

Swissquote Bank Europe S.A.

Pillar 3 Disclosures

31 December 2021

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1. Preamble

This document complements the work already undertaken by Swissquote Bank Europe SA (hereafter the Bank) during its Internal Capital Adequacy Assessment Process (ICAAP) and provides information on the Bank's implementation of the Basel Capital framework to create transparency concerning the Bank's risk profile.

The Basel framework establishes a risk sensitive approach to capital management and is comprised of three pillars:

- **Pillar 1:** Defines the rules and regulations for calculating risk-weighted assets and regulatory minimum capital requirements for Credit, Market and Operational risks.
- **Pillar 2:** Addresses a banking organization's internal processes for assessing its overall capital adequacy in relation to its risks, a process that is also referred to as the ICAAP. Pillar 2 requires the Commission du Secteur Financier (CSSF) to undertake a supervisory review to assess the robustness of the Bank's internal assessment.
- **Pillar 3:** Designed to promote market discipline by providing market participants with key information on a banking organisation's risk exposure and risk management processes through a set of minimum disclosure requirements. Expanded disclosure about capital and risk enables interested parties to better understand the risk profile of individual banks and to make comparisons. Pillar 3 requires that all material risks be disclosed, enabling a comprehensive view of a Bank's risk profile.

Pillar 3 thus supplements the minimum capital requirements of Pillar 1 and the Pillar 2 supervisory review process (SREP).

The basis for disclosure is based on European Union Regulation No. 575/2013, the Capital Requirements Regulation (CRR). Part 8 of the CRR is indeed dedicated to the disclosure requirements and requires the Bank to publish quantitative and qualitative information in relation to its own funds, the risks taken, the risk management processes employed by the Bank, the methods used to mitigate credit risk, encumbered and unencumbered assets, securitisation transactions and information on remuneration.

The Bank produces the Pillar 3 Disclosure Report, on an annual basis and publishes it concurrently with the publication of its annual accounts. In case of major change in the activities or in the organizational structure, the Bank will assess the need to publish some or all of the disclosures on a more frequent basis.

The report is published on the Bank's website at <https://en.swissquote.lu/>, under the section "Useful forms and Legal documents".

The Disclosure Report is reviewed by the Board of Directors of the Bank but is not subject to external audit review, except to the extent that any disclosures are equivalent to those made in the annual accounts.

General comments

Quantitative disclosures contained in this report are based on International Financial Reporting Standards (IFRS) as of 31/12/2021 which, at the time of reporting, constituted the basis for the Bank's regulatory reporting in accordance with the CRR.

2. Swissquote Bank Europe S.A.

2.1. The Bank

The Bank was incorporated in Luxembourg on 13/11/2000 and registered in the "Registre de Commerce et des Sociétés à Luxembourg" under reference B 78.729, as a result of a joint-venture between Toronto Dominion Bank and Banque Générale du Luxembourg.

The Bank is a credit institution formed under the law of 5/04/1993 of Luxembourg and subject to primary supervision and regulation by the CSSF. At the time, the Bank legal name was The Bank of TDW and BGL S.A., then renamed to Internaxx Bank S.A. in 2005.

In 2010, Internaxx was wholly acquired by TD and renamed "TD Bank International S.A." in 2012.

In 2017, the Bank was acquired by Interactive Investor Services Ltd, a UK based company majority controlled by funds advised by JC Flowers & Co. LLC (a leading US private investment firm). Following the change of ownership, the Bank was re-branded Internaxx Bank S.A. The Bank had previously operated under this name during the period from 2006 to 2012).

Regulatory approval of the sale of the Bank by Interactive Investor Services Ltd to Swissquote Group Holding was obtained on 6/03/2019 and the change of control took effect on 22/03/2019.

The Bank is fully owned by Swissquote Group Holding Ltd (the "Parent Company"), a listed company, and was incorporated under the laws of Switzerland on 12/08/1999, with its registered office at Chemin de la Crétaux 33, 1196 Gland, Switzerland.

On the 02/06/2020, the Bank was re-branded from "Internaxx Bank S.A." to "Swissquote Bank Europe SA".

The Bank is fully financed by share capital with 32,000 ordinary shares without nominal value having been issued from authorized share capital of EUR 32,000,000.

The Bank is headquartered in the district of Kirchberg in Luxembourg, where it operates its single registered office. It employs 45.75 FTE as of 31/12/2021. The Bank is not listed on a stock exchange.

2.2. Significant events in 2021

First bank in Luxembourg to obtain VASP registration

In May 2021, the CSSF has confirmed to the Bank the finalisation of their analysis to support our request to become a Virtual Asset Service Provider (VASP). As a result, the Bank was the first bank in Luxembourg to obtain the VASP registration.

Launch of CFD trading platform (called eForex)

A filing was presented to the CSSF in October 2020 for a new outsourcing in relation to OTC derivatives (leveraged Forex and CFD) and which was approved in December 2020. This activity was launched end of January 2021. The platform was initially launched with leveraged Fx and CFD on Precious metals, Commodities, Bonds and Stock indices.

2.3. About the Swissquote Group

Founded in 1999, Swissquote Group Holding Ltd and its subsidiaries (SQGH) provide online financial services that mainly consist of the services offered by Swissquote Bank SA (SQB), the leading online bank in Switzerland, through its web portal www.swissquote.com, which is Switzerland's most visited financial platform attracting millions of daily hits.

SQB holds a banking license since 26/10/2000 and is under the supervision of the Swiss Financial Market Supervisory Authority FINMA (FINMA). SQB is a member of the Swiss Bankers Association.

SQB offers innovative online solutions and investment tools to meet the wide range of demands and needs of its clients. Their trading platforms also provide solutions for e-Forex and Robo-Advisory. In addition to servicing retail clients through its online platform, SQB also offers specialized services for financial institutions (incl. white labelling platforms), independent asset managers and corporate clients.

After growing scale in the Swiss home retail and institutional market, SQGH has expanded internationally over the last 10 years. SQGH has a global presence with current foreign subsidiaries based in United Arab Emirates (Dubai), China (Hong Kong), Malta (La Valletta), UK (London), Luxembourg and Singapore.

Swissquote Group Holding Ltd is the listed vehicle and is headquartered in Gland in Switzerland. The shares have been listed on the SIX Swiss Exchange since 29/05/2000 (ISIN: CH0016075863).

Business activities of the Swissquote Group



The asset classes in orange are these ones available through the Bank as of 31/12/2021.

3. Corporate governance and risk management framework

3.1. Corporate governance framework

Central administration

The Bank has a robust central administration in Luxembourg, consisting of a “**decision-making centre**” and an “**administrative centre**”.

The central administration, which comprises, in a broad sense, the management, execution and control functions, enables the Bank to retain control over all of its activities.

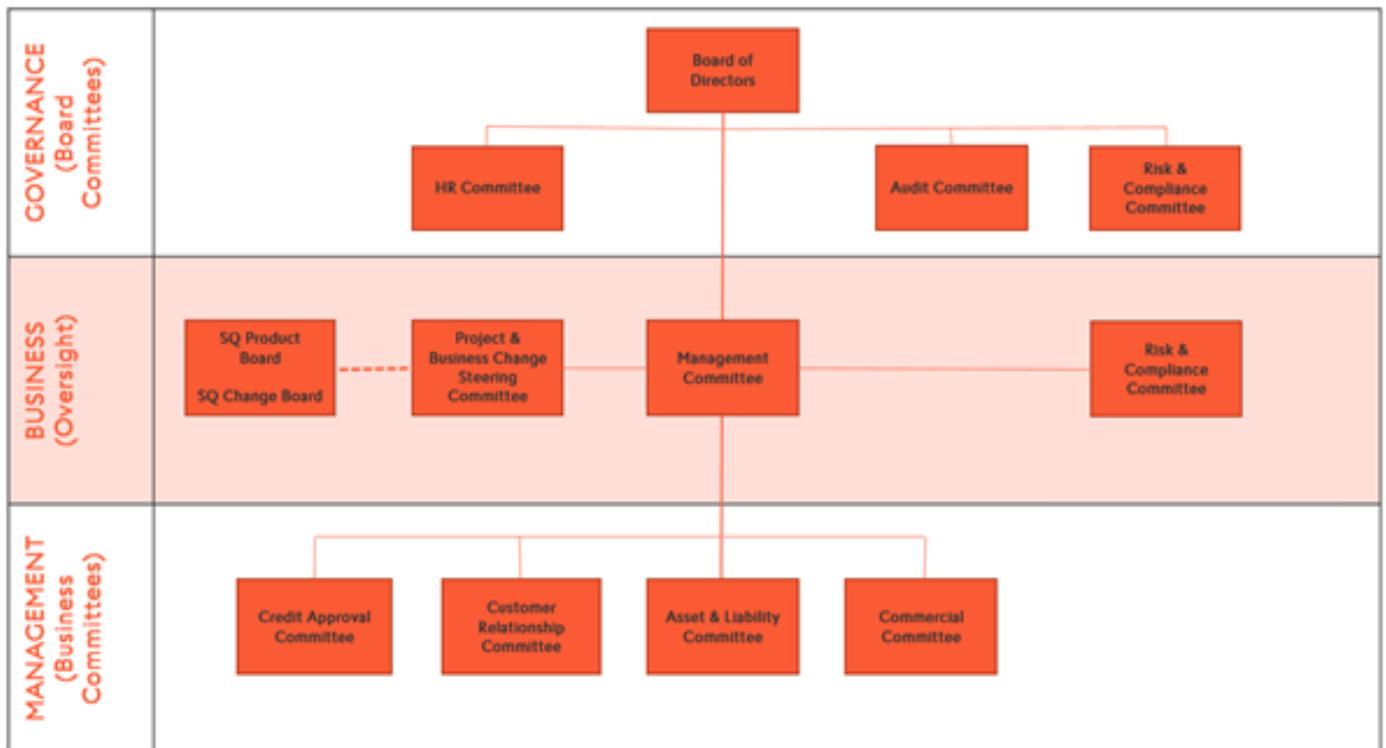
The concept of “decision-making centre” comprises the activities of the Authorised Management and also the persons in charge of the various business, support and control functions or the various business units (department, division and specific function) existing within the Bank.

The administrative centre includes in particular a sound administrative, accounting and IT organisation which ensures, at all times, proper administration of securities and assets, proper execution of operations, accurate and complete recording of operations and production of accurate, complete, relevant and understandable management information available without delay. In this respect, it includes the administrative infrastructure of the business functions, the support functions, in particular in the Finance function and the Information Technology function as well as the Internal Control functions.

The Central Administration and Internal Governance Policy defines the internal governance principles, central administration and internal governance arrangements developed and implemented by the Bank.

Corporate governance structure

The corporate governance structure of the Bank is depicted below:



3.2. Board of Directors

The Board’s central role is to create and deliver value to shareholders by effectively governing the Bank’s business, and meeting the interests of clients and other stakeholders through the provision of appropriately priced high quality services, transparent reporting and active engagement.

The Board is responsible for determining the nature and extent of the risks it is willing to take in order to achieve its strategic objectives.

Diversity strategy when selecting members of the Board of Directors

Members of the Board of Directors are selected based on their skills and experience, taking the needs of the Bank into consideration. The Board should consist of persons with management experience, preferably in the field of banking or financial institutions, in order to ensure qualified management, control, supervision and consultation.

The current Bank’s Board of Directors consists of members with a range of diversity perspectives, including but not limited to age, cultural and educational background, professional experience, skills, knowledge, independence and length of service.

The details of expertise and professional experiences of non-independent and non-executive members of the Board of Directors are public information available on the Swissquote Group website under <https://fr.swissquote.lu/about-us/swissquote-group>.

Each member of the Board was duly authorised to act as a director by the CSSF, which assessed their professional standing, experience and reputation in accordance with the Law of 5/04/1993 on the financial sector, as modified. It ensured that the Board is of sufficient size, independent and that it can offer the technical expertise to conduct its activities effectively.

Table 1 – Board of Director and committees composition as of 31/12/2021

Position	Name	Number of other directorships	Number of other directorships within the group (Executive / Non-executive)
Chairman & Non-Executive Director	Mark Bürki	6	1 (Executive)
Non-Executive Director	Yvan Cardenas	0	0
Non-Executive Director	Gilles Chantrier	5	5 (Non-executive)
Executive Director	Dave Sparvell	0	0
Independent Non-Executive Director	Christian Schaack	7	0
Independent Non-Executive Director	Gregory Claudy	5	0

The Board met 6 times in 2021.

The Board is supported by the following sub-Committees:

Board Risk and Compliance Committee (RCC)

The RCC assists the Board in fulfilling its oversight responsibilities with regard to the management of the Bank's risks and the quality of the internal control environment, the risk management and compliance framework, and the governance structure that supports it. Specific responsibilities include advising the Board on the overall risk appetite, tolerance and strategy, reviewing the risk profile against the risk appetite, as well as any exceptions to the risk appetite metrics, as reported by senior management and reviewing the effectiveness of Risk Management as appropriate.

Table 2 – Members of the Board Risk and Compliance Committee as of 31/12/2021

Role	Individual	Title
Chairman & Non-Executive Director	Gilles Chantrier	CRO of SQGH and SQB
Non-Executive Director	Yvan Cardenas	CFO of SQGH and SQB
Independent Non-Executive Director	Christian Schaack	
Independent Non-Executive Director	Gregory Claudy	

The committee met 3 times in 2021.

Board Human Resources (HR) Committee

The HR Committee assists the Board in fulfilling its corporate governance and oversight responsibilities relating to the remuneration practices of the Bank. It ensures that compensation processes are aligned with the business and compensation strategy, that it appropriately rewards senior officers for their contribution to the Bank, that the business is compliant with regulatory expectations and best practice and that the Bank is able to attract, retain and motivate high performing individuals to create sustainable value.

Table 3 – Members of the Human Resources Committee as of 31/12/2021

Role	Individual	Title
Chairman & Non-Executive Director	Mark Bürki	CEO of SQGH and SQB Founding partner of SQGH
Non-Executive Director	Yvan Cardenas	CFO of SQGH and SQB
Executive Director	Dave Sparvell	CEO of the Bank

The committee met 3 times in 2021.

Board Audit Committee

The Audit Committee assists the Board in its oversight responsibilities relating to financial matters, including corporate reporting, risk management and internal control. The Audit Committee is responsible for the oversight of the quality and integrity of the Bank's accounting internal control and reporting practices, and the performance of the Bank's internal audit function and independent external auditors.

Table 4 – Members of the Audit Committee as of 31/12/2021

Role	Individual	Title
Chairman & Independent Non-Executive Director	Christian Schaack	
Non-Executive Director	Gilles Chantrier	CRO of SQGH and SQB
Non-Executive Director	Yvan Cardenas	CFO of SQGH and SQB
Independent Non-Executive Director	Gregory Claudy	

The committee met 3 times in 2021.

At the time of writing, there are no foreseeable changes within the overall composition of the management body acting in its supervisory function (Board) or in its management function (Authorised Management).

3.3. Authorised Management

The Authorised Management is in charge of the effective, sound and prudent day-to-day business (and inherent risk) management. This management is exercised in compliance with the strategies and guiding principles laid down by the Board of Directors and the existing regulations, taking into account and safeguarding the Bank's long-term financial interests, solvency and liquidity situation.

The members of the Authorised Management are authorised to effectively determine the Bank's business direction. Consequently, where management decisions are taken by operational management committees. The Authorised Management is permanently on-site.

Table 5 – Authorised Management composition as of 31/12/2021

Position	Name	Number of other directorships (in addition to table 1)	Number of other directorships within the group (Executive / Non-executive)
CEO	Dave Sparvell	0	0
General Manager	Nestor Verrier	0	0

Table 6 – Board of Directors and Authorised Management expertise

	Marc Bürki	Yvan Cardenas	Gilles Chantrier	Dave Sparvell	Christian Schaack	Gregory Claudy	Nestor Verrier
Financial markets	x			x			
Regulatory framework & legal requirements			x	x	x	x	x
Strategic planning	x			x			
Risk management			x		x	x	x
Accounting & auditing	x	x	x			x	x
Assessing the effectiveness of a credit institution's arrangements, ensuring effective governance, oversight and controls	x			x	x	x	x
Interpreting a credit institution's financial information, identifying key issues based on this information and appropriate controls and measures	x	x		x	x	x	x

3.4. Other operational management committees

Management Committee (MANCO)

Under the responsibility of the Authorised Management, the Management Committee (MANCO) has overall responsibility for the day-to-day management of the Bank. The MANCO meets on a monthly basis and provides a forum for the Authorised Managers and senior management to:

- plan, discuss and decide on the implementation of the strategy as agreed by the Board
- consider and share information to inform management decision-making
- support the Authorised Managers in the day-to-day management of the Bank.

Membership is composed of the Chief Executive Officer (and Authorised Manager), General Manager (and Authorised Manager), Chief Compliance Officer, Chief Risk Officer, Corporate Governance & HR Manager, Head of Finance, Head of Client Services, Sales & Marketing.

The Management Committee also oversees the responsibilities of the below decision-making bodies:

- Customer Relationship Committee (CRCO)
- Credit Approval Committee (CACO)
- Commercial Committee (COCO)
- Assets and Liabilities Committee (ALCO)

It further undertakes the responsibilities of formalising through its minutes any important decision arising from these committees.

Risk & Compliance Committee (RCC)

The role of the Risk & Compliance Committee (RCC) is to advise the Risk & Compliance Committee of the Board and to provide information to the Management Committee on the main risks facing the business, the extent of financial, compliance and reputational risk exposure, and the direction of those risks. The Committee assesses and determines the risks within the business through the examination of significant risks and compliance matters and ensures that the risk exposures are maintained within the Board's risk appetite. The Committee meets 6 times per annum.

Project & Business Change Steering Committee

The role of the Project & Business Change Steering Committee is to ensure efficient change and project management and to provide information to the Management Committee on the main development, upcoming changes and difficulties handled by the Programme Manager and the Business Process Manager.

Customer Relationship Committee (CRCO)

The Customer Relationship Committee (CRCO) meets on an exceptional basis to discuss the approval of new client relationships that do not fit the Bank's standard acceptance criteria. Approval of new client applications submitted to the CRCO is made by the CCO and the Authorised Manager on a consensus basis. The CRCO may also meet to discuss the potential termination of business relationships that no longer fit the Bank's standard acceptance criteria.

Credit Approval Committee (CACO)

The Credit Approval Committee (CACO) meets as required to discuss any new client applications for exceptional credit facilities offered by the Bank (such as fixed-term loans). The CACO discusses credit risk-taking matters, based on a credit analysis performed by a body separate from the business function (Risk Management function), ensuring that a predetermined decision-making process is performed. Its responsibility typically encompasses new credit applications as well as restructuring measures related to deterioration of the ability of the debtor to repay its loan.

Commercial Committee (COCO)

The Commercial Committee (COCO) meets as required to discuss the marketing activities and business proposition of the Bank. Commercial promotions aiming at influencing the growth and/or structure of the balance sheet should be discussed at ALCO and validated at Manco before launch.

Asset & Liability Committee (ALCO)

The Assets and Liabilities Committee (ALCO) serves as a key governance vehicle to assess and provide strategic direction on the management of capital, liquidity risk, interest rate risk, investment risk, and other aspects of ALM in close co-operation with the Group ALM function.

4. Risk management framework

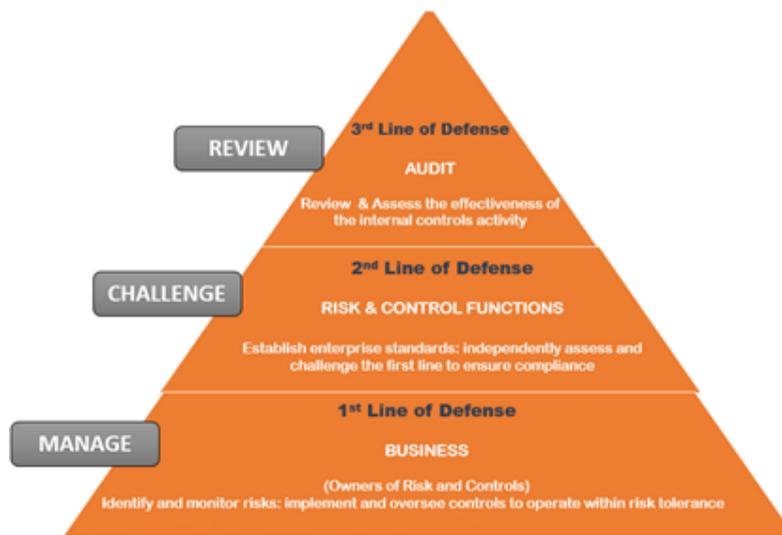
4.1. Risk structure

In line with Circular 12/552 as amended, and in order to avoid overlaps or gaps in activities, it is extremely important that all the parties engaged in enterprise-wide risk management are coordinating properly. In this respect, the Bank has adopted the “Three Lines of Defence” model to align the risk governance structure with leading market practices, as follows:

First line of defence: the risk owners are the operational business lines (e.g., Treasury, Client Services, Business Development, Operations, etc.) that have primary accountability for the day-to-day management, control and reporting of risk exposures in accordance with the risk appetite, strategies and policies set out by the Board of Directors and carried out by the Authorised Management. In addition, the Authorised Management monitors the overall risk profile on a regular basis (with the support of the second line) and ensures that adequate financial resources are maintained.

Second line of defence: risk monitoring functions (i.e., the Compliance function, Risk Control function, IT Management & Security and Financial & Accounting) - the aim of the second line of defence is to ensure independent risk oversight from the (first line of defence) business lines, by monitoring and reporting to governing bodies on the effectiveness of the risk management structure to efficiently address the various risk exposures.

Third line of defence: risk assurance function (Internal Audit) - this line of defence provides independent assurance on the quality of risk identification, measurement, management and control processes. This is performed by Internal Audit, which directly reports to the Board of Directors and the Audit Committee. In addition, the Internal Audit function may interact with external control bodies, the statutory auditors (réviseur d’entreprises agréé) and the Luxembourg regulatory authorities (CSSF), seen as the fourth line of defence by the Basel Committee.



4.2. Control functions

In accordance with the provisions of the CSSF Circular 12/552 as amended, the Bank has implemented the following three independent, objective and permanent internal control functions:

- Risk function
- Compliance function
- Internal Audit function

The Chief Risk Officer, the Chief Compliance Officer and the Chief Internal Auditor are appointed and revoked in accordance with an internal written procedure.

The persons in charge of the three internal control functions are responsible vis-à-vis the Authorised Management and ultimately vis-à-vis the Board of Directors for the performance of their mandate. In this respect, these persons are responsible to contact and inform, directly and on their own initiative, the Chairman of the Board of Directors or, where appropriate, the members of the Audit Committee.

The persons in charge of these functions have a direct access right to the Authorised Management and the Board of Directors or its Chairman or, where appropriate, the Chairman of the Audit Committee, to the Statutory Auditors of the Bank (réviseur d’entreprises agréé) as well as to the CSSF.

The main purposes of the internal control functions are as follows:

- To verify compliance with all internal policies and procedures which fall under their respective areas of competencies,
- To regularly assess their suitability as regards the organisational and operational structure, strategies, activities and risks of the Bank as well as regards the applicable legal and regulatory requirements,
- To report directly to the Authorised Management and the Board of Directors.

4.3. About the risk management function

The responsibility of the Risk Management function, under the supervision of the Chief Risk Officer, is to monitor the overall risk profile of the Bank and the respect of the Risk Appetite Statement defined by the Board.

The risk management function reports to the General Manager and Authorised Manager, Nestor Verrier. The CRO also has a dotted reporting line to the Group CRO and the Board of Directors

As of 31/12/2021, the Risk Management department is composed of three employees: one Chief Risk Officer and two Risk Officers, pending recruitment of another Risk Officer. The risk management department also benefits from further resource capabilities and expertise from the Swissquote Group. This comes in addition to regular technical assistance from external consultants, notably in relation to operational tasks for information security risk management activities and ad-hoc technical support for the implementation of forthcoming local regulations.

Risk function staff have the necessary qualifications, experience and professional and personal qualities to enable them to carry out their specific duties, with a sound understanding of risk laws, rules and standards and their practical impact on the Bank's operations.

Risk management responsibilities

As a second line of defence, the risk management function is in charge of the anticipation, identification, measurement, monitoring, control and reporting of all the risks to which the Bank is or may be exposed. Thus, it shall assist the Authorised management in limiting the risks and shall ensure that the risks are properly managed by designing and implementing appropriate risk control framework.

Risk management approach

Overall, the risk management process aims at ensuring that all threats, causes of loss and potential disruptions are:

- Identified as soon as possible
- Centrally recorded
- Properly assessed (that is, quantified in financial terms to the largest possible extent)
- Effectively controlled, and
- Timely reported, with effective recommendations to the appropriate corporate body of the Bank

These elements which are defined in the Bank's risk framework policy are reviewed regularly by the independent audit function, which ensures the suitability and effectiveness of the risk management process.



Risk reporting to the management body

Risk reports are provided by:

- First line of defence to the risk management function and
- Internal control functions to the Authorised Management and relevant committees (including BoD committees) on a regular basis. See Section 3.1.

The reporting tasks are divided into different timeframes (ad-hoc, daily, monthly and quarterly) depending on the information.

Regular risk reports contain risk quantification results in comparison with the limits, risk-related qualitative information, information about stress tests and capital and liquidity adequacy information.

The risk management function may issue ad-hoc reports whenever a new risk situation arises or, alternatively, the development of an existing risk requires reporting. This is the case when a risk has a material impact on the risk profile or in case of a breach of one or several limits.

Ultimately, the internal Audit function as a third line of defence provides further assurance by conducting independent audits which verify that risk control and risk management (including the risk reporting system) is performed adequately. The results of these audits are also part of the risk management system.

Scope and nature of risk reporting systems

The Bank's overall risk assessment and status is recorded and communicated via a number of risk reporting tools to Senior Management and other relevant Committees. Any material risk situation is escalated to the Business RCC and to the Board of Directors, both of which meet regularly.

Risk reporting tools include:

- **Key Risk Indicators**

Each month, first lines of defence departments produce the agreed KRI formulating the Key Risk Indicators Dashboard which is measured by risk management against qualitative and quantitative risk appetite factors approved by the BoD. Any deviation from the tolerance levels in any elements of this Dashboard is reported and discussed in the Risk & Compliance Committee and reported and discussed at quarterly Risk and Compliance Committee of the Board meetings

The dashboard provides a quantitative and qualitative assessment of all aspects of risk to the businesses including: Strategic risk, Reputational risk, Operational risk (incl. People risk), Financial risk (credit risk, liquidity risk, capital adequacy risk), Technology risk (including Business Continuity Management), Information technology and Information security risk, Compliance/Legal risk.

- **Incident reports**

All operational losses and fortuitous gains exceeding an internal threshold are reported by first line of defence to risk management for analysis, with escalation routes in place locally and at Group level.

- **Stress Testing**

In line with CSSF circular 11/506, the Bank has a stress-testing programme. Stress tests form a set of practices the objectives of which are to assess how adverse events may jeopardise the Bank's business model, increase its risk profile and assess its existing capacity to manage and bear risks. Where appropriate, this includes deciding the corrective measures which are required in order to guarantee the ongoing financial stability of the Bank. The Bank's stress scenarios identify an appropriate range of adverse circumstances of varying nature, severity and duration relevant to the Bank's business risk profile.

The conclusions of the stress tests are shared with the Risk Committee, Authorised Management and Board. These assist the assessment of the impact of potential future risk(s) the business faces, control improvements which help to mitigate the impact should the risk arise and may drive, where appropriate, a recommendation for capital to be held against the risk.

- **Audit observations and remedial action plans**

At the conclusion of an audit, findings and proposed recommendations are discussed with the management and subsequently management action plans are developed to explain how the agreed recommendations will be implemented. The purpose of follow-up is to ensure that management has appropriately addressed the issue.

- **Common reporting (COREP) and Financial Reporting Standards (FINREP)**

These two regulatory reports encompass enterprise risk and balance sheet information.

Risk management policies

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to those limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions,

products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The following principles are followed in order to manage risks:

- Clearly defined processes and organisational structures with tasks, expertise and responsibilities aligned to these for the identification, measurement and supervision of the different types of risk. These processes are designed to avoid conflicts of interest;
- Appropriate limits are set and monitored for all identified material risks to the Bank, with a defined escalation process where a risk tolerance is breached;
- Regular review and reassessment of all relevant risks using both bottom-up and top-down approaches.

4.4. Risk appetite approach and risk statement

Risk appetite

The Bank has articulated a risk appetite to demonstrate and enforce its commitment to ensuring that clients and shareholders are protected and that the Bank is adequately capitalised.

The Board has overall responsibility for determining the Bank's risk appetite and reviews and approves it on a yearly basis in line with the ICAAP and Business Strategy.

The Bank uses a variety of metrics to measure and monitor its risk-taking activities relative to its risk appetite. Articulating risk appetite through metrics assists and informs decision-making such as pursuing new product developments, exiting or changing certain activities, and aligning resources to optimise profitability within an acceptable level of risks. The metrics are actively monitored, managed and where required, mitigating actions determined through the Business Risk and Compliance Committee.

Furthermore, the Board of Directors on a regular basis formally reviews the Bank's compliancy with its risk appetite and instructs any required corrective actions.

Risk statement

The Authorised Management approves the following risk statement transcribing the business strategy followed by the Bank in the conduct of its activities.

Swissquote Bank Europe SA seeks to execute its business strategy in a way that we can understand and manage our risks, ensuring that we do not expose the Bank to significant residual risks. This translates into controlled risk-taking within established limits set by the Board of Directors, aligned to the business strategy maintaining a balance of risk/reward to achieve objectives.

Notably, the Authorised Management ensures that applicable regulatory requirements are complied with on a proactive basis and remain above stricter internal Board of Directors limits of 13.5% for the CET 1 capital ratio, 3.5% for the leverage ratio, 18% of Own Funds for the economic value sensitivity of equity resulting from the regulatory standard parallel shock of interest rates of +/- 200 bps (IRRBB), 13.5% of Tier 1 for the economic value sensitivity of equity resulting from the worst of the 6 EBA interest rate shocks, and 120% for the LCR and NSFR. In addition, internal limits also apply to non-regulatory ratios to drive the risk profile within prudent boundaries in terms of liquidity, credit risk and operational risk."

4.5. Declaration on the adequacy of risk management arrangements

The Bank's risk management framework is based on the Three Lines of Defence model with a set of adapted and effective internal controls.

The Bank manages risk data and has systems supporting regulatory reporting and disclosures as well as internal management reporting on a regular or ad hoc basis for the various risk types (credit risk, market risk, liquidity risk, operational risk, and all others). These reports are presented to the appropriate Bank committees as detailed in the governance section. Relevant key regulatory ratios and risk and performance metrics are also detailed in this report.

In accordance with article 435 of Regulation No. 575/2013 (CRR), Authorised Management and the Board's opinion is that the existing risk management arrangements and the thresholds that are in place are adequate given the risk profile and strategy of the Bank.

The Authorised Management and the Board consider that this document demonstrates the adequacy of the risk management system.

5. Capital Management and Regulatory own funds

The EU Commission implementing Regulation (EU) 1423/2013 which sets down the implementing technical standards for the disclosure of own funds requirements for institutions according to Regulation (EU) 575/2013 (CRR) specifies uniform templates for the purposes of these disclosures. These templates can be found in Annex.

5.1. Capital management

The aim of capital management is to guarantee the Bank's solvency and compliance with internal capital objectives and capital regulatory requirements. It also considers the strategic objectives and risk appetite set by the Board of Directors.

The Bank monitors its solvency using rules and capital ratios issued by the Basel Committee on Banking Supervision and the CRR. These capital ratios (Common Equity Tier 1 capital ratio, Tier 1 capital ratio and total capital ratio) compare the amount of regulatory capital, eligible in each category, with the Bank's total weighted risks.

Capital position and capital ratio are regularly reported to the Board of Directors, to the Business Management Committee and to the Business Risk and Compliance Committee.

The Bank complied with the regulatory capital ratio for all periods.

5.2. Regulatory Own Funds

Main features

The Bank's strategy is to ensure that an adequate level of own funds is maintained using the profit generated from its business activity.

As a general principle, the Bank's ALM policy dictates that the Bank must maintain a sufficient capital buffer to satisfy internal and regulatory limits, considering that its internal capital adequacy is reached when the amount, the type and the distribution of internal own funds allow the permanent and effective coverage of risks. The ALM policy also dictates the investment principle of the Bank's own funds.

Structure of Own Funds

Own funds are calculated pursuant to Article 72 CRR, hence the Bank's own funds consist of the Sum of Tier1 capital (Common Equity Tier1 (CET1) + Additional Tier1 capital) + Tier 2 capital.

The Bank's own funds are only composed of Tier 1 capital, and no additional capital (Tier 2).

Own Funds disclosure

As at 31/12/2021, the Bank capital amounted to EUR 32,000,000 (2020: EUR 32,000,000) divided into 32,000 shares, each fully paid-up. This meets the disclosure of the main features of Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments, as referred in Article 3 of the EU Commission implementing regulation (EU) 1423/2013 prescribes. The Table 7 in Annex is therefore left blank.

Table 8 – Disclosure of capital instruments

In EUR	31.12.2021	31.12.2020
Common Equity Tier 1 (CET1)		
Paid-up share capital	32,000,000	32,000,000
Regulatory adjustments		
Accumulated other comprehensive income	0	0
Retained earnings and Reserves	-88,673	-3,385,757
Profit / (Loss) for the year	3,298,240	3,297,083
(-) Part of interim or year-end profit not eligible	-3,298,240	
Total regulatory adjustments to CET1	3,209,567	-88,673
Common Equity Tier 1 (CET1) capital	31,911,327	31,911,327
Additional Tier 1 (T1) capital	0	0
Other transitional adjustments to CET1 Capital	0	0
Deferred tax assets	0	0
Intangible assets	-19,084	-66,958
Total Tier 1 (T1) capital	31,892,243	31,844,369
Tier 2 (T2) capital	0	0
Total Capital (CET 1 + T1 + T2)	31,892,243	31,844,369

Table 9 (in Annex) discloses the nature and amount of specific items on own funds as prescribed under Article 4 of the EU Commission implementing Regulation (EU) 1423/2013.

Full Reconciliation of own funds items to audited financial statements

A reconciliation of own funds to audited financial statements pursuant to point (a) of Article 437, paragraph 1 CRR has been performed by the Bank as laid out in the Implementing Regulation (EU) No 1423/2013.

Table 10 – Reconciliation of own funds items to audited financial statements as of 31/12/2021

In EUR	Total equity	Capital		Reserves	
		Subscribed capital	Other Reserves	Results brought forward	Profit (Loss)
Lux GAAP balance	35,472,806	32,000,000	490,033	-	2,982,773
Establish a deferred tax asset based on accumulated tax losses available for offset against future profits	-142,526	-	-	-142,526	-
Deferred tax charge arising on profits	-92,503	-	-	-	-92,503
IFRS9 Asset Impairment	-100,886	-	-	-258,856	157,970
IFRS16 Asset Leases	-177,325	-	-	-177,325	-
Lump-sum provision	250,000				250,000
FINREP balance	35,209,566	32,000,000	490,033	-578,707	3,298,240

The sum of all above mentioned elements reconcile with the total own funds as reported to the regulator.

5.3. Capital and leverage ratios

Within the framework of Part three of Regulation (EU) n° 575/2013 (CRR), the Bank must calculate its minimum regulatory capital requirement to cover credit, market, and operational risks. To this end, the Bank has selected the most appropriate regulatory methodologies for its organisation and activities, namely:

Type of risk methodology used

Credit risk	Standardised approach
Market risk	Standardised approach
Operational risk	Basic Indicator Approach

Capital ratio

Table 11 – Own funds and capital ratios

In '000 EUR	31/12/2021	31/12/2020
Own funds		
Common Equity Tier1 (CET1)	31,892	31,844
Tier1 (T1) capital	31,892	31,844
Tier2 (T2) capital	0	0
Total Capital (CET1 + T1+ T2)	31,892	31,844
Risk-weighted assets		
Credit risk	189,277	166,976
Market risk	-	-
Operational risk	22,482	22,482
Total Risk-weighted assets	211,759	189,458
Capital ratios		
Common Equity Tier1 ratio (as a percentage of total risk exposure amount)	15.06%	16.81%
Tier1 ratio (as a percentage of total risk exposure amount)	15.06%	16.81%
Total Capital ratio (as a percentage of total risk exposure amount)	15.06%	16.81%

Leverage ratio

In line with CRR requirements, the Bank also discloses in this section information related to its leverage ratio.

The EU Commission implementing Regulation (EU) 2016/200 which sets down the implementing technical standards for the disclosure of the leverage ratio for institutions according to Regulation (EU) 575/2013 specifies uniform templates for the purposes of these disclosures. Templates are in Annex.

The leverage ratio is a non-risk-based measure to complete the existing risk-based capital requirements. Entering definitively in effect on 01/01/2015, it has been created to limit an excessive build-up of leverage on credit institutions' balance sheets to contain the cyclicity of lending.

The leverage ratio is calculated as the Tier 1 Capital divided by a Leverage exposure measure, comprising both on-balance and off-balance sheet exposures with adjustments for certain items such as derivatives and securities financing. The objective of the ratio is to contain the degree of indebtedness on banks' accounts within acceptable limits by requiring a minimum level of coverage of those exposures with equity.

As of 31/12/2021, the Bank reported a leverage ratio equal to 6.3% (2020: 6.43%), above the 3% minimum (CRR) regulatory requirement

Description of the processes used to manage the risk of excessive leverage

The ALM policy of the Bank sets an internal limit of 3.5% for the leverage ratio. The Bank calculates and monitors the leverage ratio on a monthly basis and reports it to various committees that would take corrective actions, if required.

Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers

As per its prudent business strategy consisting of not distributing dividends and reinvesting its profits for continued capital strengthening, the Bank's leverage ratio has remained stable over time.

The three below tables (in Annex), as prescribed in EU Commission implementing Regulation (EU) 1423/2013, give further details about the Bank's leverage ratio.

Table 12 – Leverage ratio breakdown (LRCom Table), as per Article 5.

Table 13 – Breakdown of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) (Table LRSpl), as per Article 3.

Table 14 – Leverage ratio reconciliation against published financial statements (Table LRSum), as per Article 4.

6. Capital adequacy requirements

6.1. Overview Total capital requirements and capital buffers

Table 15 – Total capital requirements, capital buffers as of 31/12/2021

Total own funds as of 31/12/21				31.892.243,00
	Risk Category	%	RWA	Total capital allocated
Pillar I				
CET Tier I	Credit	8%	168.456.801,45	13.476.544,12
	Market	8%	-	-
	Operational	8%	20.820.503,55	1.665.640,28
SREP	Credit	1,50%	168.456.801,45	2.526.852,02
	Market	1,50%	-	-
	Operational	1,50%	20.820.503,55	312.307,55
Total Pillar I requirement				17.981.343,98
Pillar I capital surplus				13.910.899,03
Pillar II add-on (on top of the SREP Buffer)				0
Combined Capital buffers				
CCB	Credit	2,5%	168.456.801,45	4.211.420,04
	Market	2,5%	-	-
	Operational	2,5%	20.820.503,55	520.512,59
CCYB	Credit	0,02%	168.456.801,45	33.691,36
	Market	0,02%	-	-
	Operational	0,02%	20.820.503,55	4.164,10
Total Combined Capital Buffer				4.769.788,09
Total Internal Capital requirement				22.751.132,06
Internal Capital Surplus				9.141.110,94
Solvency ratio				15,06%

Risk weighted assets by risk type

as of 31/12/2021

Credit risk: 89%

Operational risk: 11%

Market risk: 0%

Disclosure related to the Countercyclical capital (CcyB) buffer

According to article 440 of the CRR, the Bank has to disclose its compliance with the requirements of a countercyclical buffer.

As of 31/12/2021, the institution-specific countercyclical capital buffer rate to be applied to the Bank's assets was 0.0302% as the Bank has negligible exposures to countries where the countercyclical capital buffer is not 0% as outlined in the above table.

Table 16 – Geographical distribution of credit risk exposure relevant for the calculation of the countercyclical capital buffer

In EUR	General credit exposures		Trading Book exposure		Securitisation exposures		Own funds requirements				Own funds requirements weights	CcyB rate
	Exposure value SA	Exposure value IRB	Sum of long and short positions for trading book exposure SA	Value of trading book for internal models	Exposure value SA	Exposure value IRB	of which: General credit exposures	of which: Trading book exposures	of which: Securitisation exposures	Total		
Breakdown per country	010	020	030	040	050	060	070	080	090	100	110	120
Hong Kong	986,037	-	-	-	-	-	78,883	-	-	78,883	0.52%	1.00%
Norway	201,050	-	-	-	-	-	16,084	-	-	16,084	0.11%	1.00%
Luxembourg	8,913,225	-	-	-	-	-	713,058	-	-	713,058	4.71%	0.5%
Other	179,176,993	-	-	-	-	-	14,334,159	-	-	14,334,159	94.66%	0%
Total	189,277,305	-	-	-	-	-	189,277,305	-	-	189,277,305	100%	0.003%

Table 17 – Amount of institution-specific countercyclical capital buffer

In EUR	Countercyclical capital buffer rate
010- Total risk exposure amount	189,277,305
020- Institution specific countercyclical capital buffer rate	0.03%
030- Institution specific countercyclical capital buffer requirement	63,140

7. Credit risk

7.1. Overview

Credit and counterparty risk (jointly referred to as “credit risk”) is defined as the risk of deterioration of the quality or default of a counterparty resulting in the latter not meeting its contractual obligations to the Bank.

The Bank has the following material credit risk exposures:

- Through cash deposits with (financial) Institutions, Sovereigns or Multilateral Development Banks
- Through its private individual clients via Lombard loan.

To measure the degree to which credit risk is covered by the Bank’s capital, the Standardised Approach is applied, pursuant chapter 2, Title II, Part Three of the CRR. Under the Standardised Approach, regulatory capital is calculated on the basis of a risk weighting of exposure, based on the exposure characteristics (for retail exposures) or external agency credit ratings for the counterparty (for non-retail exposures) defining credit quality steps. The Bank allocates each of its exposures to the relevant exposure classes and calculates risk assets. Once the risk weighted exposures are calculated, these are multiplied by 8% in order to determine the capital requirement associated with the Bank’s credit risk according to Article 438 of CRR.

Exposures to (financial) institutions, Sovereigns or Multilateral Development Banks

Under this approach, risk weights are determined according to credit ratings provided by recognised External Credit Assessment Institutions (ECAI). Risk weights vary according to long/short term credit rating assigned by the Bank’s nominated ECAI (Moody’s). In the case of counterparties for which no credit ratings are available, exposures are classified as unrated for the purpose of determining regulatory capital requirements and the Bank applies the Sovereign method. The Bank’s exposure towards Sovereigns and Multilateral Development Banks have been risk weighted at 0% in line with applicable CRR rules.

Exposures to private individual clients

These are exposures associated with Credit Lombard Loans that are fully collateralised with the Bank. Under this approach, these exposures are risk weighted at 75% for loans under EUR 1M and 100% if the loan is above EUR 1M equivalent. Off balance sheet clients’ undrawn Lombard loans benefit from a low risk classification (0%) as the loan agreement effectively allows the immediate cancellation due to a deterioration in a borrower’s creditworthiness.

As noted below, the full value of margin loans is subject to credit risk assessment with no reduction applied for the client collateral held by the Bank.

7.2. Credit exposure types, by asset class, geography, maturity and credit quality steps

A breakdown of the Bank’s credit risk exposures by asset class, geography and maturity is provided in the following tables.

Table 18 – Credit Risk Exposure by exposure class as of 31/12/2021

In EUR	Risk Weighted Exposure (Standardised approach)	Capital requirement	% of total capital requirements
Central governments, Central banks, Supranational	-	-	-
Financial Institutions	91,221,022	7,297,682	48%
Corporates	12,110,358	968,829	7%
Retail customers	81,545,678	6,523,654	43%
Other	4,400,249	352,020	2%
Total (Standardised Approach)	189,277,307	15,142,185	100%

Table 19 – Credit Risk Exposure by geographic distribution as 31/12/2021

In EUR	Luxembourg	European Union (excl. Luxembourg)	Other	Total
Central governments, Central banks, Supranational	53,894,639	-	-	53,894,639
Financial Institutions	94,023,440	86,777,338	75,250,205	256,050,983
Corporates	254,411	-	23,957,131	24,211,542
Retail Customers	19,587,087	27,821,876	122,285,637	169,694,600
Other	4,400,249	-	-	4,400,249
Total (Standardised Approach)	160,327,347	101,635,067	149,488,447	508,252,013

Table 20 – Credit Risk Exposure by residual contract maturity as of 31/12/2021

In EUR	0-3 months	3-12 months	1 to 5 years	>5 years	Unspecified	Total
Central governments, Central banks, Supranational	51,507,409	-	-	2,387,230	-	53,894,639
Loans and advances to Financial Institutions	75,090,382	168,895,867	12,064,734	-	-	256,050,983
Loans and advances to Corporates	24,211,542	-	-	-	-	24,211,542
Loans and advances to Retail Customers	72,389,037	19,762,389	-	-	77,543,174	169,694,600
Other	-	-	-	-	4,400,249	4,400,249
Total (Standardised Approach)	223,198,370	188,658,256	12,064,734	2,387,230	81,943,423	508,252,013

As all exposures are treated by applying the Standardized Approach for credit risk, in accordance with Chapter 2, Title II, Part Three of CRR, no further segregation is necessary for disclosure purposes.

In accordance with the Standardised approach, the Bank uses external credit assessment provided by its nominated ECAI (Moody's) for all (non-retail) exposure classes. These are used, where available, to assign exposure to credit quality steps and to calculate credit risk capital requirements.

Credit Quality steps are provided by the regulator and are used to weight the asset class based on the external credit rating.

Table 21 – Credit Risk Exposure by credit quality steps as of 31/12/2021

In EUR	Credit quality				Unrated	Total
	Step 1	Step 2	Step 3	Steps 4-5-6		
Central governments, Central banks, Supranational	53,894,639					53,894,639
Financial Institutions	53,585,118	83,853,033	44,270,425		74,342,407	256,050,983
Corporates		23,957,131			254,411	24,211,542
Retail Customers					169,694,600	169,694,600
Other					4,400,249	4,400,249
Total (Standardised Approach)	107,479,757	107,810,164	44,270,425		248,691,667	508,252,013

Given that the Bank does not make any use of any credit risk mitigation techniques for reducing its capital requirements, therefore the Bank does not disclose exposure values before and after credit risk mitigations.

Credit quality steps correspond to the following external ratings for the Bank's nominated ECAI.

Counterparty quality step	Moody's
1	Aaa to Aa3
2	A1 to A3
3	Baa1 to Baa3
4	Ba1 to Ba3
5	B1 to B3
6	< Caa1

Table 22 (In Annex): Credit risk adjustment by significant counterparty (template EU CR1-A).

While not a mandatory disclosure, this table complements the Bank's disclosure on the Credit Risk Exposures as 31/12/2021 by type of counterparty.

7.3. Risk management objectives and policies

Mitigation of credit risk towards financial institutions, Sovereigns or Multilateral Development Banks

The Bank invests funds in accordance with its ALM policy approved by the Board, that defines the type of counterparties to which it can have exposure.

Exposures can only be taken with a limited range of investment grade credit quality counterparty types, that are not connected and are sufficiently geographically spread.

The Large Exposure Regime (LAREX) is enforced into the Regulation (EU) No 575/2013 (CRR). The core of this regime is to act as a backstop to prevent institutions from incurring disproportionately large losses as a result of a failure of an individual client or a group of connected clients due to the occurrence of unforeseen events. Large exposure is defined as exposure to clients or groups of connected clients where its value is equal or exceed 10% of the eligible capital of the institution.

The Bank is limited to maximum exposure of 25% of their eligible capital toward a group (or connected) counterparties.

Given that the regulation allows that smaller institutions, which includes the Bank, to have exposure to (group) institutions in excess of 25% subject to a cap of EUR150M or 100% of eligible capital, whichever is lower, the ALM policy of the Bank allows the Bank to pursue this part of the regulation. The Bank exposure towards a group (or connected) counterparties is therefore generally limited to the level of its own funds (EUR 32M), with the exceptions of counterparties benefiting from 0% risk weight under Regulation (EU) No 575/2013 (CRR) and some further restrictions apply to counterparties based in third party countries where no CRR equivalence have been granted by the EC.

In addition, pursuant to Article 493(3)(c) of Regulation (EU) No 575/2013 (CRR) and CSSF circular 10/475, the Bank benefits from the CSSF from a large exposure intra-group exemption, which was approved on 23 March 2020 to place overnight liquidities with SQB.

The Bank has a structured process in place to assess new and existing financial counterparty relationships. The Compliance and Risk functions own this expertise and carry out the necessary due diligence and financial strength review to ensure ongoing suitability of the counterparties and to meet the regulatory standards. In addition, there are daily and monthly controls in place to control the Bank's credit exposures to all financial counterparties.

In the event of a significant deterioration in the credit risk of a financial counterparty, the Bank, in line with IFRS 9 - Financial Instruments, recognises the associated impairment and may decide to terminate the relationship with the counterparty. Consistent with past experience of the Bank, none of the Bank's counterparties were reported past due or impaired in the 2021 financial statements.

Given the above, the risk of loss due to the bankruptcy of any of its financial counterparties is deemed low, given the Bank's low risk appetite in its investment strategy, the level of diversification and its ongoing monitoring of the credit quality of borrowers.

Mitigation of credit risk towards retail individuals (Credit Lombard loans)

This credit exposure arises from the Bank's offering of Credit Lombard Loans to its clients and from short-term 'incidental' overdrafts on client's custody accounts. Overdrafts typically arise where the client has elected to settle a trade in a currency different to that of the traded instrument. The overdraft created by this will be matched and offset by a holding of the client's cash in another currency.

To mitigate the credit risk associated with this credit lending activity, the Bank considers:

- The level and quality of collateral held by the client to cover its loan
- Regular review of pledgeable instruments and associated pledge rates
- System ability to limit draw down on the Bank's Lombard Loan commitments to the pledgeable amount
- Daily monitoring of the margin call positions (e.g. where margin requirement are not met)
- Bi-monthly control on collateral concentration level
- Specific approval process for large loans and subsequent limit increases
- Contractual agreement with clients
- Stress test results
- Expected Credit Loss (ECL) – materiality level

Credit risk adjustments - Expected Credit Loss

As per Article 442 of CRR, the Bank shall disclose the approaches and methods adopted for determining specific a general credit risk adjustment. Please refer to table 19 in Annex.

As credit risk adjustment approach, the Bank uses the expected credit losses (ECL), as prescribed by IFRS9, for its debts instruments and loans to customers. The approach disclosed hereafter is aligned with the Swissquote Group methodology

Debt instruments

The Bank assesses the ECL associated with its debt instruments. The impairment methodology applied depends on whether there has been a significant change in credit risk since initial recognition and is summarised as follows:

- A financial asset that is not credit-impaired is classified as "stage 1" on initial recognition and has its credit risk continuously monitored by the Bank.

If a significant change in credit risk (SICR) since initial recognition is identified, the financial asset is moved to "stage 2", or past due.

If the financial asset is credit-impaired, the financial asset is then moved to "stage 3".

Financial assets in stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Therefore, 12-month ECL are recognised since initial recognition. For financial assets with a remaining maturity of less than 12 months, ECL are determined for this shorter period.

Financial instruments in stage 2 or stage 3 have their ECL measured based on expected credit losses on a lifetime basis.

Expected credit losses are the discounted product of the probability of default (PD), exposure at default (EAD) and loss given default (LGD). All changes in expected credit losses (positive or negative remeasurement) are recognised in the income statement (Credit loss expense).

Significant increase of credit risk (SICR)

To determine whether the recognition of a 12-month ECL (stage 1) continues to be appropriate, it is assessed whether a SICR has occurred since initial recognition. Risk indicators establishing whether there has been a significant increase of credit risk vary depending on the type of balance sheet item (as the nature of the borrower or the product type may differ) but as well on internal management methods and external data available. The Bank considers quantitative and qualitative elements as well as backstop indicators when determining whether SICR has occurred. For example, Treasury bills and other eligible bills; Due from banks and Investment securities; exposures which have experienced a significant downgrade in external credit rating or probability of default undergo a significant increase of credit risk and hence become stage 2 are considered as a backstop by the Bank.

Additionally, based on individual counterparty-specific indicators, external market indicators of credit risk or general economic conditions, counterparties may be moved to a watch list, which is used as a secondary qualitative indicator for SICR and hence for transfer to stage.

Loans

The loans provided to customers are mainly Lombard loans, which are collateralised by portfolios of securities. The value of the collateral is taken into account when calculating the ECL, which minimises the probability that a stage 1 exposure needs to be transferred to stage 2. Lombard loans in stage 2 are loans, which, according to the policy, are above closed out trigger, but have been decided to be maintained by taking a higher credit risk.

Default and credit impairment

The definition of default is based on quantitative and qualitative criteria. A counterparty is classified as defaulted when material payments of interests, principal or fees are overdue for more than 90 days. Counterparties are as well classified as “defaulted” when bankruptcy, insolvency proceedings or enforced liquidation have commenced or there is other evidence that payment obligations will not be fully met without recourse to collateral.

Credit risk mitigations- Description

The CRR regulation recognises three main types of CRM:

- Collateral
- Guarantees and credit derivatives
- Netting agreements (applicable to on and off-balance sheet netting agreements).

The Bank does not make any use of any credit risk mitigation techniques for reducing its capital requirements.

8. Operational Risk

8.1. Overview

Operational risk is the risk of losses resulting from inadequate or failed internal processes, people, systems or external events. This definition includes legal risk, but excludes strategic risk. The risk is inherent to all the Bank's activities and is divided in 7 sub-risk categories defined by Basel II:

- Client, Products & Business Practices
- Business Disruptions & Systems Failures
- Execution, Delivery & Process Management
- External Fraud
- Internal Fraud
- Damage to physical assets, Disaster & Other events
- Employment Practices & Workplace safety

The operational risk capital requirement has been considered in line with CRR, regulation (EU) N° 575/2013 Title III Chap. 1, 2 and 3. The Bank follows the Basic Indicator Approach (BIA) to calculate operational risks. The approach consists of calculating the capital charge as a percentage of Gross Income (GI) on accounting revenue values for the last three years, a proxy for operational risk exposure.

Table 23 – Operational risk as of 31/12/2021

In EUR	Risk Weighted Exposure amount	Capital Requirements
Operational Risk	22,481,571	1,798,526
Total Regulatory requirement for Operational Risk	22,481,571	1,798,526

8.2. Risk management objectives and policies

Operational risk reporting and measurements systems

Built on the three lines of defence structure, the Bank manages and monitors its operational risks through a close cooperation between the business functions of the Bank, as first line of defence and the risk management, as second line of defence. The audit function provides independent review and verification of the effectiveness of the first and second lines of defence in fulfilling their mandates and managing risks faced by the Bank.

Each business line has the primary responsibility to identify, implement and perform efficient controls to mitigate the operational risk on their own processes and the risk for the Bank. Risk management works in cooperation with the first line of defence to provide oversight and independent review of the quality of controls.

To minimise operational errors and to deter fraud, operational control operates on two levels, prevention and detection. Preventive measures include the vetting of staff at the recruitment stage and ongoing review of performance and training undertaken so that staff are equipped to meet their responsibilities and obligations.

Moreover, each of the Bank's functions maintains written procedures for critical processes, which ensure a consistent and calibrated outcome when conducting the activity. Policies and procedure help to ensure that identified and required control measures are implemented in the way they were intended and assists in managing risks.

The Bank monitors its operational risk, based on a set of Key Risk Indicators (KRI) which cover the various operational activities of the business and of each functions. The agreed KRI are produced by the first line of defence, generally monthly, formulating the Key Risk Indicators Dashboard. The Dashboard is measured by risk management against qualitative and quantitative risk appetite factors approved by the BoD. Any deviation from the tolerance levels in any elements of this Dashboard is reported and discussed in the Risk & Compliance Committee and reported and discussed at the Risk and Compliance Committee of the Board meetings. The KRI set is reviewed regularly to ensure efficiency and to adapt the monitoring whether it be to new regulatory requirements, new activities or products or the willingness of the Bank to focus on specific risks.

Risks are assessed according to two criteria: frequency and impact. This involves estimating the occurrence of the risk on the one hand, in other words the number of times the risk is likely to occur within a given period, and the severity of the risk on the other, i.e., the estimated probable cost of the risk when it occurs. This impact is not only assessed in monetary terms (e.g., potential damage to the Bank's image or reputation). It should be noted that each material risk is assessed twice: a gross assessment and a net assessment. The transfer from the first to the second is made by taking into account the internal control mechanism and any financial recovery which may reduce the gross risk.

In addition, to continually develop and enhance its internal control processes to prevent errors, as a detective measure, the Bank has a process to identify, report and follow-up on operational errors or poor practices. The Bank maintains a detailed follow-up of operational errors using an incident collection database and with Group escalation for material risk events. Through risk event logs, the Bank identifies the control breakdown or process failure following management review, a root cause analysis and details the corrective and mitigating actions for the future. It also provides relevant committees with statistical information on the nature and number of loss events arising from operational risks.

Key operational risk by sub-risk categories

Operational risk is inherent to all business activities of the Bank. The key sub-risk categories are the most relevant ones for the Bank, in view of its business model.

- Execution, Delivery & Process Management, including Outsourcing risk

Following the change of control to the Swissquote Group in 2019, the Bank has achieved a key Group integration milestone during the year 2020, by successfully implementing its new intra-group brokerage and trading outsourcing arrangement, supported by the Bank's sister company, SQB, which has now been effective since June 2020.

The current operating model now relies on increased outsourced services (outsourcing risk), resulting in a high dependency on the Bank's main service provider, SQB. As a key mitigating factor for this risk, the Bank has been developing its outsourcing monitoring oversight framework, as foreseen by its outsourcing policy. The oversight activities include regular review of the MSA, formalization of the controls, service performance monitoring against

SLA and escalation process.

- Business Disruptions & Systems failures, including business continuity

In the event of a disaster, the Bank has established a Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP). These plans cover the Bank's critical activities and aim to ensure that the Bank can resume its business critical activities within a reasonable timeframe and with the disruption to its clients kept to a minimum. These plans are tested annually.

- Client, Products & Business Practices

Please refer to section compliance risk (§ 10.2).

9. Market Risk

9.1. Overview

Market risk covers the risks that arise from fluctuations in values of, or income from, assets or in interest or exchange rates. The Bank has no trading activities and has no securitization.

More specifically, the Bank has defined three sub-categories of market risk: structural foreign exchange rate risks, commodities risk, structural interest rate (also referred to as Interest Rate Risk in the Banking Book – IRRBB) resulting from commercial activity, namely:

- **Currency (FX) risk**

This corresponds to the risk of loss arising from a change in the market foreign exchange rate on the currency positions maintained by the Bank.

- **Commodities risk**

The Bank does not take any proprietary position in the commodities market. However, through the eForex platform, its clients have the possibility to trade CFD with commodities as underlying products. This client activity has remained marginal in 2021. Nevertheless, as per CRR, the Bank calculates the capital requirement for these off-balance sheet transactions (except on Gold), using Simplified approach (CRR Article 360).

- **Interest rate risk**

This arises as a result of changes in interest rates which may adversely affect the Bank's earnings and the economic value when assets and liabilities are mismatched such that the Bank is exposed to movements in interest rates.

9.2. Disclosures

Currency (FX) risk

The Bank uses the standardised approach for market risk to determine its minimum capital requirements under pillar 1, in accordance with CRR.

Table 24 – Currency (FX) risk as of 31/12/2021

In EUR	Risk Weighted Exposure amount	Capital Requirements
Foreign Exchange	0	0
Total Regulatory requirement for Market risk	0	0

As of 31/12/2021, the net currency position considered for FX risk was therefore 0 and below the 2% eligible total eligible capital resource. In consequence, no capital was required in line with CRR standardised approach for market risk.

Commodities risk

The Bank therefore only has to consider a capital requirement for 3% of the gross position (long plus short) multiplied by the spot price for the commodity (§b Article 360).

Interest Rate Risk in the Banking Book (IRRBB)

As per Article 448 (a) of CRR, the Bank must disclose its exposure to interest rates risk, including its nature, the key assumptions of the model in use and the frequency of the calculations.

The Bank performs quarterly stress tests to measure its interest rate risk sensitivity under stressed conditions, in line with CSSF circular 08/338 as amended by 20/752, transposing EBA GL/2018/02. The Bank therefore measures its IRRBB exposure in terms of potential changes to its economic value (EVE) and to its expected Net Interest Income (NII).

Table 25 – Market Risk as of 31/12/2021: Impact on Economic Value of Equity

	- 1 - Parallel Up	- 2 - Parallel Down	- 3 - Short Rates Up	- 4 - Short Rates Down	- 5 - Steeper	- 6 - Flattener
Sudden parallel +/- 200bps shift of the yield curve						
Total ΔEVE in EUR	-1,786,414	201,627				
In % of capital	-5.60%	0.63%				
Regulatory limit	-20% of Own Funds					
Internal limit	-18% of Own Funds					
Scenarios 1 to 6 as per EBA/GL/2018/02						
Total ΔEVE in EUR	-1,354,534	291,162	-1,484,676	291,162	303,822	-1,111,067
In % of Tier 1 capital	-4.25%	0.91%	-4.66%	0.91%	0.95%	-3.48%
Regulatory limit	-15% of Tier1 capital					
Internal limit	-13.5% of Tier1 capital					

Table 26 – Market Risk as of 31/12/2021: Impact on Net Interest Income

	- 1 - Parallel Up	- 2 - Parallel Down
Sudden parallel +/- 200bps shift of the yield curve		
Total Δ NII in EUR	1,202,972	-1,202,972
In % of capital	3.77%	-3.77%
Regulatory limit	None	
Internal limit	-18% of Tier1 capital	

9.3. Risk management objectives and policies

Currency (FX) risk

The ALM policy foresees no active Foreign Exchange Risk and the Bank does not engage in transactions with market risk exposures for its own account.

As the main activity of the Bank is in online brokerage, clients deposit cash at the Bank mainly for trading purposes typically taking a long-term view, and usually with no firm view of when they will ultimately withdraw that cash. Funding of client cash transactions is generally done in the currency requested by the clients. No foreign exchange position should usually result from clients equity trading unless they chose to settle a security transaction in a currency different to the currency in which the securities is quoted. In addition, some open FX position occur mainly following interest, commissions and corporate actions events.

Open currency (FX) positions are reviewed a minimum of three times per day and closed in line with Group risk management framework

IRRBB

The ALM policy defines an internal limit of 13.5% of Tier1 capital for the impact on EVE of any of the 6 Supervisory Standard Interest rates shock (Regulatory limit <15%) and 18% of own funds for the impact on EVE and NII for the +/- 200bps parallel shock (Regulatory limit <20%). The Bank measures and monitors its IRRBB exposure on a quarterly basis and reports it to various committees, to ensure that it remains below internal and regulatory limits and to take any corrective actions, if required.

The treasury function makes risk-balance decisions when taking treasury decisions that materially impacts its IRRBB exposure, taking into consideration the results of the stress tests based on regulatory guidelines, internal policies and committee and management decisions. The main objective of the monitoring structural interest rate risk is to ensure that the treasury function is taking into consideration the risk supported by the bank and reducing the risk exposure as far as possible.

The Bank has mainly investments with tenor of up to 1-year term, which limits its sensitivity to interest rate changes. Moreover, loans & receivables to customers is granted on a floating rate basis, which considerably reduces the interest rate risk.

Hedging

The Bank does not hedge its interest rate risk exposure in the day-to-day treasury monitoring and management.

Note about Non-Maturity Deposits (NMD) and Loan pre-payments

The calculations above rely on some behavioural assumptions as to non-maturity products. This relates to the repricing behaviour of the Bank's client deposits based on the historical path depending on the interest rate environment. The models of the Bank have been estimated upon past customer behaviour and leveraging historical data analysis of deposits and observed pricing. The resulting model is non-linear and currently ranges from 0 to 1 year.

Prepayment options

Given its current business activities, the Bank does have to make any loan prepayment assumptions. The effective maturity of the products is therefore set equal to the product's contractual maturity.

10. Liquidity risk

In accordance with Article 435 of Regulation (EU) 575/2013 and as per the EBA guidelines on Liquidity Credit Risk (LCR) disclosure the Bank sets out below its liquidity strategy, risk management and associated structure and organisation.

10.1. Overview

Liquidity risk is defined as the risk of incurring losses due to an inability to meet payment obligations in a timely manner when they become due. Liquidity risk is categorized into 2 risk types:

- **Funding liquidity risk**
When there is a possibility that over a specific time horizon a bank will become unable to settle its obligations as they fall due. This risk has several components: future cash inflows and outflows, the cost of funding and the availability of funding resources.
- **Market (Asset) liquidity risk**
When the Bank is unable to sell or convert its assets into cash without significant losses.

10.2. Risk management objectives and policies

As part of its Risk Appetite Statement, the Board of Directors has defined a series of granular risk appetite statements and tolerance limits related to the liquidity risk governed by the ALM policy.

The Bank's risk appetite for liquidity risk is expressed in the form of internal limits and internal requirements, which are reviewed annually for:

- Liquidity Coverage Ratio (LCR)
- Net Stable Funding Ration (NSFR)
- The maturity analysis of current investments in order to ensure the regular stream of expiries
- Selection of treasury counterparties with strong liquidity profile
- The measurement of known and unknown cash flows
- and other bank-specific metrics

The Bank takes a conservative and prudent approach to manage liquidity risk and its liquidity strategy requires that the Bank fulfils all regulatory requirements on liquidity at all times and that the Bank can sustain a prolonged period of liquidity stress (whether caused by market events or issues specific to the Bank). The Bank's main source of funding is retail funding, exhibiting highest model stability with the same calibration for deposit modelling.

As setting capital aside for it is not the right approach to mitigating that risk, no capital requirement is held for that purpose. However, liquidity needs are closely monitored in normal times and stressed situations and measured closely to ensure that obligations are met when they fall due.

The long-term funding strategy of the Bank is therefore to continue with the current retail funding strategy, maintaining a diversified funding base to meet its liquidity needs on a standalone basis.

Organization and Structure

The Board of Directors delegates responsibility for managing liquidity risk to the Asset and Liability Committee (ALCO).

On a daily basis, the Treasury function, within the Finance Department, monitors and manages the Bank's liquidity position, in line with internal and regulatory limits and regularly reports on these to the ALCO.

In addition to this, as a 2nd line of defence, the Risk and Compliance Committee reviews the key liquidity metrics at each meeting and verifies that these are within the tolerance limits. Results are also disclosed to the Board of Directors quarterly.

The Risk function also performs quarterly liquidity stress tests to verify that the Bank could withstand plausible liquidity stressed situations. The stress tests results are shared with Authorised Management and with ALCO and are also used to control the effectiveness of the Bank's contingency funding plan which would be invoked in the event of a liquidity crisis.

10.3. Liquidity ratios

The CRD IV regulatory framework introduced new liquidity requirements aimed at strengthening the short-term liquidity profile (LCR) and the long-term liquidity profile (NSFR) of financial institutions.

Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR) addresses whether financial institutions have adequate high quality assets to survive stressed liquidity conditions over a 30-day period.

The ratio was introduced as planned on 01/01/2015 with a minimum requirement set at 60% for banks, like the Bank, which are not systemically important, and rising by 10% in equal annual steps to reach 100% on 1 January 2019. This graduated approach was designed to ensure that the LCR can be introduced without material disruption to the orderly strengthening of banking systems or the ongoing financing of economic activity. The LCR min. ratio requirement of 100% was brought forward to 01/01/2018.

The Bank calculates its LCR position on a monthly basis. On 31/12/2021, the Bank reported a LCR ratio of 329.21%, well above the regulatory minimum of 100%, as for all quarters during the 2021 financial year

Table 27 – Liquidity coverage ratio – Quarterly data

In EUR	Total adjusted value			
	Q1-2021 (January-March)	Q2-2021 (April-June)	Q3-2021 (July-September)	Q4-2021 (October-December)
Liquidity Buffer / HQLA	50,715,355	46,829,511	50,289,759	50,135,392
Total Net Cash Outflows (capped)	15,145,934	16,183,195	15,687,551	15,228,957
Liquidity Coverage Ratio (LCR) (%)	334,8%	289.37%	320,57%	329,21%

Net Stable Funding Ratio

The purpose of the net stable funding ratio (NSFR) is to ensure that financial institutions hold a minimum amount of stable funding based on the liquidity characteristics of their assets and activities over a one-year horizon. The objective is to reduce maturity mismatches between the asset and liability items on the balance sheet and thereby reduce funding risks. The NSFR has been introduced from January 2018.

The Bank calculates its NSFR position on a quarterly basis. As of 31/12/2021, the Bank reported a NSFR ratio at 274.64%, above the 100% regulatory minimum.

11. Other material risks

This section presents the other risks, which have been assessed as material by the Bank.

11.1. Concentration risk

The concentration risk is the result from significant exposure to an individual counterparty or groups of related counterparties whose likelihood of default is driven by common underlying factors, e.g. sector, economy, geographical location, instrument type.

Risk management objectives and policies

The Bank manages concentration risk as part of its credit, market, operational and liquidity management policies.

- On Client Concentration risk

The Bank has for objective to develop a portfolio of clients which is not overly reliant on any single client. This objective is being achieved through general client acquisition commercial campaigns and new product cross-selling and regular measurement and monitoring.

- Service Provider Concentration risk

The Bank reduces this specific concentration risk through robust initial and ongoing due diligence of SQB and its sub-contractors, and ongoing oversight monitoring. Despite being part of a same group, the Bank has diligently contracted with SQB with MSA contract terms that can assist the Bank to identify potential sub-contractor concentration risk, and include the following:

- Notification and consent for subcontracting
- Audit rights
- Reporting and request for information
- Transition assistance

11.2. Compliance risk (AML and Legal)

Legal & Compliance risk is the bank's potential exposure to legal penalties, financial forfeiture and material loss, resulting from its failure to act in accordance with industry laws and regulations, internal policies or prescribed best practices. Legal compliance ensures that the Bank and its employees are abiding by the laws and regulations of the financial sector. Common compliance risks involve illegal practices and include fraud, theft, bribery, money laundering and corruption.

Risk management objectives and policies

The Compliance function anticipates, identifies and assesses compliance risks and assists the Bank's management in limiting these risks on an ongoing basis. It also monitors the respect of internal rules such as policies and procedures in place.

The Compliance function of the Bank is headed by the Chief Compliance Officer (CCO), under the supervision of the CEO.

The Bank principally accepts only physical persons as clients. The product complexity and the risk profile are rather limited, but the Bank accepts clients resident in various EU and non-EU jurisdictions and has to comply with all relevant rules and regulations that apply to the provided financial services. The Bank's compliance risk thereby mainly lies in the potential breaches of external rules and regulations or internal ones.

The Compliance function monitors the development of legislation and practises in its relevant areas, and the Bank has in place procedures for regulatory change management.

The control environment framework in place ensures policies and procedures are updated regularly in order to reflect the local regulations, and to adapt the Bank's controls where appropriate.

11.3. Reputational risk

Reputational risk relates to the risk of damage to the Bank's brand and existing or future relationships. It is a risk arising from negative publicity, public perception or uncontrollable events that could have an adverse impact on a company's reputation, thereby affecting its activity and revenue.

Risk management objectives and policies

The risk of reputational damage arises from a variety of sources with the potential to cause direct damage to the Bank. The Bank uses various risk management strategies to mitigate the associated risks.

12. Encumbered and Unencumbered Assets disclosure

Disclosure requirements are outlined in Art. 443 CRR.

Consistent with the EBA guidelines, assets are considered to be encumbered or committed if they are not available to the institution for further fundraising. An asset is therefore encumbered if it has been pledged, or if it is subject to any form of arrangement to secure, collateralise or credit-enhance any on-balance-sheet or off-balance-sheet transaction from which it cannot be freely withdrawn. This includes assets which are subject to any restrictions on withdrawal, including a requirement for prior approval or replacement with other assets.

The Asset Encumbrance position as of 31/12/2021 is as follows:

Table 28 – Disclosure of Asset Encumbrance - Template A – Assets

In EUR	Carrying amount of encumbered assets (010)	Fair value of encumbered assets (040)	Carrying amount of unencumbered assets (060)	Fair value of encumbered assets (090)
010 - Assets of the reporting institution	3,815,644	0	425,137,804	0
020 – Loans on demand	3,815,644	0	99,850,608	0
030 - Equity instruments	0	0	0	0
040 - Debt securities	0	0	50,189,964	0
100 – Loans and advances	0	0	269,981,272	0
120 - Other assets	0	0	5,115,960	0

Template B – Collateral received

In EUR	Fair value of encumbered collateral received or own debt securities issued (010)	Fair value of collateral received or own debt securities issued available for encumbrance (040)
130 - Assets of the reporting institution	0	0
150 - Equity instruments	0	88,272,869
160 - Debt securities	0	0
230 - Other assets	0	466,624
240 - Own debt securities issued other than own covered bonds or ABSs	0	0

Template C – C assets / collateral received and associated with liabilities

In EUR	Matching liabilities, contingent liabilities or securities lent (010)	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered (030)
010 – Carrying amount of selected financial liabilities	0	0
120 – Other sources of encumbrance	3,815,644	3,815,644

Template D – Information on importance of encumbrance

The Bank has a non-significant part of its assets considered as encumbered assets. These assets mainly consist in the central bank reserves held with Banque Centrale du Luxembourg for c. EUR 3.8 million as of 31/12/2021.

The Bank is a deposit-led bank hence the majority of the Bank's funding is from retail customer current accounts, which are repayable on demand or at short notice. The Bank places the majority of its assets on short-term deposits of up to 12-month tenor with other financial institutions. Given this structural funding position, the Bank has no requirement to finance itself in markets and has no need to pledge its assets as collateral.

13. Others governing regulatory requirements

13.1. ICAAP

The Internal Capital Adequacy Assessment Process (ICAAP) is an internal process and is an integral part of the risk and capital and liquidity management processes of the Bank.

Under the Basel III regulatory framework, the Bank is required to calculate its minimum legal capital requirement under Pillar 1 using the rules specified under the CRR. In addition, the Bank must also identify and assess additional risks (existing as well as potential) that are not covered (or sufficiently) under Pillar 1. This is the Pillar 2, where the Bank uses its own methods to assess potential risks and calculate the capital required to be maintained against these risks. This capital must be of sufficient quantity and quality to absorb losses that may arise within a certain probability and frequency.

When assessing the range of risks that the Bank is or could be exposed to (in line with CSSF Circular 07/301 as amended), the materiality has been defined in the context of the potential impact upon the capital resources of the Bank. The materiality threshold was defined at 0.25% of capital resources, rounded at EUR 80,000.

For each risk, the Bank has identified business specific scenarios that could plausibly arise and deducted the level of materiality and associated capital requirements. These various scenarios enable the Bank to test its ability to withstand shocks and stress scenarios and to ensure that it has adequate capital and liquidity reserves. The assumptions of these various crisis scenarios are reassessed on an annual basis.

The ICAAP report therefore contains an assessment of the nature and level of material risks to which the Bank is or could be exposed in conducting its material business activities and how these risks and associated capital are managed. It also assesses the available capital and liquidity resources of the Bank to protect itself against the material risks to which it could be exposed under plausible stress events, under the considered time horizon.

The ICAAP is a forward-looking internal assessment of the risk, capital and liquidity profiles, where the financial forecast used as a basis for the business plan is employed to simulate the evolution of the capital and liquidity adequacy position of the Bank as at 31/12/2021 (unaudited), under normal conditions ("best case") and in times of stress ("stressed times").

The Bank uses the "Pillar 1 Plus" method used to calculate the internal capital requirements:

$RWA^*(CET1 + SREP + Capital Conservation + Countercyclical buffers) + Pillar 2 \text{ add-on}$

This report represents the means by which the Board of Directors and Authorised Management ensure the adequate capitalisation of the Bank. The ICAAP is a series of strategies and processes allowing the Bank to evaluate and permanently maintain the amount and type of capital that the Bank considers as being appropriate to cover the nature and the level of material risks to which the Bank is or could be exposed in conducting its material business activities.

The Bank's assessment is that it is primarily exposed to the following material risks, for which further quantitative and qualitative disclosures are made in this report:

- Credit Risk
- Operational Risk
- Market Risk (mainly through Interest rate risk)
- Liquidity Risk
- Compliance (AML et legal Risk)
- Reputational Risk
- Concentration Risk
- Business and Strategic Risk
- Environmental, Social and Governance
- Macro-economic and Regulatory

The Bank has produced its 2021 ICAAP report at the beginning of 2022 with further validation from Internal Audit, Compliance, Management. The report has been subsequently approved by the Board on 29 April 2021, before submission to the CSSF.

The results of the ICAAP exercise have provided comfort to the Bank's Board and senior management of the adequacy of the Bank's capital and liquidity position.

13.2. Recovery Plan

Following the implementation of the Bank Recovery and Resolution Directive (BRRD), the Bank regularly submits its Recovery plan to the CSSF.

As part of the crisis management framework, the Recovery Plan outlines how the Bank can react to a financial stress to avoid intervention from the regulatory authorities and is designed to ensure that the Bank has credible and executable options to meet the challenges that may arise from potential future financial crises.

The current plan includes amongst other:

- Various stress scenarios which cover a wide range of vulnerabilities (idiosyncratic and systemic risks or both)
- Identification of impediments for the recovery and preliminary actions needed to allow for the recovery
- A list of recovery measures to restore liquidity, capital, profitability and asset quality. It also encompasses an in-depth impact assessment on the Bank.

An updated version of the Recovery Plan was submitted in September 2021 to the CSSF.

14. Remuneration disclosures

14.1. Governance

Oversight of remuneration at the Bank is carried out by the Human Resources Committee of the Board.

The Committee oversees the remuneration programmes and policies of the Bank, and ensures alignment with the requirements of the applicable European and Luxembourg regulatory requirements, including the promotion of effective risk management.

As part of the oversight responsibilities, the Committee is responsible for identifying the Bank's Identified Staff, and for reviewing and recommending to the Board the individual remuneration packages for Identified Staff.

The Human Resources Committee met three times in 2021.

Proportionality

Considering the limited size of the Bank, its nature, scope and complexity of activities and its total non-consolidated Luxembourg balance sheet the Bank has chosen to resort to the proportionality principle among institutions and therefore not to apply the following requirements:

- Requirement to pay out a part of the variable remuneration in instruments and, de facto, the related instrument retention obligations;
- Requirement to pay out a part of the variable remuneration through a deferral scheme and, de facto, the related ex-post risk adjustment obligations (malus);
- Requirement to set up a remuneration committee.

However, in line with best practice, local remuneration oversight is undertaken by the Bank's Human Resources Committee and Board of Directors.

Human Resources Board Committee Composition

The Human Resources Committee is composed of 2 non-executive directors and 1 executive director. Please refer to section 2.1 for more details. No individual is involved in decisions relating to their own remuneration.

Advisors

The Human Resources Committee may and does engage external advisors for independent advice and counsel.

Identified Staff

When identifying the Bank's Identified Staff, all employees that could have a material impact on the Bank's risk profile are considered. The final list is determined by the Human Resources Committee following consideration of the overall risk management responsibility of the role, the specific risk accountability, risk mitigation and the impact on the Bank's risk profile.

Annually as a minimum, the Human Resources Committee reviews and approves the individuals identified as Identified Staff, based on regulations established by the CSSF and the European Banking Authority (EBA).

Employees in Control Functions

Employees in control functions participate in the same bonus scheme as other employees, but they are measured against the Bank performance and function-based objectives, which are independent of the business areas they control, to protect against conflicts of interest.

Link between Remuneration and Performance

Remuneration is made up of fixed pay, variable incentive pay and benefits. All variable incentive pay is dependent on the achievement of financial and non-financial measures and includes consideration of adherence to effective risk management.

All employees, including identified staff, participate in the Bank's performance related bonus scheme as described below. Remuneration is structured to deliver a significant portion of total remuneration in basic salary as well as a performance based variable component.

The Human Resources Committee has the ability to reduce or cancel awards in the event of poor performance, significant risk related issues. The Committee can recommend to the Board of Directors discretionary adjustments including reduction of variable payments partially or fully, in response to financial or non-financial performance results (including risk based adjustments) for individuals.

14.2. Remuneration Plan Design and Disclosures

Fixed Remuneration

Material levels of fixed remuneration offered by the Bank comprises mainly of:

- Salary
- Car lease allowance
- Occupational pension scheme

Furthermore, some employees (for example, assignees from other countries) may receive additional fringe benefits including items such as housing allowances, schooling fees, and relocation bonuses.

The provision of fixed benefits and their value varies per employee, and is dependent on the employee's role and grade within the Bank.

Variable remuneration

In addition to fixed remuneration, the Bank also provides variable remuneration to all its employees as described below.

Performance Related Bonus Scheme

Each individual has a bonus target related to their grade, which is based on the multiplication of the individual's annual gross salary by the target bonus percentage and the individual performance appraisal rating multiplier. The bonus target percentage will increase or decrease depending on the Bank's overall business performance multiplier, analysed and recommended by the HR Committee on an annual basis.

Stock Options

The Swissquote Group Stock Option Plan is offered on a voluntary basis to all employees meeting the eligibility criteria, with the following key features:

- Options are granted to employees for no consideration;
- Options are subject to a vesting period, in the case of termination of employment the beneficiary loses their rights;
- Options are settled in cash or shares;
- Shares are subject to a locked in period and are exercisable in 3 tranches over a 3 year period.

Share Plan

The Swissquote Group Share Plan is offered on a voluntary basis to all employees meeting the eligibility criteria, with the following key features:

- Shares are granted to employees for no consideration;
- Shares are acquired to beneficiaries from the grant date. There is no vesting period.
- The shares are locked in for 5 years

Ratios between fixed and variable remuneration

The table below indicates the minimum and maximum variable remuneration for Identified Staff (assuming the lowest and highest level of employee and Bank performance respectively) as a percentage of basic salary and as a percentage of total remuneration.

Table 29 – Minimum and maximum variable remuneration for Identified Staff

Minimum Payout (as a % of Basic salary)	Maximum Payout (as a % of Basic salary)	Maximum Payout (as a % of Total Remuneration)
0%	100%	50%

Remuneration Awarded to Identified Staff

The following table summarises the total remuneration awarded to Identified Staff employed by the Bank during 2021.

Table 30 – Aggregate remuneration

	Total	Note
Number of Identified Staff ¹	8	1. Reflects the number of Identified Staff employed by the Bank.
Remuneration (in Mio EUR) ²	1.57	2. Total remuneration paid to Identified Staff employed by the Bank.

14.3. Performance Management Process

Performance Management is a process which contributes to the effective management of individuals and teams in order to achieve high levels of organisational performance and desired behaviours.

Remuneration and rewards are tied to a range of appropriate behaviours including governance, control and risk management, in addition to financial performance.

Performance Management is a year-long continuous process, including an evaluation framework, that culminates in a year-end review which guides remuneration decisions for individual employees.

Individual and team objectives are set at the beginning of the year following discussions with the employee and their immediate manager. Objectives are consistent with the employee's job description and level, and take into account the organisational strategy and priorities for the period to be reviewed.

Objectives are subject to a formal half-yearly review, though will be reviewed on an informal basis more frequently. A formal year-end review is conducted by the manager who assesses employees on their performance against their responsibilities and objectives.

Remuneration decisions for employees will take into account the Bank and individual performance, as well as market remuneration levels. When assessing individual performance, both financial and non-financial criteria are taken into account.

For Identified Staff, the assessment of performance is set in a multi-year framework in order to ensure that the assessment process is based on longer-term performance and that the actual payment of performance-based components of remuneration is spread over a period, which takes into account the underlying business cycle of the Bank and its business risks.

Role of the Bank's Human Resources Committee in performance management

At the year-end meeting, the Bank's Human Resources Committee reviews management's remuneration decisions to provide an objective assessment and ensure that they are appropriate and reflective of effective risk management behaviour. The Committee will review remuneration decisions and make recommendations for approval by the Board of Directors. In doing so, the following may be considered:

- Performance evaluations
- Code of Conduct breach reports
- Audit reports - outstanding and/or unsatisfactory high-risk audit findings
- Key Risk Indicator Metrics and compliance with the risk appetite statement

- Financial Results.

It will also review aggregate remuneration for all employees of the Bank to ensure that they are appropriate. Each individual has a bonus target related to their grade which is based on the multiplication of the individual's annual gross salary by the target bonus percentage (depending on the Bank's performance) and the appraisal rating multiplier (depending on the individual performance).

Future guarantees and exceptional awards

To align with regulatory requirements and good governance principles, the Bank will only provide guaranteed remuneration in exceptional circumstances when hiring new staff and, where offered, the guarantee will not extend beyond 12 months from the date of hire.

The Bank's HRC will review all guarantees and exceptional awards and recommend them for approval to the Board of Directors. The guarantees and the exceptional awards will only be paid in accordance with applicable regulations.

Severance

To support effective oversight and control of severance, Human Resources leads all severance negotiations to ensure alignment with local employment law.

Payments relating to the early termination of a contract reflect performance achieved over time and do not reward failure or misconduct.

15. Annex

Own funds disclosure

Table 7: Disclosure of main features of Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments

As at 31/12/2021, the Bank's capital amounted to EUR 32,000,000 (2020: EUR 32,000,000) divided into 32,000 shares, each fully paid-up. This meets the disclosure of the main features, as Article 3 of the EU Commission implementing Regulation (EU) 1423/2013 prescribes. The Table below is therefore left N/A.

Capital instruments' main features template ⁽¹⁾		
1	Issuer	N/A (1)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	N/A
	<i>Regulatory treatment</i>	N/A
4	Transitional CRR rules	N/A
5	Post-transitional CRR rules	N/A
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	N/A
7	Instrument type (types to be specified by each jurisdiction)	N/A
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	N/A
9	Nominal amount of instrument	N/A
9a	Issue price	N/A
9b	Redemption price	N/A
10	Accounting classification	N/A
11	Original date of issuance	N/A
12	Perpetual or dated	N/A
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates, and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	<i>Coupons / dividends</i>	
17	Fixed or floating dividend/coupon	N/A
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	N/A
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger (s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A

⁽¹⁾ 'N/A' inserted if the question is not applicable.

Table 9: Disclosure of nature and amounts of specific items on own funds

		Amount at disclosure date in EUR
Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	32,000,000
	of which: instrument type 1	
	of which: instrument type 2	
	of which: instrument type 3	
2	Retained earnings	-578,706
3	Accumulated other comprehensive income (and other reserves)	0
3a	Funds for general banking risk	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	
5	Minority interests (amount allowed in consolidated CET1)	
5a	Profit or loss eligible	3,298,240
6	Common equity tier 1 capital before regulatory adjustments	-3,298,240
Common equity tier 1 capital: regulatory adjustments		
7	Additional value adjustments	
8	Intangible assets (net of related deferred tax liability)	-19,084
9	Empty set in the EU	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	
11	Fair value reserves related to gains or losses on cash flow hedges	
12	Negative amounts resulting from the calculation of expected loss amounts	
13	Any increase in equity that results from securitised assets (negative amount)	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	
15	Defined-benefit pension fund assets	
16	Direct and indirect holdings of own CET1 instruments (negative amount)	
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	
20	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	
20b	of which: qualifying holdings outside the financial sector (negative amount)	
20c	of which: securitisation positions (negative amount)	
20d	of which: free deliveries (negative amount)	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	
22	Amount exceeding the 15% threshold (negative amount)	
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	
24	Empty set in the EU	
25	of which: deferred tax assets arising from temporary differences	
25a	Losses for the current financial year (negative amount)	
25b	Foreseeable tax charges relating to CET1 items (negative amount)	
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	

28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	
29	Common Equity Tier 1 (CET1) capital	-107,757
Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	
31	of which: classified as equity under applicable accounting standards	
32	of which: classified as liabilities under applicable accounting standards	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	
35	of which: instruments issued by subsidiaries subject to phase out	
36	Additional Tier 1 (AT1) capital before regulatory adjustments	
Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	
41	Empty set in the EU	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	
44	Additional Tier 1 (AT1) capital	0
45	Tier 1 capital (T1 = CET1 + AT1)	0
Tier 2 (T2) capital: instruments and provisions		
46	Capital instruments and the related share premium accounts	
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase-out from T2	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	
49	of which: instruments issued by subsidiaries subject to phase-out	
50	Credit risk adjustments	
51	Tier 2 (T2) capital before regulatory adjustments	
Tier 2 (T2) capital: regulatory adjustments		
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	
56	Empty set in the EU	
57	Total regulatory adjustments to Tier 2 (T2) capital	
58	Tier 2 (T2) capital	0
59	Total capital (TC = T1 + T2)	0
60	Total risk weighted assets	0
Capital Ratios and buffers		
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	
62	Tier 1 (as a percentage of total risk exposure amount)	15.06%
63	Total capital (as a percentage of total risk exposure amount)	15.06%

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)	15.06%
65	of which: capital conservation buffer requirement	1.5%
66	of which: countercyclical buffer requirement	2.5%
67	of which: systemic risk buffer requirement	0%
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0%
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	0%
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)	
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)	
74	Empty set in the EU	
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	
Applicable caps on the inclusion of provisions in Tier 2		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	
80	- Current cap on CET1 instruments subject to phase out arrangements	
81	- Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	
82	- Current cap on AT1 instruments subject to phase out arrangements	
83	- Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	
84	- Current cap on T2 instruments subject to phase out arrangements	
85	- Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	

Leverage ratio

Table 12 – Leverage ratio breakdown (LRCom Table)

On-balance sheet exposures (excluding derivatives and SFTs)		in EUR
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	430,708,839
2	(Asset amounts deducted in determining Tier 1 capital)	
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	430,708,839
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	
5	Add-on amounts for PFE associated with all derivatives transactions (mark- to-market method)	
EU-5a	Exposure determined under Original Exposure Method	
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	
8	(Exempted CCP leg of client-cleared trade exposures)	
9	Adjusted effective notional amount of written credit derivatives	
10	Adjusted effective notional offsets and add-on deductions for written credit derivatives)	
11	Total derivatives exposures (sum of lines 4 to 10)	
SFT exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	
14	Counterparty credit risk exposure for SFT assets	
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	
15	Agent transaction exposures	
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	
16	Total securities financing transaction exposures (sum of lines 12 to 15a)	
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	77,543,174
18	(Adjustments for conversion to credit equivalent amounts)	
19	Other off-balance sheet exposures (sum of lines 17 and 18)	77,543,174
Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)		
EU-19a	Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	
Capital and total exposure measure		
20	Tier 1 capital	31,892,243
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	508,252,013
Leverage ratio		
22	Leverage ratio	6.3%
Choice on transitional arrangement an amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definitional of capital measure	
EU-24	Amount of derecognised fiduciary items in accordance with Article 429 (11) of Regulation (EU) NO 575/2013	

Table 13 – Breakdown of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) (Table LRSpl) in EUR.

		Applicable Amounts in EUR
EU-1	Total on-balance sheet exposures (excl. derivatives, SFTs, and exempted exposures), of which:	430,708,839
EU-2	Trading book exposures	
EU-3	Banking book exposures, of which:	
EU-4	Covered bonds	
EU-5	Exposures treated as sovereigns	53,894,639
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	
EU-7	Institutions	256,050,983
EU-8	Secured by mortgages of immovable properties	
EU-9	Retail exposures	92,274,045
EU-10	Corporate	24,088,924
EU-11	Exposures in default	
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	4,400,249

Table 14 – Leverage ratio reconciliation against published financial statements (Table LRSum)

		Applicable Amounts in EUR
1	Total assets as per published financial statements	430,708,839
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	
3	(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 Article 429(13) of Regulation (EU) No 575/2013)	
4	Adjustments for derivative financial instruments	
5	Adjustment for securities financing transactions (SFTs)	
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	77,543,174
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	
7	Other adjustments	
8	Leverage ratio total exposure measure	508,252,013

Credit risk

Table 22 - Credit risk adjustment by significant counterparty (template EU CR1-A)

		a	b	c	d	e	f	g
		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net Values (a+b-c-d)
		Defaulted exposures	Non-defaulted exposures					
15	Total IRB approach	N/A	N/A	N/A	N/A	N/A	N/A	N/A
16	Central governments, Central bank, Supranational	0	53,894,639	-	-	-	-	53,894,639
17	Institutions	0	256,148,445	-97,462	0	0	-97,462	256,050,983
18	Corporates	0	24,214,906	-3,364	0	0	-3,364	24,211,542
19	Of which: Specialised lending	0			0	0	0	0
20	5 Of which: SMEs	0			0	0	0	0
21	6 Retail	0	169,694,600		0	0	0	169,694,600
22	7 Secured by real estate property	0			0	0	0	0
23	8 SMEs	0			0	0	0	0
24	9 Non-SMEs	0			0	0	0	0
25	Qualifying revolving	0			0	0	0	0
26	Other retail	0			0	0	0	0
27	SMEs	0			0	0	0	0
28	Non-SMEs	0			0	0	0	0
29	Equity	0	4,400,249		0	0	0	4,400,249
30	Total standardised approach	0	508,352,839	-100,826	0	0	-100,826	508,252,013
31	TOTAL	0	508,352,839	-100,826	0	0	-100,826	508,252,013
32	Of which: Loans	0	362,555,826	-77,797	0	0	-77,797	362,478,029
33	Of which: Debt securities	0	68,253,839	-23,029	0	0	-23,029	68,230,810
34	Of which: Offbalance-sheet exposures	0	77,543,174	0	0	0	0	77,543,174

