities.

The mission remains to deliver a multisided platform utilising new technology and network to provide core banking services. The Bank's business activities cover payments, currency conversions, as well as deposit accounts. These activities form the Bank's core business line.

2.3 Governance

The management bodies of the Bank are solely constituted of the Board of Directors, management body in its supervisory function and the Executive Committee, management body in its executive function.

Board of Directors

The Board of Directors of the Bank has the overall responsibility for the organisation and the management of the Bank's operations, including its foreign branches. It has the broadest powers for making decisions regarding the Bank and acts under the delegated authority of and is accountable to the shareholders of the Bank.

The Board of Directors has the ultimate responsibility for limiting and monitoring the Bank's risk exposures, for setting the capital targets and for defining the risk appetite. The Board approves the Bank's risk management strategy and overall risk tolerance level. It is also responsible for ensuring the Bank's compliance with all applicable regulatory requirements.

For the purpose of increasing its effectiveness, the Board of Directors may be assisted by specialised committees, particularly in the fields of audit, risk or remuneration, where the nature, scale and complexity of the Bank and its activities so require.

The Board members of the Bank are the following:

First name and Last name (as per passport or ID)		**Position** (any managing position)	**Appointment date** (DD/MM/YYYY)
Lars	Torpe Christoffersen	Member	11 October 2018
Mads	Munkholt Ditlevsen	Vice-chairman	11 October 2018
Wolfgang	Gaertner	Chairman	11 October 2018
Marie-Anne	Van Den Berg	Member	18 November 2019
Folke	Hjalmer Birgersson Winbladh	Member	11 October 2018

Executive Management / Committee

Both the CEO, Anders la Cour and the Deputy CEO, Laust Bertelsen are authorised managers of the Bank under Art. 7(2) of the law of 5 April 1993 on the financial sector.

Furthermore, an Executive Committee has been constituted with the authorised managers. The Executive Committee of the Bank operates as the main decision-making authority for the day-to-day operations and management and is established to act as a senior decision-making management and governance forum on behalf of the Bank and all its branches.

The Executive Committee acts under the delegated authority of and is accountable to the Board of Directors. It has the overall responsibility for developing and maintaining effective risk, liquidity and capital management principles as well as controls. It further prepares suggestions to the Board on the allocation of any risk-taking limits to the risk-taking units. Based on the limits approved by the Board, it may also enforce tighter limits on individual risks or impose additional risk mitigating techniques.

The Executive Committee may be supported by operational committees in the management of daily activities to which it can delegate decision-making power, including the:

- Onboarding Committee;
- Financial Risk Assets & Liabilities Committee (FALCO[3]);
- Governance, Risk and Compliance Committee (GRCC); and
- Products and Pricing Committee (PPC).

2.4 Risk management setup

2.4.1 General information on risk management, objectives and policies

Risk Management Framework

The Risk Function is established as an independent and autonomous unit within the Bank including its branches. The Risk Function is organised in a way to avoid conflict of interest and to ensure independent thinking and judgement as well as objectivity in relation to the activities controlled. It is headed by the Chief Risk Officer (CRO), who reports directly to the Authorised Management, with the administrative reporting line being to the deputy CEO. Moreover, the CRO is a non-voting advisory member of the GRCC, FALCO and PPC.

The Risk Function, together with the two other internal control functions – Compliance and Internal Audit – forms an integral part of the Bank's internal control framework. The Risk Function – respecting the need for independence and segregation of duties – strives for a good cooperation with the other control functions in order to facilitate an efficient and effective Enterprise Risk Management Framework.

Reporting and escalations

The CRO provides regular reports to the Board as well as to the Authorised Management regarding the overall risk profile, including risk exposures, capitalisation etc. The reporting contains, in particular, an assessment of the adequacy between the risks entered into and the available own funds as well as liquidity reserves. This is to safeguard that the Bank is and will be able to manage its risks both in normal times as well as in times of stress. Moreover, the reporting always highlights whether the current risk exposure is within the risk tolerance and appetite as decided by the Board.

The CRO submits a monthly risk report to the Authorised Management and a quarterly report to the Board. In addition, any material risk event must always be reported to the two bodies without delay.

The CRO once a year provides a summary report to the Board giving account for the activities and including the key recommendations and the status regarding the mitigating actions. The report will be

[3] The GRCC committee structure has been reviewed in Q4 2020. The new structure has been launched in January 2021, where the GRCC has been split into two committees; one for non-financial risks (continuing to be labelled GRCC) and one for financial risks as well as asset and liability management (labelled FALCO).

circulated to the Authorised Management for information and a copy of the report will be filed with the CSSF.

Areas of responsibility and delegated responsibilities

The Risk Function is part of the second line of defence and is in charge of the anticipation, identification, measurement, monitoring, controlling and reporting of all risks the Bank is or may be exposed to. It thus assists the Authorised Management in managing and limiting the risks the Bank is exposed to.

Within the Risk Function the Information Security Officer (ISO) is the person in charge of the organisation and management of the information security, i.e. the protection of the information. The ISO shall be appointed by the Authorised Management and is – like the rest of the Risk Function – independent from the operational functions and shall thus be released from the operational implementation of security actions. The ISO shall be equipped with an escalation mechanism enabling escalation of any exceptional problem to the highest level of the hierarchy, including the Board. The normal reporting from the ISO shall, however, be conducted as an independent and integrated part of the overall risk reporting and will include to ensure that ICT and security risks are identified, measured, assessed, managed, monitored and reported.

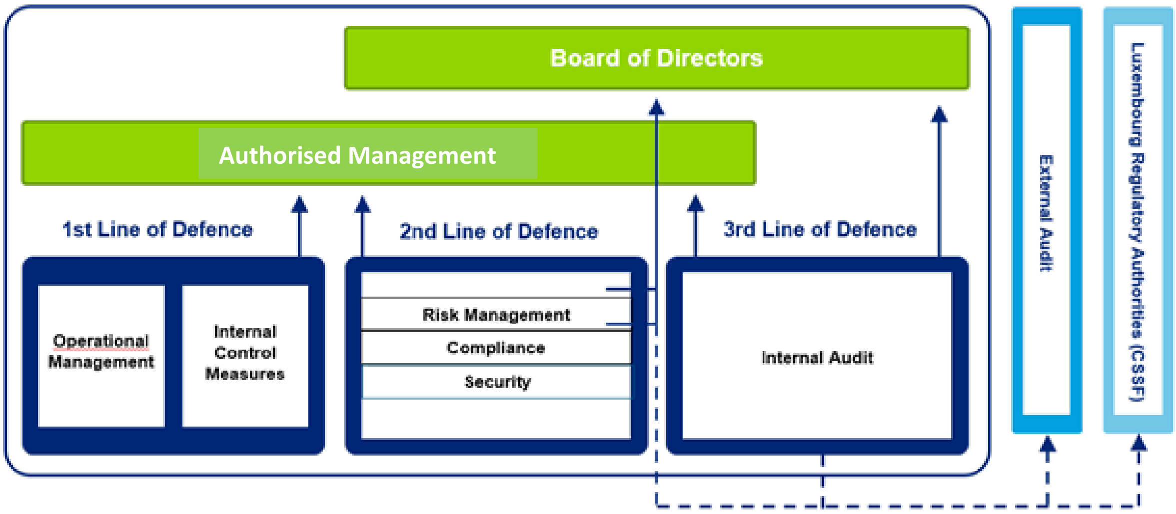
The ISOs key missions are the management of the analysis of the risks related to information, the definition of the required organisational, technical, legal and human resources, the monitoring of their implementation and effectiveness as well as the development of the action plan(s) aimed to improve the risk coverage. The ISO shall, based on BC's risk appetite in relation to Information and Cyber Risks as defined in the Risk Appetite Policy exercise his/her duties in accordance with the responsibilities and standards depicted in the Information Security Policy. The ISO is appointed as responsible for the Information and Communication Technology and security risk control function thus being directly accountable to the management body and responsible for monitoring and controlling adherence to the ICT and security risk management framework.

Moreover, the ISO should oversee the responsibilities delegated to the Chief Information Officer (CIO) as regards to the management of IT risks. The CIO is appointed as Responsible for the Information and Communication Technology (ICT) function (aka 'IT Officer').

The Risk Function also has current responsibility for the provision of a Data Protection Officer (DPO) for BC. Whilst this role nominally sits within the Risk department the DPO reports to the Board of Directors and the Authorised Management in all issues relating to protection of Personal Data and compliance with the various regulatory regimes (including GDPR) that the Bank is subjected to.

Internal Governance Arrangements

To ensure a sound and prudent management of its business and the inherent risks, the Bank has established internal governance arrangements which are consistent with the three-line-of-defence model, as depicted below.



The three-lines-of-defence structure is a conceptual delineation of an organisation's internal control levels: the first line controls, the second line monitors controls, and the third line acts as independent assurance. It also provides a framework with which the Board can understand and operate the Bank's overall risk management and internal control process.

The first line of defence consists of all departments that are neither second nor third line of defence. The first line of defence has the ownership, responsibility and accountability for directly assessing, controlling and mitigating risks in accordance with the risk strategy and tolerance as set by the Board in the risk appetite policy, something which is done together with the transverse functions (i.e. IT and Finance).

The second line of defence consists of the Risk Function, headed by the CRO as well as the Compliance Functions headed by the Chief Compliance Officer (CCO). This second line of defence challenges, monitors and reports to the Authorised Management and the Board on the effectiveness of the Bank's risk management framework and addresses the various risk exposures of the Bank, based on sound risk assessments being appropriate to Bank's activities. It also facilitates the implementation of effective risk management practices by operational management and assists the risk owners in reporting adequate risk related information up and down the organisation.

Internal Audit forms the Bank's third line of defence. It provides independent, objective and critical assessment on the effectiveness of the operational processes within the Bank by making use of a risk-based approach. Through its initiatives, it gives assurance to the Board and the Authorised Management on how effectively the organisation assesses and manages its risks. For independency reasons, the Chief Internal Auditor (CIA) reports functionally to the Chairman of the Board of Directors and administratively (i.e. day-to-day operations) to the Authorised Manager responsible for the Internal Audit Function.

The aforementioned risk management provisions are designed to allow adequate management of the following key risks faced by BC:

- Credit risk
- Market risk

- Operational risk
- Liquidity risk

In Sections 4–8, those risks for which the Bank has allocated capital for will be elaborated further.

2.4.2 Directorships and recruitment policy

The Bank does not have a specific recruitment and diversity policy regarding the internal selection of members of the Board in place.

2.4.3 Scope of application

Disclosure has been made at the individual level of the Bank and there were no accounting or prudential consolidation requirements.

3. Own funds and capital adequacy

3.1 Own funds composition

The Bank's own funds consist solely of Common Equity Tier 1 (CET1) capital, considered as the capital of the highest quality with ultimate loss absorbance characteristics. The Bank is, for the calculation of the capital base, following the current Capital Requirements Regulation and Directive (CRR/CRD IV) as well as the Luxembourg regulation, while equity as reported in the balance sheet is based in applicable accounting standards and principles.

The components of own funds are consisting of the CET1 capital after relevant deductions with the development of the own funds being dependent upon its profit generating ability, dividend policy in combination with any additional equity contributions from the main shareholder. The Bank has maintained a strong capital position with the CET 1 – after deductions – amounting to EUR 36,065,368 as per end of December 2020. The Bank's eligible own funds after deductions consisted exclusively of CET1 capital which was mainly formed by subscribed and fully paid up capital and the corresponding share premium accounts fulfilling the requirements set out in Art. 26 (1) lit. a) and b) in connection with Art. 28 CRR.

Template EU CC1: Composition of regulatory own funds

		Amounts	Regulation (EU) No 575/2013 Article Reference
Common Equity Tier 1 capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	81,477,108	26 (1) (a), (b), 27, 28, 29
	of which: Instrument type 1	*87,477,108*	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	-18,180,389	26 (1) (c)
3	Accumulated other comprehensive income (and other reserves)	974,890	26 (1)
3a	Funds for general banking risk	0	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	0	484 (2)
5	Minority interests (amount allowed in consolidated CET1)	0	84
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	0	26 (2)
6	Common Equity Tier 1 capital before regulatory adjustments	64,271,609	**Sum of rows 1 to 5a**

Common Equity Tier 1 (CET1) capital before regulatory adjustments			
7	Additional value adjustments (negative amount)	-955,302	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	-22,214,000	36 (1) (b), 37
9	Empty set in the EU		
10	Deferred tax assets that rely on future probability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-5,036,939	36 (1) (c), 38
11	Fair value reserves related to gains or losses on cash flow hedges	0	33 (1) (a)
12	Negative amounts resulting from the calculation of expected loss amounts	0	36 (1) (d), 40, 159
13	Any increase in equity that results from securitised assets (negative amount)	0	32 (1)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	0	33 (1) (b)
15	Defined-benefit pension fund assets (negative amount)	0	36 (1) (e), 41
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	0	36 (1) (f), 42
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	36 (1) (g), 44
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 1O % threshold and net of eligible short positions) (negative amount)	0	36 (1) (h), 43, 45, 46, 49 (2) (3), 79
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 1O % threshold and net of eligible short positions) (negative amount)	0	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	0	36 (1) (k)
20b	of which: qualifying holdings outside the financial sector (negative amount)	0	36 (1) (k) (i), 89 to 91

20c	of which: securitisation positions (negative amount)	0	36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258
20d	of which: free deliveries (negative amount)	0	36 (1) (k) (iii), 379 (3)
21	Deferred tax assets arising from temporary differences (amount above 10 % threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	0	36 (1) (c), 38, 48 (1) (a)
22	Amount exceeding the 15 % threshold (negative amount)	0	48 (1) 470 (2)
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	0	36 (1) (i), 43, 45, 47, 48 (1) (b)
24	Empty set in the EU		
25	of which: deferred tax assets arising from temporary differences	0	36 (1) (c), 38, 48 (1) (a)
25a	Losses for the current financial year (negative amount)	0	36 (1) (a)
25b	Foreseeable tax charges relating to CET1 items (negative amount)		36 (1) (l)
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	0	36 (1) (j)
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	-28,206,241	Sum of rows 7 to 20a, 21, 22 and 25a to 27
29	**Common Equity Tier 1 (CET1) capital**	36,065,368	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 interests 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**	0	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
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**	0	Sum of rows 37 to 42
44	**Additional Tier 1 (AT1) capital**	0	Row 36 minus row 43
45	**Tier 1 capital (T1 = CET1 + AT1)**	36,065,368	Sum of row 29 and row 44
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts		62 (a) (b), 63 to 65, 66 (a), 67
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 interests 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 adjustments**	0	
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 institution designed to inflate artificially the own funds of the institution (negative amount)		66 (b), 68
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)		66 point (c), 68 to 70 and 79
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		66 point (d), 68, 69 and 79
56	Empty set in the EU		
57	**Total regulatory adjustments to Tier 2 (T2) capital**	0	Sum of rows 52 to 56
58	**Tier 2 (T2) capital**	0	Row 51 minus row 57
59	**Total capital (TC = T1 + T2)**	36,065,368	Sum of row 45 and row 58
60	**Total risk weighted assets**	72,532,813	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	49.72%	92 (2) (a)
62	Tier 1 (as a percentage of total risk exposure amount)	49.72%	92 (2) (b)
63	Total capital (as a percentage of total risk exposure amount)	49.72%	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 systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)	1,817,320	CRD 128, 129, 130, 131, 133
65	of which: capital conservation buffer requirement	1,813,320	
66	of which: countercyclical buffer requirement	4,000	
67	of which: systemic risk buffer requirement	0	

67a	of which: Global Systemically Important Institution (G-811) or Other Systemically Important Institution (0-811) buffer	0	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	37.86%	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)	0	36 (1) (h), 46, 45 56 (c), 59, 60 66 (c), 69, 70
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10 % threshold and net of eligible short positions)	0	36 (1) (i), 45, 48
74	Empty set in the EU		
75	Deferred tax assets arising from temporary differences (amount below 1O % threshold, net of related tax liability where the conditions in Article 38 (3) are met)	0	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 standardised approach (prior to the application of the cap)	0	62
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	0	62
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-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	0	484 (3), 486 (2) & (5)
81	- Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0	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)

3.2 Capital changes after the reporting date

On 27 January 2021 and 8 April 2021, the Bank received capital injections of EUR 9,700,000 and EUR 80,000,000 respectively.

3.3 Capital adequacy

ICAAP Process

The bank has in place an Internal Capital Adequacy Assessment Process (ICAAP) to ensure that it keeps adequate available capital to cover all material risks over a foreseeable future from the perspective of regulators, investors and thus to optimise shareholder value in the light of the external requirements. The ICAAP report is prepared by the Risk Function on behalf of the Authorised Management and approved by the Board at least once a year in accordance with regulatory requirements. The ICAAP exercise includes a review of the management, mitigation and measurement of material risks (for both current and stressed economic conditions) in order to assess the adequacy of capital and to determine sufficient required capital levels to meet identified risks and to support the capital and liquidity policy of BC.

Capital Adequacy

The size of the own funds shall normally correspond to the sum of the capital requirements for Pillar I risks (credit, market and operational risks) and applicable capital buffers. This would translate into Total SREP capital requirements of 8% excluding Pillar II buffers, Capital Conservation buffer and Countercyclical Capital buffer. The Bank maintains a capitalisation to ensure both regulatory compliance and internal capital needs. The capitalisation is adequately adopted to reflect that the Bank is still in the start-up phase with a strong growth of the business in the coming years. To support a strong capitalisation over the years it shall be noted that the qualifying shareholder has provided a letter where it commits to inject additional capital, in the event the Bank's solvency ratio – measured as Total Capital Ratio calculated in accordance with the Capital Requirements Regulation (the "CRR") – falls below 20%. The same letter provides a commitment to unconditionally support the Bank so that it can implement the business plan provided and remains compliant with all capital, liquidity, and other applicable prudential regulations. Finally, capital planning is conducted continuously and is further elaborated upon in the yearly ICAAP.

The Bank has, in this context and as part of the Risk Appetite Policy, defined trigger (25%) and hard (20%) limits higher than the regulatory minimum requirements to ensure an adequate buffer and facilitate a proactive approach to its capitalisation. The minimum targets are as follows:

- Total capital ratio > 20%;
- CET, Tier 1 and Total capital ratio > the total capital requirement as stipulated by the competent authority at any point in time; and
- Leverage ratio > 3%

The CET1 ratio for end of December 2020 amounted to 49.7%, significantly above both the minimum regulatory requirements as well as the minimum capital ratio committed by the shareholder.

As at 31 December 2020, the Bank's total Pillar I requirements in accordance with Art. 92 CRR amounted to EUR 5,802,625 as depicted below.

Table 1 - Pillar I requirements

EUR	Capital Requirement	Risk Exposure Amount	% of REA
Credit	**4,064,407**	**50,805,091**	**70.0%**
Institutions	2,464,074	30,800,928	
Corporates	456	5,705	
Other Assets	1,599,877	19,998,458	
Market	**98,206**	**1,227,577**	**1.7%**
Operational	**1,640,012**	**20,500,145**	**28.3%**
Total Pillar I	**5,802,625**	**72,532,813**	**100%**

The Risk Exposure Amount for the Pillar I risks are related to credit, market and operational risks, with the credit risk REA stemming from interbank exposure, the operational risk capital charge being estimated based on the three-year average operational income (using 2020 actuals) and the market risk generated by currency risk from client transactions.

IRRBB consists of the interest rate risk in the banking book and forms, together with any regulatory Pillar I requirements for market risk (foreign exchange), the Bank's total internal capital requirements for market risk. The Bank has as per end of December 2020 – considering its current market risk exposures – a small capital charge for market risk. This does not properly reflect the Bank's market risk exposures and the Bank has thus added Pillar II capital for its market risk exposures. These capital requirements – for IRRBB – have been calculated based on the +/-200bp stress test – calculated in accordance with the requirements as laid down by the CSSF – and amounts to EUR 6,733,612 as per end of December 2020.

Additionally, the operational risk requirement is not in line with the Bank's growth ambitions and thus added a Pillar II capital for its operational risk exposures. This add on has been calculated using the basic indicator approach, however adjusting the calculation, given the lack of historical financial information, to use of the actuals for 2020, and budgeted projected incomes for 2021 and 2022, to provide the 3 year period - and amounts to EUR 4,909,999.

The Internal Solvency Needs describes the Bank's capital need from an internal perspective using a 'Pillar I plus' approach ('Pillar 1 plus' approach adopted in line with Section I.2. Proportionality of the ICAAP of CSSF Circular 20/753 (as amended)). This approach combines the Pillar I requirements with Pillar II risks. In addition, a stress test on-on/buffer is added to provide a prudent capital buffer above the current capital requirements in the event of unexpected obligations or changes to the own funds, profitability or REA.

The Bank's Internal Solvency Needs as per end of 2020 amounts to EUR 15,806,224[4] comprising of Pillar I capital of EUR 5,802,625 and EUR 11,643,611 in Pillar II capital and solely covered by CET1 capital.

The Bank has visualised the 'Regulatory View' by depicting a situation where the Bank's Total Capital Requirement is equal to 20% for its Pillar I risks – being the applicable minimum regulatory requirement as imposed on the Bank. The Bank will, based on the available own funds, reach this level by taking on an additional EUR 8,623,522 of Pillar I risks. Considering this, the Bank has simulated – ceteris paribus – the capital consumption in a situation where the Pillar I Total Capital Requirements equal 20%. In such simulated view, the Bank's capital needs – as per end of 2020 – amounted to EUR 30,587,874 comprising of Pillar I capital of EUR 14,426,147, EUR 11,643,611 in Pillar II capital with EUR 4,518,116 relating to the Capital Conservation Buffer (CCoB) and Countercyclical Capital buffer (CCyB). In this view, the Bank is sufficiently capitalised with an 'excess' capital of EUR 5,477,494 if comparing the eligible Own Funds with the Total Applicable Minimum Requirements including Pillar II and buffers. In practice, however, the Bank would not be able to take on any further Pillar I risks without breaching the 20% level, thus in reality limiting the Bank's further Pillar I risk taking to EUR 8,623,522.

As per end of 2020, the total capital buffer consisted of the CCoB and CCyB and is covered with CET1 capital and is 2.5% and 0.01% of REA respectively.

The below table reflects a point in time economic perspective as per end of year 2020 depicting the Pillar I and the Pillar II requirements related to IRRBB and Operational risk. It should be noted that the capital charge, in all views, is taken as the higher of the Pillar I or Pillar II requirement. No further stress testing has been added to the economic perspective. Thus, the regulatory view is visualised below (as given by the minimum applicable regulatory requirements) as well as the Internal Solvency Needs (ISN), by also depicting the capital needed to maintain a total capital ratio of at least 20% per end of 2020.

[4] This figure is the higher of the pillar I and pillar II requirements for operational risk.

Table 2 – Internal solvency needs, capital requirements and own funds

	ISN	Reg view	Reg view 20%
Credit	4,064,407	4,064,407	
Market	98,206	98,206	
Operational	1,640,012	1,640,012	
Total Pillar I	**5,802,625**	**5,802,625**	**14,426,147**
Market Risk (IRRBB)	6,733,612	6,733,612	6,733,612
Operational	4,909,999	4,909,999	4,909,999
Total Pillar II	**11,643,611**	**11,643,611**	**11,643,611**
CRD IV capital buffers			
- o/w CCoB	n.a	1,813,320	4,508,171
- o/w CCyB	n.a	4,000	9,945
Total CRD IV capital buffers	**n.a.**	**1,817,320**	**4,518,116**
Total Internal Solvency Needs	**15,806,224**	**n.a.**	**n.a**
Total Applicable Minimum Requirements incl. PII and buffers	**n.a.**	**17,623,544**	**30,587,874**
CET1 capital	36,065,368	36,065,368	36,065,368
Own Funds	36,065,368	36,065,368	36,065,368
Excess Capital	**20,259,144**	**18,441,824**	**5,477,494**

3.3.1 Capital requirements

Template EU OV1: Overview of risk weighted exposure amounts

		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		a	b	c
		2020	2019	2020
1	Credit risk (excluding CCR)	50,805,090	47,090,400	4,064,407
2	Of which the standardised approach	50,805,090	47,090,400	4,064,407
3	Of which the foundation IRB (FIRB) approach	0	0	0
4	Of which: slotting approach	0	0	0
EU 4a	Of which: equities under the simple risk weighted approach	0	0	0
5	Of which the advanced IRB (AIRB) approach	0	0	0
6	Counterparty credit risk - CCR	0	0	0
7	Of which the standardised approach	0	0	0
8	Of which internal model method (IMM)	0	0	0
EU 8a	Of which exposures to a CCP	0	0	0
EU 8b	Of which credit valuation adjustment - CVA	0	0	0
9	Of which other CCR	0	0	0
15	Settlement risk	0	0	0
16	Securitisation exposures in the non-trading book (after the cap)	0	0	0
17	Of which SEC-IRBA approach	0	0	0
18	Of which SEC-ERBA (including IAA)	0	0	0
19	Of which SEC-SA approach	0	0	0
EU 19a	Of which 1250%/ deduction	0	0	0
20	Position, foreign exchange and commodities risks (Market risk)	1,227,577	0	98,206
21	Of which the standardised approach	1,227,577	0	98,206
22	Of which IMA	0	0	0
EU 22a	Large exposures	0	0	0
23	Operational risk	20,500,146	55,088,996	1,640,012
EU 23a	Of which basic indicator approach	20,500,146	55,088,996	1,640,012
EU 23b	Of which standardised approach	0	0	0
EU 23c	Of which advanced measurement approach	0	0	0
24	**Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)**	0	0	0
29	**Total**	72,532,813	102,179,397	5,802,625

3.3.2 Capital buffers

Template EU CCyB1: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

	a	b	c	d	e	f	g	h	i	j	k	l	m
	General credit exposures		**Relevant credit exposures – Market risk**		**Securitisation exposures Exposure value for non-trading book**	**Total exposure value**	**Own fund requirements**				**Risk-weighted exposure amounts**	**Own fund requirements weights (%)**	**Countercyclical buffer rate (%)**
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
Breakdown by country:													
Luxembourg	19,998,458		0		0		1,599,877	0	0	1,599,877		100%	0.25 %
Total	19,998,458		0		0		1,599,877	0	0	1,599,877		100%	

Template EU CCyB2: Amount of institution-specific countercyclical capital buffer

Row		Column
		010
010	Total risk exposure amount	72,532,813
020	Institution specific countercyclical buffer rate	0.01%
030	Institution specific countercyclical buffer requirement	4,000

3.4 Leverage ratio

Following the Basel III framework from 2010, the CRR introduced a non-risk-based measure, the leverage ratio, to limit build-up of leverage on banks' balance sheets in an attempt to contain the cyclicality of lending. The leverage ratio is calculated as the Tier 1 capital divided by an exposure measure, comprising of on-balance and off-balance sheet exposures with adjustments for certain items such as derivatives and securities financing transactions. Within the framework of the current CRR requirements, the leverage ratio is only specified as a reporting requirement. The amended CRR will introduce a binding leverage ratio requirement of 3% of Tier 1 capital, harmonised with the international BCBS standard. It further includes amendments to the calculation of the exposure measure with regards to exposures to public development banks, pass-through loans and officially granted export credits. Institutions will be required to comply with the binding leverage ratio from 28 June 2021.

The leverage ratio is calculated by the Finance Department, measured as part of the Risk Appetite and reported on monthly basis by the Risk Function. Furthermore, the indicator is integrated in the Bank's risk management framework as an Early Warning Signal (EWS).

The Bank, as per end of 2020, reported a Leverage ratio of 2.32%. As noted in Section 3.2 above, the Bank received capital injections in January and April 2021, and consequently by June 2021 the Bank was fully compliant with the applicable minimum Leverage Ratio.

Table 3 - Leverage ratio

	30 June 2021	31 Dec 2020
Leverage ratio	5.75%	2.32%

Template EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

		Applicable amount
1	Total assets as per published financial statements	1,585,773,613
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	0
4	(Adjustment for temporary exemption of exposures to central bank (if applicable))	0
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with point (i) of Article 429a(1) CRR)	0
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	0
7	Adjustment for eligible cash pooling transactions	0
8	Adjustments for derivative financial instruments	0
9	Adjustment for securities financing transactions (SFTs)	0
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	0

11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-28,206,241
EU-11a	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR)	0
EU-11b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (j) of Article 429a(1) CRR)	0
12	Other adjustments	-703,722
13	**Leverage ratio total exposure measure**	1,556,863,650

Template EU LR2: LRCom: Leverage ratio common disclosure

		CRR leverage ratio exposures	
		2020	2019
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	1,585,069,891	1,124,700,496
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0	0
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0	0
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	0	0
5	(General credit risk adjustments to on-balance sheet items)	0	0
6	(Asset amounts deducted in determining Tier 1 capital)	-28,206,241	-11,146,241
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	1,556,863,650	1,113,554,255
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	0	0
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	0	0
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	0	0
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	0	0
EU-9b	Exposure determined under Original Exposure Method	0	0
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	0	0
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	0	0

EU-10b	(Exempted CCP leg of client-cleared trade exposures) (original exposure method)	0	0
11	Adjusted effective notional amount of written credit derivatives	0	0
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0	0
13	**Total derivatives exposures**	0	0
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	0	0
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0	0
16	Counterparty credit risk exposure for SFT assets	0	0
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	0	0
17	Agent transaction exposures	0	0
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	0	0
18	**Total securities financing transaction exposures**	0	0
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	0	0
20	(Adjustments for conversion to credit equivalent amounts)	0	0
21	(General provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	0	0
22	**Off-balance sheet exposures**	0	0
Excluded exposures			
EU-22a	(Exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR)	0	0
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a (1) CRR (on and off-balance sheet))	0	0
EU-22c	(-) Excluded exposures of public development banks - Public sector investments	0	0

EU-22d	(Excluded promotional loans of public development banks: - Promotional loans granted by a public development credit institution - Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State - Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution)	0	0
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units): - Promotional loans granted by a public development credit institution - Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State - Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution)	0	0
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	0	0
EU-22g	(Excluded excess collateral deposited at triparty agents)	0	0
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	0	0
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	0	0
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	0	0
EU-22k	(Total exempted exposures)	0	0
Capital and total exposure measure			
23	**Tier 1 capital**	36,065,368	52,748,683
24	**Leverage ratio total exposure measure**	1,556,863,650	1,113,554,255
Leverage ratio			
25	Leverage ratio	2.32%	4.74%
EU-25	Leverage ratio (without the adjustment due to excluded exposures of public development banks - Public sector investments) (%)	2.32%	4.74%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	2.32%	4.74%
26	Regulatory minimum leverage ratio requirement (%)	not applicable	not applicable
EU-26	Additional leverage ratio requirements (%)	not applicable	not applicable

27	Required leverage buffer (%)	not applicable	not applicable
Choice on transitional arrangements and relevant exposures			
EU-27	Choice on transitional arrangements for the definition of the capital measure	not applicable	not applicable
Disclosure of mean values			
28	Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	0	0
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	0	0
30	Total exposures (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	1,556,863,650	1,113,554,255
30a	Total exposures (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	1,556,863,650	1,113,554,255
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	2.32%	4.74%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	2.32%	4.74%

Template EU LR3 - LRSpl: Split-up of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	1,585,069,891
EU-2	Trading book exposures	0
EU-3	Banking book exposures, of which:	1,585,069,891
EU-4	Covered bonds	0
EU-5	Exposures treated as sovereigns	1,435,561,698
EU-6	Exposures to regional governments, MDB, international organisations and PSE **not** treated as sovereigns	0
EU-7	Institutions	102,253,092
EU-8	Secured by mortgages of immovable properties	0
EU-9	Retail exposures	0
EU-10	Corporate	5,705
EU-11	Exposures in default	0
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	47,249,397

3.5 Net Stable Funding ratio

The amended CRR will introduce a binding NSFR – expected to come into effect on 28 June 2021 – that requires institutions to finance their long-term activities (assets and off-balance sheet items) with stable funding. Generally, the suggested NSFR is aligned with the BCBS standard, but the European Commission has included some adjustments as recommended by the European Banking Authority (EBA) to ensure that the NSFR does not hinder the financing of the European real economy.

The NSFR will require the Bank to ensure that longer term obligations are adequately met with stable funding instruments under normal and stressed situations. The NSFR is thus a metric for structural liquidity risk and is defined as the amount of stable funding (ASF) relative to the amount of required stable funding (RSF). The amount of available stable funding is defined as the portion of capital and liabilities expected to be reliable over a time horizon of one year. The required stable funding is a function of the liquidity characteristics and residual maturities of various assets held. This measure is currently pending regulatory implementation with no minimum requirements yet being required. Both the Risk and Finance departments are internally monitoring the NSFR on a monthly basis, as part of the Risk Appetite Policy. The hard limit is set at 100%, as prescribed by EU Regulation 2019/876, as from 28 June 2021. In addition, the NSFR ratio is also projected as an integrated part of financial planning.

As per end of 2020 the NSFR stood at 214.86%, significantly above the 100%.

Template EU LIQ2: Net Stable Funding Ratio

		a	b		d	e
	(in currency amount)	Unweighted value by residual maturity				Weighted value
		No maturity[1]	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments		**0**	**0**	**36,065,368**	**36,065,368**
2	*Own funds*		0	0	36,065,368	36,065,368
3	*Other capital instruments*		0	0	0	0
4	Retail deposits		**0**	**0**	**0**	**0**
5	*Stable deposits*		0	0	0	0
6	*Less stable deposits*		0	0	0	0
7	Wholesale funding:		**1,502,178,605**	**0**	**0**	**174,250,537**
8	*Operational deposits*		342,004,678	0	0	171,002,338
9	*Other wholesale funding*		1,160,173,928	0	0	3,248,199
10	Interdependent liabilities		**0**	**0**	**0**	**0**
11	Other liabilities:		**751,266**	**8,567,035**	**10,005,100**	**14,288,617**
12	*NSFR derivative liabilities*					
13	*All other liabilities and capital instruments not included in the above categories*		0	0	0	0
14	**Total available stable funding (ASF)**					**224,604,522**
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					**41,851,789**

EU-15a	Assets encumbered for more than 12m in cover pool		**0**	**0**	**0**	**0**
16	Deposits held at other financial institutions for operational purposes		**102,253,092**	**0**	**0**	**51,126,546**
17	Performing loans and securities:		**0**	**0**	**0**	**0**
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		0	0	0	0
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		0	0	0	0
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		0	0	0	0
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		0	0	0	0
22	*Performing residential mortgages, of which:*		0	0	0	0
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		0	0	0	0
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		0	0	0	0
25	Interdependent assets		**0**	**0**	**0**	**0**
26	Other assets:		**0**	**0**	**0**	**0**
27	*Physical traded commodities*				0	0

28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		0			0
29	*NSFR derivative assets*		703,723			703,723
30	*NSFR derivative liabilities before deduction of variation margin posted*		0			0
31	*All other assets not included in the above categories*		1,300,232	8,501,475	10,202,456	10,852,572
32	Off-balance sheet items		**0**	**0**	**0**	**0**
33	**Total RSF**					**104,534,630**
34	**Net Stable Funding Ratio (%)**					**214.86%**

4 Credit risk

4.1 Credit risk management

Credit risk is defined as the potential risk of a counterparty failing to meet its obligations in accordance with agreed terms. Counterparty Credit risk is defined as the risk that a counterparty fails to fulfil contractual commitments. Consequently, it is a subset of credit risk, but the counterpart credit risk exposure will – unlike credit risk – fluctuate based on market risk factors.

Credit risk for the Bank can be grouped in the following categories:

- Central Bank and Government Bond positions;
- Cash balances with correspondent banks;
- Positive net market values of FX spot contracts with a counterparty or client in excess of posted collateral

The Bank assumes limited credit risk exposures related to the handling and placing of its excess liquidity. The Bank's assets primarily consist of a portfolio of liquid government bonds of high credit quality. The holdings have short maturities, and all qualify as Level 1 High Quality Liquid Assets (HQLA). In addition, cash placements are made with approved central banks and serves both as HQLA and regulatory reserves. The bond portfolio – together with any cash placements made with approved central banks – amount to minimum 90% of the asset allocation with the remaining 10% kept with a limited number of correspondent banks to enable the handling of the client-driven transactions. The correspondent banks almost exclusively have a credit rating of AA to A, leading to a relatively low credit risk.

Other assets consist of tangible assets, other assets and prepayments and accrued income carrying a 100% risk weight.

4.2 Credit exposure

The Bank has assigned Fitch Ratings, Standard & Poor's and Moody's as External Credit Assessment Institutions (ECAIs) for the calculation of its own funds requirements for credit risk under the Standardised Approach.

Template EU CR4 – Standardised Approach – Credit risk exposure and CRM effects

	Exposure classes	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet amount	RWEA	RWEA density (%)
		a	b	c	d	e	f
1	Central governments or central banks	1,435,561,698	0	1,435,561,698	0	0	0.00%
2	Regional government or local authorities	0	0	0	0	0	0.00%
3	Public sector entities	0	0	0	0	0	0.00%
4	Multilateral development banks	0	0	0	0	0	0.00%
5	International organisations	0	0	0	0	0	0.00%
6	Institutions	102,253,092	0	102,253,092	0	30,800,927	30.12%
7	Corporates	5,705	0	5,705	0	5,705	100.00%
8	Retail	0	0	0	0	0	0.00%
9	Secured by mortgages on immovable property	0	0	0	0	0	0.00%
10	Exposures in default	0	0	0	0	0	0.00%
11	Exposures associated with particularly high risk	0	0	0	0	0	0.00%
12	Covered bonds	0	0	0	0	0	0.00%
13	Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0.00%
14	Collective investment undertakings	0	0	0	0	0	0.00%

15	Equity	0	0	0	0	0	0.00%
16	Other items	19,998,458	0	19,998,458	0	19,998,458	100.00%
17	**Total**	1,557,818,953	0	1,557,818,953	0	50,805,090	3.26%

Template EU CRB-C – Geographical breakdown of exposures

		America	*Europe*	Of which: Luxembourg	*Other*	Total
1	Central governments or central banks					
2	Institutions					
3	Corporates					
4	Retail					
5	Equity					
6	**Total IRB approach**					
7	Central governments or central banks	503,143,661	932,418,037	481,308,068	0	1,432,561,698
8	Regional governments or local authorities	0		0		0
9	Public sector entities	0		0		0
10	Multilateral development banks	0		0		0
11	International organisations	0		0		0
12	Institutions	233,781	102,004,812	1,168,281	14,499	102,253,092
13	Corporates	0	5,705	0		5,705
14	Retail	0		0		0
15	Secured by mortgages on immovable property	0		0		0
16	Exposures in default	0		0		0
17	Items associated with particularly high risk	0		0		0
18	Covered bonds	0		0		0
19	Claims on institutions and corporates with a short-term credit assessment	0		0		0
20	Collective investments undertakings	0		0		0

21	Equity exposures	0		0		0
22	Other exposures	0	19,998,458	19,998,458		19,998,458
23	**Total standardised approach**	**503,377,442**	**1,054,427,012**	**502,474,807**	**14,499**	**1,557,818,953**
24	**Total**	**503,377,442**	**1,054,427,012**	**502,474,807**	**14,499**	**1,557,818,953**

Template EU CRB-D Concentration of exposures by industry or counterparty types

	Public sector	Financial sector	Non-financial Sector	Total
Central governments or central banks	1,435,561,698			1,435,561,698
Regional governments or local authorities				0
Public sector entities				0
Multilateral development banks				0
International organisations				0
Institutions		102,253,092		102,253,092
Corporates		5,705		5,705
Retail				0
Secured by mortgages on immovable property				0
Exposures in default				0
Items associated with particularly high risk				0
Covered bonds				0
Claims on institutions and corporates with a short-term credit assessment				0
Collective investments undertakings				0
Equity exposures				0
Other exposures			19,998,458	19,998,458
Total	**1,435,561,698**	**102,258,797**	**19,998,458**	**1,557,818,953**

Template EU CR1- A Maturity of exposures

	Net exposure value					
	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
Central governments or central banks						
Institutions						
Corporates						
Retail						
Equity						
Total IRB approach						
Central governments or central banks	481,896,358	953,665,340				1,435,561,698
Regional governments or local authorities						
Public sector entities						
Multilateral development banks						
International organisations						
Institutions	102,253,092					102,253,092
Corporates					5,705	5,705
Retail						
Secured by mortgages on immovable property						
Exposures in default						
Items associated with particularly high risk						
Covered bonds						
Claims on institutions and corporates with a short-term credit assessment						
Collective investments undertakings						
Equity exposures						
Other exposures					19,998,458	19,998,458
Total standardised approach	**584,149,450**	**953,665,340**	**0**	**0**	**20,004,163**	**1,557,818,953**
Total	**584,149,450**	**953,665,340**	**0**	**0**	**20,004,163**	**1,557,818,953**

4.3 Credit risk adjustments

As per 31 December 2020, the Bank did not have any past-due exposures, nor did it apply any credit risk adjustments.

Past due loans

The Bank defines the past due criterion as follows: The obligor is past due more than 30 days on any material credit obligation to the Bank.

Impairment of financial assets and overview of the ECL principles

The Bank records an allowance for expected credit loss (ECL) for all loans and other debt financial assets not measured at FVPL.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit losses (12mECL).

The Bank has established a policy to perform an assessment at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Bank groups its financial assets into Stage 1, Stage 2 and Stage 3 as described below:

- Stage 1 - When financial assets are first recognised, the Bank recognises an allowance based on 12m ECL. Stage 1 assets also include facilities where the credit risk has improved, and the asset has been reclassified from Stage 2;
- Stage 2 - When an asset has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL. Stage 2 assets also include facilities, where the credit risk has improved, and the asset has been reclassified from Stage 3;
- Stage 3 - Assets considered credit-impaired. The Bank records an allowance for the LTECL.

A significant increase in credit risk (SICR) is considered to have occurred with regard to a particular obligor when at least one of the below trigger events has been reached:

- Rating downgrade criterion: For counterparties rated as of the reporting date below the investment grade, the Bank considers a threshold level of 3 notches as an indicator of significant increase in credit risk. In other words, if the decrease in the rating of the counterparty at the given reporting date, as compared to the initial recognition, is equal or greater than 3 notches then such exposure shall be allocated into Stage 2. The ratings used for this assessment are external ratings provided by mainstream credit agencies;
- Past due criterion: The obligor is past due more than 30 days on any material credit obligation to the Bank;

— Discretionary criterion: Specific sector, country or idiosyncratic issues which could lead to the conclusion that the risk of the exposure is significantly higher than at initial recognition may lead to the acknowledgement of a SICR.

The calculation of ECL

The Bank calculates ECL based on a probability-weighted estimate of credit losses (i.e. the present value of cash shortfalls) over the expected life of a financial asset. For a financial asset that is credit-impaired, the ECL are the difference between the asset's gross carrying amount and the present value of its estimated future cash flows.

Expected credit losses are calculated up to maturity, if maturity is less than one year. The financial asset in scope of impairment (thus under the model scope) are 'cash and cash equivalent' (cash in hand, balances with central banks and loans and advances to credit institutions) without contractual maturity (with an implicit overnight maturity) and plain vanilla sovereign bonds (with contractual maturity).

Template EU CQ3 Credit quality of performing and non-performing exposures

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005	Cash balances at central banks and other demand deposits	584,149,450	584,149,450										
010	Loans and advances												
020	*Central banks*												
030	*General governments*												
040	*Credit institutions*												
050	*Other financial corporations*												
060	*Non-financial corporations*												
070	*Of which SMEs*												
080	*Households*												
090	Debt securities												
100	*Central banks*												
110	*General governments*	953,718,218	953,718,218										

120	*Credit institutions*												
130	*Other financial corporations*												
140	*Non-financial corporations*												
150	Off-balance-sheet exposures												
160	*Central banks*												
170	*General governments*												
180	*Credit institutions*												
190	*Other financial corporations*												
200	*Non-financial corporations*												
210	*Households*												
220	***Total***	1,537,867,667	1,537,867,667										

4.3.1 Forborne exposure and non-performing loans

As per 31 December 2020, the Bank did not have any forborne exposure nor any non-performing loans.

4.4 Credit risk mitigation techniques

Management, Measurement and Mitigation of Credit and Counterparty Risks
The Bank has a risk profile in relation to credit risk that is low, and it is based on the principles as defined in the Risk Appetite Policy. In addition, the following shall apply:

- The Bank has a clear and unambiguous guideline for the selection of counterparts for liquidity management and FX (spot) trading, including type of counterpart as well as credit rating. The Board of Directors approves specific credit limits for all credit exposures;
- Credit risk in relation to FX Spot positions with counterparties or clients are secured with collateral or margin agreements. All positions with clients are liquidated when margin utilisation exceeds certain pre-defined levels;
- Settlement risk is, to the extent possible, reduced by Delivery versus Payment (DvP) settlement or other settlement agreements, which reduces settlement risk;
- The Board of Directors receives management information depicting the credit exposures on a regular basis, at least quarterly;
- Reporting and control is done on a daily basis, with the Risk Function responsible for reporting and escalating any limit breaches;
- Limit breaches are rectified without undue delay and in turn be reported (either immediately or in the next regular report depending on the situation). If for any reason a Board limit breach cannot be rectified immediately, the Board of Directors are notified without undue delay and a temporary mandate increase may be sought;
- In light of the Capital Requirements Regulation, the Bank ensures at all times that Large Exposures do not become excessive in relation to its capital base as further limited in the Risk Appetite Policy, and that any breaches are reported to the Board and the CSSF and rectified without delay.

The Bank is monitoring its credit and counterparty risk exposures. The regulatory capital is calculated based on the standardised method to credit risk as defined in CRR/CRD IV. Moreover, the Bank has – in order to ensure compliance with the Large Exposure regime – a Risk Appetite measure in place to limit the exposure towards individual clients or groups of connected clients.

As at 31 December 2020, the Bank did not apply any credit risk mitigation techniques.

Template EU CR5 - Standardised approach

	Exposure classes	Risk weight															Total (q)	Of which rated (r)
		0% (a)	2% (b)	4% (c)	10% (d)	20% (e)	35% (f)	50% (g)	70% (h)	75% (i)	100% (j)	150% (k)	250% (l)	370% (m)	1250 % (n)	Others (o)		
1	Central governments or central banks	1,435,561,698	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,435,561,698	953,665,340
2	Regional government or local authorities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3	Public sector entities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4	Multilateral development banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5	International organisations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6	Institutions	0	0	0	0	67,752,062	0	34,501,030	0	0	0	0	0	0	0	0	102,253,092	102,253,092

7	Corporates	0	0	0	0	0	0	0	0	0	5,705	0	0	0	0	0	5,705	0
8	Retail	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9	Secured by mortgages on immovable property	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10	Exposures in default	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11	Exposures associated with particularly high risk	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12	Covered bonds	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13	Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14	Collective investment undertakings	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

15	Equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
16	Other items	0	0	0	0	0	0	0	0	0	19,998,458	0	0	0	0	0	19,998,458	0
17	Total	1,435,561,698	0	0	0	67,752,062	0	34,501,030	0	0	20,004,163	0	0	0	0	0	1,557,818,953	1,055,918,432

4.5 Counterparty credit risk

Counterparty Credit risk is defined as the risk that a counterparty fails to fulfil contractual commitments. Consequently, it is a subset of credit risk, but the counterpart credit risk exposure will – unlike credit risk – fluctuate based on market risk factors.

As per 31 December 2020, the Bank did not have any derivative exposures and consequently has not been exposed to counterparty credit risk.

4.6 Asset encumbrance

The Bank's main sources of asset encumbrance are:

- Collateral provided for client deposits;
- Regulatory minimum reserve requirements; and
- Margin requirements from FX spot and forwards.

Encumbered Assets means assets which are subject to any legal, contractual, regulatory or other restriction preventing the institution from liquidating, selling, transferring, assigning or, generally, disposing of those assets via an outright sale or a repurchase agreement. If an asset is subject to any form of arrangements to secure, collateralize or credit enhance any transaction from which it cannot be freely withdrawn, and thus be treated as encumbered.

The part of debt securities portfolio which was pledged as collateral against amounts owed to credit institutions amounted to EUR 869,291,106 as per end of December 2020.

Table 4 – Asset Encumbrance

EUR	Dec-20	%
Encumbered Assets		
- Secured lending (safeguarding)	869,291,106	55%
- regulatory reserves with central banks	-	0%
Total assets	1,585,773,613	100%

In line with the regulatory requirements – as the encumbrance ratio is above 15% – the Bank is calculating and reporting the asset encumbrance ratio on a monthly basis. The calculation and related reporting is prepared by the Finance department and monitored by the Risk Function and controlled by the Risk Appetite measure.

The Bank's asset encumbrance is managed in accordance with the Asset Encumbrance Policy defining its measurement, management and governance.

Template EU AE1: Encumbered and unencumbered assets

		Carrying amount of the encumbered assets		Fair value of encumbered assets		Carrying amount of the unencumbered assets		Fair value of unencumbered assets	
			Of which notionally eligible EHQLA and HQLA		Of which notionally eligible EHQLA and HQLA		Of which EHQLA and HQLA		Of which EHQLA and HQLA
		010	030*	040	050*	060	080*	090	100*
010	**Assets of the reporting institution**	869,291,106	869,291,106		869,291,106	716,949,225	84,374,234		84,374,234
020	Loans and Advances					584,149,450		584,149,450	
030	Equity instruments	0				5,705		5,705	
040	Debt securities	869,291,106	869,291,106	869,291,106	869,291,106	84,374,234	84,374,234	84,374,234	84,374,234
050	of which: covered bonds	0		0		0		0	
060	of which: asset-backed securities	0		0		0		0	
070	of which: issued by general governments	869,291,106	869,291,106	869,291,106	869,291,106	84,374,234	84,374,234	84,374,234	84,374,234
080	of which: issued by	0		0		0		0	

	financial corporations								
090	of which: issued by non-financial corporations	0		0		0		0	
120	Other assets	0				48,419,836			

Template EU AE3: Sources of encumbrance

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs
		010 [The median values of the item 'Matching liabilities, contingent liabilities or securities lent' as reported in column 010 of Template F 32.04 (AE-SOU) of Annex XVI to Implementing Regulation (EU) No 680/2014. Fair value disclosed is the median value of the different fair values observed at the end of each reporting period considered for the computation of the median. Liabilities without any associated funding, such as derivatives, shall be included].	030 [The amount of the assets, collateral received, and own securities issued other than covered bonds and asset-backed securities that are encumbered as a result of the different types of transactions hereby reported. To ensure consistency with the criteria in Templates A and B, assets of the institution registered in the balance sheet shall be disclosed at the median value of their carrying amount, whereas re-used collateral received and encumbered own securities issued other than covered bonds and asset-backed securities shall be disclosed at the median value of their fair value. Fair value disclosed is the median value of the different fair values observed at the end of each reporting period considered for the computation of the median. Assets encumbered without matching liabilities shall also be included].
010	**Carrying amount of selected financial liabilities** The median value of the item 'Carrying amount of selected financial liabilities' as reported in row 010 of Template F 32.04 (AE-SOU) of Annex XVI to Implementing Regulation (EU) No 680/2014.	**869,291,106**	**869,291,106**

5. Market risk

5.1 Market risk management

Market risk

Description of trading activities

Market risk is defined as the risk of a loss in value as a result of changes in market rates and parameters that affect the market values, e.g. interest rates, FX rates and equity prices.

Market risk in the Bank can be grouped in the following categories:

- Market risk stemming from client transactions (i.e. forex); with forex risk to be fully hedged bearing in mind the need to conduct an efficient risk management and thus allowing for smaller, limited open positions;

- Market risk resulting from the investment of liquidity in High Quality Liquid Assets held to ensure LCR compliance on a daily basis (i.e. interest rate);

The Bank's business model builds upon the provision of payment services to clients. This requires clients to maintain current accounts with the Bank. Clients deposit and receive funds on these accounts for/through the transactions executed via the Bank's payment services platform. Consequently, the deposit amounts on those accounts can fluctuate by clients and over time.

To manage the liquidity risk stemming from those deposits, the Bank maintains a portfolio of highly liquid bonds which could be quickly liquidated in a stress situation to counter deposit withdrawals from clients. These bonds also qualify as High-Quality Liquid Assets (HQLA) for the purpose of maintaining a sufficiently high Liquidity Coverage Ratio (LCR).

Therefore, IRRBB at the Bank arises primarily from the maturity mismatch between the bond holdings on the asset side (with maturities ranging up to one year) and the client deposits on the liability side (with an overnight maturity).

The Bank's Treasury department is in charge of managing the Bank's overall liquidity including the bond portfolio in line with the risk appetite defined for the various risk types, including credit risk, liquidity risk and IRRBB.

Currency risk (Foreign-exchange risk)

Description of how the Bank measures, controls and manages its currency risk

The Bank's currency risk stems from client transactions. The Bank's aggregate FX position as per year end 2020 and amounted to EUR 1,227,577 and is shown below per currency:

Table 5 – Aggregate FX position

Currency	Long	Short
AED	1,430	0
AUD	1,796	0
BGN	2,772	0
CAD	8,109	0
CHF	0	27,302
CNY	154	0
CZK	1,114	0
GBP	0	1,196,546
HKD	0	735
HRK	0	4,003
HUF	2,332	0
ILS	2,233	0
JPY	1,604	0
MXN	0	2,151
NOK	12,942	0
NZD	64	0
PLN	3,511	0
RON	0	106
RUB	134	0
SAR	1,798	0
SEK	0	661
SGD	1,557	0
TRY	2,929	0
USD	395,639	0
ZAR	0	938

Description of how the Bank measures, controls and manages its interest rate risk

Interest rate risk results from the investment of liquidity in High Quality Liquid Assets held to ensure LCR compliance on a daily basis.

The Bank has classified its bond portfolio as being part of the Banking Book considering the instrument classification and trading intention, i.e. the Bank holds a bond portfolio for the purpose of ensuring sufficient HQLA for the Liquidity Coverage Ratio requirements and calculations with the currency composition matching the liability side client deposits. The Bank maintains the portfolio to ensure an efficient management of its HQLA and is normally only changing the composition to reflect changes in the underlying client deposits and thus not for short term speculative gains.

The interest rate risk stems from the placement in government bonds driven by the handling of its excess liquidity. In particular, the Bank maintains a portfolio of high-quality liquid assets – minimum long-term credit rating AA- (or equivalent). The bonds are of short maturity and primarily held to ensure compliance with the Liquidity Coverage Ratio requirements (LCR) and the upper limit will – considering the limited credit risk – be limited by the interest net sensitivity limit.

The Bank monitors the interest rate risk-taking via a net interest rate sensitivity taking into consideration two forms; interest rate sensitivity of economic value of equity (EVE) and interest rate sensitivity of net interest income (NII). The EVE – monitored daily – measures the impact of interest rate changes to market value whereas NII – calculated annually as part of the ICAAP and as part of the requirements of CSSF 20/762 – measures the impact of interest rate change on the earnings over a one-year period. In addition to these measures, the average duration of its portfolio is also being monitored.

Analysis of interest rate risks as at 31 December 2020

The EVE stress test – produced quarterly and submitted to the CSSF on an annual basis as specified by Circular CSSF 20/762 amending CSSF 08/338 (as amended) – aims at measuring the change in the net present value (NPV) of the interest rate sensitive instruments (excluding equity) over their remaining life resulting from hypothetical interest rate movements. For its internal EVE measurement, the Bank employs the six interest rate shock scenarios proposed by the EBA Guidelines on the management of interest rate risk arising from non-trading activities (EBA/GL/2018/02).

Table 6 - Interest rate sensitivities – flooring applied and as reported to the CSSF

EUR	+200bps	-200bps
Total (all currencies combined)	-6,733,612	1,320,059
% of own funds	-18.6%	3.6%

The below table indicates the average duration of assets and liabilities for the major currencies. The duration, both on the asset and liability is short term, with the gap driven by the duration of the bond portfolio which has an average duration of 0.184 years on the asset side vs a liability side where all deposits are overnight. In this context, it can be argued that the part of deposits categorised as operational deposits are stickier and could motivate a higher duration on the liability side, something which is also supported by the run-off analysis. This is not formally applied, but something considered in the overall assessment of the duration gap that the Bank is exposed to. Please refer to the below table for the duration profile of the banking book as per end of 2020.

Table 7 - Duration profile of the banking book

Year as per year end	Asset	Liabilities
EUR	0.129	0.003
USD	0.312	0.003
GBP	0.072	0.003
Total (all currencies combined)	0.184	0.003

The last IRRBB measure monitored by the Bank is the analysis of the sensitivity of net interest income to changes in interest rates and is reported and monitored as part of the risk appetite measurements. IRRBB is managed in accordance with the IRRBB Policy which defines the fundamental principles, measurement and governance for its management.

5.2 Market risk exposure

As at 31 December 2020, the Bank has an accumulated exposure to FX risk of EUR 1,227,577, which entails an own funds requirement of EUR 98,206, as well as IRRBB exposure of EUR 6,733,612.

Template EU MR1 – Market risk under the standardised approach

		RWEAs
	Outright products	
1	Interest rate risk (general and specific)	**6,733,612**
2	Equity risk (general and specific)	0.00
3	Foreign exchange risk	**98,206**
4	Commodity risk	0.00
	Options	
5	Simplified approach	0.00
6	Delta-plus approach	0.00
7	Scenario approach	0.00
8	**Securitisation** (specific risk)	0.00
9	**Total**	**6,831,818**

6. Liquidity risk

6.1 Liquidity risk management

Liquidity Risk is defined as:

1. the risk that the cost of funding rises to disproportionate levels or in worst case prevents the Bank from continuing as a going concern under its current business model;

2. the risk that the Bank does not have sufficient liquidity to fulfil its payment obligations as and when they fall due;

3. the risk that the Bank does not comply with regulatory liquidity requirements, e.g. the Liquidity Coverage Ratio.

The Bank is primarily exposed to liquidity risk in relation to its payment operations with the exposure stemming from on-balance sheet obligations. These risks could materialise in a negative cash-flow mismatch, something that could occur both end of day as well as intraday.

The Bank maintains a conservative liquidity and funding risk profile – ensuring resilience to both short and medium-term external stress – by maintaining an adequate buffer of high-quality liquid assets to be able to withstand longer periods of stress without the need to conduct forced sale of assets. The Bank ensures LCR compliance on a daily basis. The overall requirements for the Bank's management and control of its liquidity risks as laid out in the 'Liquidity Risk Policy' with the liquidity measure included in the 'Risk Appetite Policy'.

Moreover, the Bank has in place a Liquidity Continuity Plan (LCP) depicting the strategy for the handling of a potential liquidity crisis. The Bank also performs liquidity risk stress testing on a regular basis and annually as part of the ILAAP to continuously evidence it is be able to withstand also stressed situations.

Liquidity Stress Testing and Continuity Planning

Liquidity stress testing is an integrated part of the Bank's liquidity risk management framework. The Bank conducts liquidity stress testing either as qualitative scenarios and / or by implementing quantitative measures conducted in accordance with the relevant circulars and guidelines from the CSSF and EBA, taking into account the nature and complexity of its business activities. The key objective with the stress testing is to identify the key liquidity risk drivers and stress scenarios which could impair the Bank's ability to meet its future cash flow obligations as they fall due. The stress testing framework must be reviewed and revised on an ongoing basis, at least annually, to reflect changes in the operating environment or risk profile of the Bank. The stress testing, as well as any underlying documentation, is included in the annual Internal Liquidity Adequacy Assessment Process (also referred to as "ILAAP"), which is presented to and approved by the Board of Directors.

The ILAAP document provides details on the key risk drivers, mitigation techniques and elaborates on how liquidity risk is managed within the Bank, both under business as usual and in times of stress. It also notes the key assumptions and conclusions from stress testing of cash undertaken to manage the risk and includes the Bank's Liquidity Continuity Plan (LCP).

The LCP specifically addresses the strategy for the handling of a potential liquidity crisis. Its objective is thus to mitigate any impact of a stressed event by assuring continuous access to a minimum level of liquidity that would be needed to accommodate the critical business activities.

The LCP shall be activated when a liquidity or refinancing risk would affect the Bank, and forms an integrated but independent, part of the Bank's overall Business Continuity Management (BCM).

6.2 Liquidity risk exposure

Template EU LIQ1 – Quantitative information LCR

	Scope of consolidation (solo/consolidated)	Total unweighted value (average)	Total weighted value (average)
	Currency and units (XXX million)		
	Quarter ending on	31 Dec 2020	31 Dec 2020
	Number of data points used in the calculation of averages		
High-quality liquid assets			
1	Total high-quality liquid assets (HQLA)		566,270,591
Cash-Outflows			
2	Retail deposits and deposits from small business customers, of which:	0	0
3	Stable deposits	0	0
4	Less stable deposits	0	0
5	Unsecured wholesale funding	632,887,498	371,110,861
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	342,004,677	85,501,169
7	Non-operative deposits (all counterparties)	290,882,821	285,609,692
8	Unsecured debt	0	0
9	Secured wholesale funding		0
10	Additional requirements	350,921,334	350,921,334
11	Outflows related to derivative exposures and other collateral requirements	350,921,334	350,921,334
12	Outflows related to loss of funding on debt products		
13	Credit and liquidity facilities		
14	Other contractual funding obligations	19,515,426	18,896,076
15	Other contingent funding obligations	0	0
16	**TOTAL CASH OUTFLOWS**		740,928,271
Cash-Inflows			

17	Secured lending (e.g. reverse repos)	0	0
18	Inflows from fully performing exposures	102,253,572	102,253,572
19	Other cash inflows	351,625,057	351,625,057
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)		0
EU-19b	(Excess inflows from a related specialised credit institution)		0
20	**Total Cash Inflows**	453,878,629	453,878,629
EU-20a	Fully exempt inflows	0	0
EU-20b	Inflows subject to 90% cap	0	0
EU-20c	Inflows subject to 75% cap	453,878,629	453,878,629
TOTAL ADJUSTED VALUE			
21	LIQUIDITY BUFFER		566,270,591
22	TOTAL NET CASH OUTFLOWS		287,049,642
23	LIQUIDITY COVERAGE RATIO (%)		197.27%

Sources of Liquidity

The Bank has identified the following sources of liquidity (presented in order of priority):

- Access to the buffer of High-Quality Liquid Assets (HQLA) incl. Central banks;
- Access to excess liquidity placed on the interbank markets.

It is assumed the Bank will have full and unrestricted access to its HQLA (including both the bond portfolio as well as the unencumbered placement with the central bank), in turn providing access to available funds amounting to EUR 566,270,591as at the end of December 2020 where the Bank deems the reliability as high and also including a low if any costs associated with its activation. Considering the Bank's balance sheet, full and unrestricted access to the HQLA will enable the Bank to handle its liquidity needs also in a severely stressed scenario without having an LCR below 100%.

In addition, the Bank also has access to the funds placed on the interbank market and considering that these normally are rated AA or A, no restriction in terms of their access (unless a default of any of these counterparties). Considering the rating, the reliability of these funds must be deemed relatively high also in a stressed scenario.

The Bank is primarily funded by customer deposits placed for the purpose of meeting their upcoming payment obligations. In this context, the Bank maintains a conservative liquidity and funding risk profile – ensuring resilience to both short and medium-term external stress – by maintaining an adequate buffer of high-quality liquid assets to be able to withstand longer periods of stress without the need to conduct forced sale of assets, with the Bank to ensure LCR compliance on a daily basis. The Bank has assessed the key liquidity risk driver 'currency mismatch' that would impact its liquidity position as 'low' with its exposure to currency mismatch being immaterial considering that the balance sheet is hedged from a forex perspective.

In this context, it shall be noted that the main shareholder maintains a firm commitment to support the Bank so that it remains compliant with all capital, liquidity and other applicable prudential regulations and thus will be able to cover upcoming funding needs.

The Bank's significant currencies as 31 December 2020 were EUR, USD and GBP.

7. Operational risk

7.1 Operational risk management and measurement

Operational risk is defined as the risk of direct or indirect financial losses due to failure attributable to technology, employees, procedures or external events. The definition includes legal and compliance risk but excludes reputational risk.

Compliance risks are defined as the risks of non-compliance with certain applicable laws, regulations rules, self-regulatory standards and codes of conduct (‘compliance rules’).

Legal risk is the risk of loss which primarily caused by: i) a defective transaction; ii) a claim (including a defence to a claim or a counterclaim) being made or some other event occurring which results in a liability for the Bank or other loss (for example, as a result of the termination of a contract); iii) failing to take appropriate measures to protect assets owned by the Bank, or; iv) change in law.

Operational risk is inherent in all activities within the organisation, in outsourced activities and in all interactions with external parties. The Information Security Risk Policy are also important components of the Bank´s operational risk framework. The management of operational risk is an integral part of the Bank’s handling of its risks with key processes in place, including change risk management and approval process on key initiatives (including targeted initiatives for outsourced activities) and incident reporting.

Measurement of Operational Risk

An operational incident is an event leading to the actual outcome of a business process to differ from the expected outcomes, due to inadequate or failed processes, people, systems, or due to external events.

The Bank is recording the experienced operational risk incidents including financial loss, if any. The Risk Function is monitoring the development of operational risk incidents in its Risk Appetite Policy which is regularly – at least quarterly – reported to the Authorised Management and the Board of Directors. Considering the nature of the business, the Bank is also specifically monitoring and reporting on security related incidents. Moreover, all material incidents – considered to be any risk that creates a potential threat that could be assessed as having a ‘Major’ or ‘Critical’ impact to the business not only those with a monetary impact, – are being recorded and analysed, undertaking a detailed root cause analysis. Clear approval routines are in place to secure awareness and ensuring focus on mitigating actions, if any.

Management and Mitigation of Operational Risk

The operational risk management framework defines standards, tools and processes to support the organisation in proactively identifying, assessing, monitoring and managing, and mitigating operational risks to the largest extent possible at reasonable cost.

Moreover, management of operational risks is part of the management’s responsibilities where the Bank aims to minimise the (financial) impact from any operational risk incidents experienced. The

Bank has a number of key processes used for the identification of these risks on a continuous basis, measuring risk exposure as well as for the management of mitigating actions.

Incident Reporting

The Bank has an incident management process that defines escalation, assessment, investigation and resolution roles and responsibilities. This ensures that all incidents, irrespective of impact categorisation, are documented and reported accordingly and dealt with immediately to minimise the damage and prevent reoccurrence. Events of material significance and any other event deemed as significant and important for authorities to be informed about, are reported to the relevant authorities either upon identification or within the prescribed period.

Change Risk Management and Approval / Product Approval

Introduction of new products, services, processes and systems constitute a significant source of potential operational risks and requires risk assessment. Consequently, all such changes should be subject to a formal, internal risk assessment and approval process to ensure that all inherent risks are well understood, can be mitigated, managed or are accepted before approving new or changed products, services, markets, processes, IT systems, or substantial changes to the operations or the organisation.

Risk and control Self Assessments (RCSAs)

Operational Risk is monitored through regular self-assessment processes, at least annually. The purpose is to assess the quality of internal controls, ensure that all material operational risks are captured and reassessed in a systematic and timely manner and identify areas of improvements. To determine the potential operational risk exposures, the assessments, as a minimum, take the following elements into consideration:

- Specific operational risks associated with its business model and activities;
- Integration, stability and suitability of IT systems;
- Manual routines and non-integrated IT systems;
- Dependence on external factors, including subcontractors and the risk with outsourced activities;
- Employees´ capabilities in relation to the complexity of the task;
- The effectiveness and robustness of material business procedures and processes etc.;
- Organisation, including the extent of internal controls and possible inability to establish proper segregation of duties;
- Theft and fraud;
- Regulatory non-compliance;
- Reputational damage from incidents or errors;
- Physical security;

- Handling of sensitive data and data management obligations;
- Documentation relating to key business processes;
- Reliance on models and associated risks.

Business Continuity & Crisis Management (BC&CM)

BC&CM ensures that the Bank builds and maintains the appropriate levels of resilience and readiness to safeguard its shareholders, assets, employees, clients, reputation, the interest of the authorities and other stakeholders of the Bank, as well as the ability to continue activities, processes and services. Business Continuity requires pre-considered measures and actionable steps to be taken in preparation for unexpected and disruptive events. Crisis Management ensures that extraordinary events or crisis are identified, escalated and managed to minimise impact.

Whistleblowing Policy

Any employee observing possible misconduct, i.e. act of behaviours by employees or associates which are in conflict with the Bank's Code of Conduct, or possibly violating laws and regulations, is encouraged to come forward and voice these concerns in accordance with a defined process.

Training and Awareness Programmes

The Bank has in place a risk & compliance training programme where all employees must undergo a programme of specific training modules and, for each one, pass an individual self-assessment test. The programme contains tailored trainings on; Anti-Bribery and Anti-Corruption; Anti-Money Laundering; General Data Protection Regulations (GDPR) and Information Security and Cyber Risk Awareness. In addition, the Bank regularly conducts information sessions for new joiners, and at least annually for all staff, to ensure a common understanding of their roles, the three lines of defence model and the governance framework.

Data management policies

The Bank is exposed to operational risks related to how data is processes, stored, archived and used. If data is managed poorly, or outside of the applicable regulatory requirements, the Bank could be subject to reputational damage and / or regulatory investigation. As such, the Bank has an established data governance policy to support the implementation of guidelines, procedures and technical measures within the business to ensure that processing of Data is performed in accordance with the applicable legal, regulatory requirements and industry best practices. The Bank recognises data as an asset and as such its management must be subject to robust governance to ensure that it is appropriately managed and duly protected.

Data quality is an important element of governance. Disparate redundant data is one of the primary contributing factors to poor data quality and can lead to large operational risk. Data should be of high quality, accurate, available in a timely manner, fit for purpose and used with consistency throughout the organisation. Both the Bank and employee data must be retained and protected to preserve business integrity as well as to comply with numerous legal requirements such as accounting, employment and anti-discrimination laws.

Furthermore, Client Data is subject to professional secrecy rules in the countries where the Bank carries its operations and to strict banking secrecy rules in Luxembourg. Some data groups fall under the definition of Personal Data, which is governed by the General Data Protection Regulation ("GDPR"), (EU) 2016/679 and failing to follow these rules can lead to, as noted above, further operational and reputational risk, as well as regulatory investigation and possible fines. In this context, the Bank has established a privacy protection policy to support the implementation of procedures and technical measures to be able to demonstrate that processing of Personal Data and privacy protection is performed in accordance with the applicable legal and regulatory requirements.

The Bank is committed to compliance with all relevant legislation, including data protection laws such as GDPR. Appropriate data protection is the foundation of trustworthy business relationships and ensures the Bank's business and reputation remains sound.

Compliance governance

The Bank has, in accordance with regulation, established a Compliance function with a dedicated team which is headed by the appointed Chief Compliance Officer covering the full legal entity including the branches.

The Compliance function is part of the Bank's second line of defence and is in charge of the anticipation, identification, measurement, monitoring, control and reporting of all compliance related risks, including regulatory and financial crime risks, to which the Bank is or may be exposed. It is the purpose of the Compliance function to control and minimise compliance risk, which is defined as the risk that the Bank may suffer as a result of its failure to comply with applicable laws, regulations, code of conduct and standards of good practice. Compliance risk comprises regulatory risk, including the risk of sanctions and certain aspects of operational risk.

The Bank also has in place a first line of defence Business AML Team. The objectives of the function are to anticipate, identify and assess and monitor the AML risks of the customers and activities of the Head Office and branches of the Bank as defined the AML/CTF Policy and the AML/CTF Risk Appetite Policy , and to assist Authorised Management in limiting and mitigating these risks.

7.2 Operational risk exposure

The total capital requirement for operational risk under Pillar I amounts to EUR 1,640,012. This amount has been calculated using the basic indicator approach (BIA) i.e. 15% of operating income.

Template EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts

	Banking activities	a	b	c	d	e
		Relevant indicator			Own funds requirements	Risk weighted exposure amount
		2018	2019	2020		
1	Banking activities subject to basic indicator approach (BIA)	NA	NA	10,933,411	1,640,012	20,500,146
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches					
3	*Subject to TSA:*					
4	*Subject to ASA:*					
5	Banking activities subject to advanced measurement approaches AMA					

8. Other risks

8.1 Exposures in equities in the banking book

As of 31 December 2020, the Bank did not have any exposures in equities in its banking book.

8.2 Exposures to securitisation positions

As of 31 December 2020, the Bank did not have any exposures to securitisations positions.

8. Remuneration

9.1 Qualitative information on remuneration

9.1.1 Remuneration Policy

The Board of Directors has implemented a Remuneration Policy providing guidelines on compensation and benefits at the Bank in line with its activities, objectives, values and long-term interests.

The Remuneration Policy applies to all members of the Bank's staff, including Authorised Management, with specific provisions on variable remuneration applicable to material risk takers and Key Function Holders. Further, the Policy applies to any Remuneration awarded to the Board of Directors.

9.1.2 Decision-making process used for determining the Remuneration Policy

In line with the EBA Guidelines, and CSSF Circular 11/505, the Bank applies remuneration principles proportionate to its size, nature, scope, complexity of its activity and internal organisation.

In line with the principle of proportionality and so as to provide further guarantees in terms of independence, the implementation of the Policy by the Board of Directors is subject, on an annual basis, to a review by the Risk and Compliance functions, as regards to its compliance with the applicable regulations and the principles and procedures defined by the Board. Any conflicts of interest are therefore avoided since none of the members of the Board of Directors are involved in any executive function within the Bank, hence allowing for complete independence.

The results of the review are communicated to the Control Function and the Board of Directors. The latter is responsible for ensuring that the results of the review are duly dealt with.

The Internal Audit Function periodically (at least on an annual basis) carries out an independent audit of the design, implementation and effects of the Bank's Remuneration Policy.

The People Function is closely involved in the design of the policy and is responsible for its regular review with the assistance of the Legal and Control Functions. It is responsible for the preparation and update of the Policy, monitoring of the consistent application of the Policy and the contractual implementation of applicable terms. Moreover, the People Function together with the Control Function conducts an annual assessment of which persons should be deemed to be material risk takers. The identification process is reviewed by the Authorised Management and validated by the Board of Directors, which has overall responsibility for the Policy.

9.1.3 Ratios between fixed and variable remuneration

The total amount of variable remuneration awarded to any member of staff is limited to a certain percentage of their total fixed remuneration, depending on their function within the Bank. Subsequently, the variable remuneration may not exceed:

- 50% for members of the Authorised Management;
- 45% for Control Functions;
- 100% for other material risk takers not mentioned above.

In some exceptional cases, variable remuneration of material risk takers may exceed the described thresholds, however, never exceeding 200% of the fixed remuneration. In such cases, the procedure set out in Art. 94 (g) of CRD IV (and CSSF Circular 15/662) applies.

9.1.4 Performance criteria on which the entitlement to shares, options or variable components of remuneration is based

The Bank has a global bonus scheme, in the form of an Options Programme, in place which is applicable to the Bank's staff, including Authorised Management.

Bonuses awarded under this Options Programme are in the form of Options, which are share-based instruments providing the recipient with a right to subscribe for a share in the ultimate parent company of the Bank (or receive cash equivalents upon exercise of the Option). Any Option awarded is subject to the Options Programme which is based on the following key principles:

- The exercise is subject to the occurrence of certain well-defined exercise events, among which is a transfer of significant parts of the shares of the Bank, directly or indirectly, to a party independent of the present owners;
- Options are subject to a vesting mechanism, according to which recipients' ownership rights in the Options are conditional through a period of five years after award of the Option;
- Leaver mechanisms apply to Options, meaning that the recipient may forfeit their Options if their employment with the Bank is terminated by the recipient or by the Bank for cause, including by reason of potential breach of conduct rules or similar.

The Options Programme thus provides a high degree of alignment between the long-term interests of the Bank and its employees, including in terms of sustainability of its financial position and business and compliance with laws and regulations. Furthermore, the fact that a large majority of staff, including Authorised Management, is eligible for variable remuneration primarily in the form of Options (i.e. employees other than sales staff which are part of the sales commission programme, which is cash-based) means that the general bonus scheme does not impair the financial and liquidity position of the Bank, since the costs of issuing Options are borne by the indirect shareholders of the Bank. To encompass a need for special recognition of staff, the Remuneration Policy also allows for a so-called 'Pat on the back', which is a bonus which can be awarded either in cash or in options, subject to approval by Authorised Management. This particular bonus is intended to have very limited use.

The Bank uses a set of performance criteria, which are the basis for the annual assessment of performance. These performance criteria consist of an appropriate combination of quantitative and qualitative criteria which ensure alignment with the activities, objectives, values, risk appetites and long-term interests of the Bank.

The individual variable remuneration is based on the annual assessment of performance carried out by each direct report (Manager) with respect to members of his/her business unit. The individual variable remuneration of the Authorised Management and the Heads of Control Functions are based on an annual assessment of performances carried out by the Board of Directors. Evaluation of performance criteria are in accordance with the Performance Management programme, developed and maintained by the People department and approved by Authorised Management. The final attribution of variable remuneration on an aggregate level, is to be reviewed by the Board of Directors as to ensure the allocated amounts are defined as being within the remuneration budget as well as reflecting overall evaluation results.

9.2 Quantitative information on remuneration

The Bank is required to disclose quantitative renumeration for its material risk takers for the year ending 31 December 2020.

In accordance with applicable laws and regulations, the Bank imposes certain particular restrictions on Fixed and Variable Remuneration awarded to key individuals in the organisation (Material Risk Takers). The identification of MRTs in the Bank is based on a thorough assessment of roles, responsibilities and actual mandates held by certain positions that may be deemed as having a material impact on the Bank's risk profile. MRTs have been identified at the level of the Bank and its Branches.

Special attention is paid to mandates in relation to financial instruments, investment of company funds, control and compliance functions and senior managerial responsibilities.

The identification of MRTs is conducted with due regard to the qualitative and quantitative criteria set out in the in the RTS 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.

The Bank has identified the following Material Risk Takers:

- The Board of Directors
- Authorised Management
- The Head of each of the Control Functions
- Each Branch Manager
- Head of Treasury
- Head of Legal
- Head of Finance
- Head of Business Management and Growth
- Head of Business AML
- Chief Information Officer
- Head of Products & Solutions
- Head of Sales
- Head of Operations
- Information Security Officer
- Head of Governance

No staff member has been remunerated EUR 1,000,000 or more for the period January 2020 to December 2020.

For further quantitative information on remuneration, please refer to the Bank's financial statement.

9. Appendices

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BANKING CIRCLE

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