PILLAR 3 DISCLOSURE REPORT 2021

- In reference to the disclosure requirements under Part Eight of Regulation (EU) No 575/2013 -

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Disclosure index

The disclosure report of European Depositary Bank SA complies with the following regulatory requirements set out in Commission Implementing Regulation (EU) 2021/637 in connection with Regulation (EU) No. 575/2013.

#	Disclosure	Name	CRR Article	Reference
Key metrics and overview of risk-weighted exposure amounts				
1	EU OV1	Overview of total risk exposure amounts	Art. 438(d)	Chapter 3.2.1
2	EU KM1	Key metrics template	Art. 447 (a) to (g) and Art. 438 (b)	Chapter 2
3	EU INS1	Insurance participations	Art. 438 (f)	N/A – EDB does not engage in insurance participations
4	EU INS2	Financial conglomerates information on own funds and capital adequacy ratio	Art. 438 (g)	N/A – EDB does not form a financial conglomerate
5	EU OVC	ICAAP information	Art. 438 (a) and (c)	Chapter 3.2
Risk management objectives and policies				
6	EU OVA	Institution risk management approach	Art. 435 (1)	Chapter 1.3
7	EU OVB	Disclosure on governance arrangements	Art. 435 (2)	Chapter 1.2.3
Scope of application				
8	EU LI1	Differences between the accounting scope and the scope of prudential consolidation and mapping of financial statement categories with regulatory risk categories	Art. 436 (c)	N/A – EDB is not subject to regulatory consolidation
9	EU LI2	Main sources of differences between regulatory exposure amounts and carrying values in financial statements	Art. 436 (d)	N/A – EDB is not subject to regulatory consolidation
10	EU LI3	Outline of the differences in the scopes of consolidation (entity by entity)	Art. 436 (b)	N/A – EDB is not subject to regulatory consolidation
11	EU LIA	Explanations of differences between accounting and regulatory exposure amounts	Art. 436 (b) and (d)	N/A – EDB is not subject to regulatory consolidation
12	EU LIB	Other qualitative information on the scope of application	Art. 436 (f), (g) and (h)	N/A – EDB is not subject to regulatory consolidation
13	EU PV1	Prudent valuation adjustments (PVA)	Art. 436 (e)	N/A – EDB does not apply the core approach
Own funds				
14	EU CC1	Composition of regulatory own funds	Art. 437 (a), (d), (e) and (f)	Chapter 3.1
15	EU CC2	Reconciliation of regulatory own funds to balance sheet in the audited financial statements	Art. 437 (a)	Chapter 3.1
15	EU CCA	Main features of regulatory own funds instruments and eligible liabilities instruments	Art. 437 (b) and (c)	Chapter 3.1
Countercyclical capital buffers				

16	EU CCyB1	Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer	Art. 440 (a)	Chapter 3.2.2
17	EU CCyB2	Amount of institution specific countercyclical capital buffer	Art. 440 (b)	Chapter 3.2.2
Leverage ratio				
18	EU LR1 – LRSum	Summary reconciliation of accounting assets and leverage ratio exposures	Art. 451 (1) (b)	Chapter 3.3
19	EU LR2 – LRCom	Leverage ratio common disclosure	Art. 451 (1) (a) and (b), Art. 451 (3) taking into account, where applicable Art. 451 (1) (c) as well as Art. 451 (2)	Chapter 3.3
20	EU LR3 – LRSpl	Split-up of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)	Art. 451 (1) (b)	Chapter 3.3
21	EU LRA	Disclosure of LR qualitative information	Art. 451 (1) (d) and (e)	Chapter 3.3
Liquidity requirements				
22	EU LIQA	Liquidity risk management	Art. 451a (4)	Chapter 6.1
23	EU LIQ1	Quantitative information of LCR	Art. 451a (2)	Chapter 6.2
24	EU LIQB	on qualitative information on LCR, which complements template EU LIQ1	Art. 451a (2)	Chapter 6.2
25	EU LIQ2	Net Stable Funding Ratio (NSFR)	Art. 451a (3)	Chapter 6.2
Credit risk quality				
26	EU CRA	General qualitative information about credit risk	Art. 435 (1) (a), (b), (d) and (f)	Chapter 4.1
27	EU CRB	Additional disclosure related to the credit quality of assets	Art. 442 (a) and (b)	N/A – EDB is no large or other listed institution
28	EU CR1	Performing and non-performing exposures and related provisions	Art. 442 (c) and (e)	Chapter 4.2
29	EU CR1-A	Maturity of exposures	Art. 442 (g)	Chapter 4.2
30	EU CR2	Changes in the stock of non-performing loans and advances	Art. 442 (f)	N/A – EDB does not have such positions
31	EU CR2a	Changes in the stock of non-performing loans and advances and related net accumulated recoveries	Art. 442 (c) and (f)	N/A – EDB does not have such positions
32	EU CQ1	Credit quality of forborne exposures	Art. 442 (c)	N/A – EDB does not have such positions
33	EU CQ2	Quality of forbearance	Art. 442 (c)	N/A – EDB does not have such positions
34	EU CQ3	Credit quality of performing and non-performing exposures by past due days	Art. 442 (d)	Chapter 4.2
35	EU CQ4	Quality of non-performing exposures by geography	Art. 442 (c) and (e)	Chapter 4.2

36	EU CQ5	Credit quality of loans and advances to non-financial corporations by industry	Art. 442 (c) and (e)	Chapter 4.2
37	EU CQ6	Collateral valuation - loans and advances	Art. 442 (c)	N/A – EDB does not have such positions
38	EU CQ7	Collateral obtained by taking possession and execution processes	Art. 442 (c)	N/A – EDB does not have such positions
39	EU CQ8	Collateral obtained by taking possession and execution processes – vintage breakdown	Art. 442 (c)	N/A – EDB does not have such positions
Use of credit risk mitigation techniques				
40	EU CRC	Qualitative disclosure requirements related to CRM techniques	Art. 453 (a) to (e)	Chapter 4.3
41	EU CR3	CRM techniques overview: Disclosure of the use of credit risk mitigation techniques	Art. 453 (f)	Chapter 4.3
Use of the Standardised Approach				
42	EU CRD	Qualitative disclosure requirements related to standardised approach	Art. 444 (a) to (d)	Chapter 4.2
43	EU CR4	Credit risk exposure and CRM effects	Art. 453 (g), (h) and (i), Art. 444 (e)	Chapter 4.3
44	EU CR5	Standardised approach	Art. 444 (e)	Chapter 4.3
Use of IRB approach to credit risk				
45	EU CRE	Qualitative disclosure requirements related to IRB Approach	Art. 452 (a) to (f)	N/A – EDB does not apply the IRB Approach
46	EU CR6	IRB approach – Credit risk exposures by exposure class and PD range	Art. 452 (g)	N/A – EDB does not apply the IRB Approach
47	EU CR6-A	IRB Approach – Scope of the use of IRB and SA approaches	Art. 452 (b)	N/A – EDB does not apply the IRB Approach
48	EU CR7	IRB approach – Effect on the Risk Weighted Exposure amounts of credit derivatives used as CRM techniques. Fixed template	Art. 453 (j)	N/A – EDB does not apply the IRB Approach
49	EU CR7-A	IRB approach – Disclosure of the extent of the use of CRM techniques	Art. 453 (g)	N/A – EDB does not apply the IRB Approach
50	EU CR8	RWEA flow statements of credit risk exposures under the IRB approach. Fixed template	Art. 438 (h)	N/A – EDB does not apply the IRB Approach
51	EU CR9	IRB approach – Back-testing of PD per exposure class. Fixed template.	Art. 452 (h)	N/A – EDB does not apply the IRB Approach
52	EU CR9.1	IRB approach – Back-testing of PD per exposure class (only for PD estimates in accordance with point (f) of Article 180(1) CRR	Art. 452 (h), Art. 180 (1) (f)	N/A – EDB does not apply the IRB Approach
Specialised lending				
53	EU CR10	Specialised lending and equity exposures under the simple risk-weighted approach	Art. 438 (e)	N/A – EDB does not engage in specialised lending activities
Exposures to counterparty credit risk				
54	EU CCRA	Qualitative disclosure related to CCR	Art. 439 (a) to (d)	Chapter 4.4
55	EU CCR1	Analysis of CCR exposure by approach	Art. 439 (f), (g) and (k)	Chapter 4.4

56	EU CCR2	Transactions subject to own funds requirements for CVA risk	Art. 439 (h)	Chapter 4.4
57	EU CCR3	Standardised approach – CCR exposures by regulatory exposure class and risk weights	Art. 444 (e)	Chapter 4.4
58	EU CCR4	IRB approach – CCR exposures by exposure class and PD scale	Art. 452 (g)	N/A – EDB does not apply the IRB Approach
59	EU CCR5	Composition of collateral for CCR exposures	Art. 439 (e)	N/A – EDB does not use collateral in derivative transactions
60	EU CCR6	Credit derivatives exposures	Art. 439 (j)	N/A – EDB does not have credit derivatives exposures
61	EU CCR7	RWEA flow statements of CCR exposures under the IMM	Art. 438 (h)	N/A – EDB does not apply the IMM
62	EU CCR8	Exposures to CCPs	Art. 439 (i)	N/A – EDB does not have exposures to CCPs
Exposures to securitisation positions				
63	EU SECA	Qualitative disclosure requirements related to securitisation exposures	Art. 449 (a) to (i)	Chapter 8
64	EU SEC1	Securitisation exposures in the non-trading book	Art. 449 (j)	Chapter 8
65	EU SEC2	Securitisation exposures in the trading book	Art. 449 (j)	Chapter 8
66	EU SEC3	Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor	Art. 449 (k) (i)	Chapter 8
67	EU SEC4	Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor	Art. 449 (k) (ii)	Chapter 8
68	EU SEC5	Exposures securitised by the institution - Exposures in default and specific credit risk adjustments	Art. 449 (1)	Chapter 8
Use of standardised approach and internal model for market risk				
69	EU MRA	Qualitative disclosure requirements related to market risk	Art. 435 (1) (a) to (d)	Chapter 5.1
70	EU MR1	Market risk under the standardised approach	Art. 445	Chapter 5.2
71	EU MRB	Qualitative disclosure requirements for institutions using the internal Market Risk Models	Art. 455 (a), (b), (c) and (f)	N/A – EDB is a non-trading book institution with no material trading activity and no application of internal models
72	EU MR2-A	Market risk under the internal Model Approach (IMA)	Art. 455 (e)	N/A – EDB is a non-trading book institution with no material trading activity and no application of internal models
73	EU MR2-B	RWEA flow statements of market risk exposures under the IMA	Art. 438 (h)	N/A – EDB is a non-trading book institution with no material trading activity

				and no application of internal models
74	EU MR3	IMA values for trading portfolios	Art. 455 (d)	N/A – EDB is a non-trading book institution with no material trading activity and no application of internal models
75	EU MR4	Comparison of VaR estimates with gains/losses	Art. 455 (g)	N/A – EDB is a non-trading book institution with no material trading activity and no application of internal models
Operational risk				
76	EU ORA	Qualitative information on operational risk	Art. 435 (1), Art. 446 and Art. 454	Chapter 7
77	EU OR1	Operational risk own funds requirements and risk-weighted exposure amounts	Art. 446 and Art. 454	Chapter 7
Remuneration policy				
78	EU REMA	Remuneration policy	Art. 450 (1) (a), (b), (c), (d), (e), (f), (j) and (k), Art. 450 (2)	Chapter 9
79	EU REM1	Remuneration awarded for the financial year	Art. 450 (1) (h) (i) to (ii)	Chapter 9
80	EU REM2	Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)	Art. 450 (1) (h) (v) to (vii)	Chapter 9
81	EU REM3	Deferred remuneration	Art. 450 (1) (h) (iii) to (iv)	N/A – No deferred remuneration has been paid in 2021
82	EU REM4	Remuneration of 1 million EUR or more per year	Art. 450 (1) (i)	N/A – No remuneration of 1 million EUR or more has been paid in 2021
83	EU REM5	Information of staff whose professional activities have a material impact on institutions' risk profile (identified staff)	Art. 450 (1) (g)	Chapter 9
Encumbered and unencumbered assets				
84	EU AE1	Encumbered and unencumbered assets	Art. 443	Chapter 4.5
85	EU AE2	Collateral received and own debt securities issued	Art. 443	Chapter 4.5
86	EU AE3	Sources of encumbrance	Art. 443	Chapter 4.5
87	EU AE4	Accompanying narrative information	Art. 443	Chapter 4.5
Interest rate risk in the of non-trading book activities (IRRBB)				
88	EU IRRBBA	Qualitative information on interest rate risks of non-trading book activities	Art. 448	Chapter 5.3
89	EU IRRBB1	Interest rate risks of non-trading book activities	Art. 448	Chapter 5.3

1. Introduction

1.1. Regulatory Introduction

The Pillar 3 disclosure report (hereafter “the report”) for the financial year ending 31 December 2021 is prepared and published by European Depositary Bank SA (hereafter “EDB”, ”the Bank”) in accordance with Part Eight of Regulation (EU) No. 575/2013 (hereafter “CRR”) on disclosure requirements for institutions as well as the additional requirements set out in Directive 2013/36/EU (hereafter “CRD IV”). The report further follows the requirements set out in Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 laying down Implementing Technical Standards (hereafter “ITS”) with regards to the public disclosures by institutions and transposing the EBA ITS on institutions´ public disclosures into European law.

In accordance with Article 432 CRR, the information disclosed in this report is subject to the principle of materiality. Furthermore, information regarded as proprietary or confidential is not subject to disclosure. EDB does not operate as financial holding company within the meaning of Article 4 (1) point 20 CRR. In addition, EDB does neither meet the criteria for large institutions set out in Article 4 (1) point 146 nor does EDB comply with the definition of G-SII (Global Systemically Important Institution) or O-SII (Other Systemically Important Institution) set out in Article 131 CRD IV.

In accordance with Article 433 CRR, EDB publishes its disclosure report on an annual basis on its website.

All disclosures published in this report are denominated in the Bank´s reporting currency Euro (hereafter “EUR”). Due to rounding, minor differences might occur in the disclosed figures which are considered non-material in line with the Bank´s risk profile. This report does not constitute financial statements and is not subject to external audit. However, some disclosed information is part of EDB´s audited financial statements and Long Form Report as at 31 December 2021. EDB publishes its annual accounts in accordance with LUX GAAP standards. In contrast to this, the Bank´s regulatory financial reporting (FINREP) must be prepared in line with IAS/IFRS standards.

1.2. Presentation of the Bank

1.2.1. Structure

EDB is a credit institution established as a Société Anonyme on 15 February 1973 by Prosper-Robert Elter, Notary. In accordance with the Law of 5 April 1993 on the Financial Sector, as amended, the Bank operates as fully licensed bank under the prudential supervision of the Commission de Surveillance du Secteur Financier (hereafter “CSSF”).

Until January 2019, the Bank formerly operated under the name M.M. Warburg & CO Luxemburg S.A. (hereafter “MMWB”). In the course of change of ownership, which was approved by the European Central Bank (hereafter “ECB”) as of 1 February 2019, the Bank’s 100% shareholder became Lobra-2 S.á.r.l. Luxembourg, the latter being part of APEX Group Ltd (hereafter “Apex”), a corporation organized under the laws of Bermuda. On 24 September 2021 another change of ownership took place in the context of which Lobra-2 S.à r.l. has been liquidated and the sole direct shareholder of EDB became Apex Holdings HK Limited.

EDB´s registered office is located at L-5365 Munsbach, 3, Rue Gabriel Lippmann and is recorded in the Commercial Registry of the City of Luxembourg under No B 10700.

EDB Dublin Branch has been established in 2019. The Dublin Branch focuses solely on offering Depositary and Custody Services to a wide range of fund structures and SPVs.

EDB Malta Branch has been established in 2019. The Bank received Malta Financial Services Authority´s principal approval for the Category 41 Investment Services License for the Malta Branch in November 2019.

EDB London Branch was established in January 2020 and received the top-up application for full Depositary License in September 2020.

1.2.2. Business model and activities

The objective of EDB is to carry on the business of a bank. In that capacity, EDB is empowered to engage in all banking transactions and all operations which relate, in whatever way, to banking business, whether for its own account or for the account of third parties, and in particular to:

a) Accept as deposits, and pay interest on, moneys belonging to third parties;
b) Grant loans of money and credit of any kind;
c) Negotiate bills of exchange and cheques;
d) Purchase and sell securities for its own account or for the account of third parties;
e) Hold in safe custody, and manage, securities for others;
f) Issue and trade in bonds, public notes and promissory notes;
g) Promote the issue of stocks, shares in companies, certificates, bonds and other securities, to subscribe for such securities in its own name or in the name of third parties and to place them publicly or privately;
h) Execute all international financial, cash and foreign currency transactions;
i) Assume and take on sureties, guarantees and other warranties for third parties;
j) Engage in cashless payment and clearing operations; and
k) Carry on domestic and foreign documentary business.

In addition, the Bank may purchase, sell and encumber real property, accept, create and relinquish securities of any kind, acquire and dispose of interests, participations and holdings, and operate and set up businesses and other commercial enterprises, including any which may involve activity on the real property market, in so far as these are in some way related to the object of the bank or may serve to further the attainment of that object.

The Bank’s activities focus on services for investment funds and securitisations, in particular with its depositary bank function and commission trading, as well as on business with institutional clients. The business strategy of the Apex Group Ltd., Bermuda, as superordinate company provides the framework for the business strategies of EDB. The core business areas are depositary banking, custodian banking, servicing of external asset managers and institutional client services. They include lending business and payment transaction services. The business model is driven by the liability side. Client deposits are intrinsic to the business model, especially those derived from investment funds that, with regard to the orientation of the risk strategy on the assets side and for ensuring solvability, are distributed mainly to German sovereign issuers and counterparts as well as supranational issuers with a “0” (zero) risk weighting, German covered bonds issuers, and to BCL.

The Bank is primarily active in the money market for its own account and holds securities mainly in its liquidity portfolio. Proprietary trading is also conducted to a very limited extent. The Bank has no activities in the areas of corporate finance, direct banking and payment and settlement systems.

1.2.3. Governance

(Article 435 (2) (a), (d) and (e) CRR)

Table EU OVB – Disclosure on governance arrangements

At end of the first quarter of 2020, the Supervisory Board of EDB initiated a Review of Corporate Governance with a view of changing over the corporate structure from a two tier to a one tier structure. The review was carried out by the Chairman. As a result of the review it was agreed that the Board should have a majority of independent non-executive directors and introduce the Special Committees of the Board according to amended CSSF Circular 12/552.

In its letter dated 5 August 2021, the CSSF approved the composition of the new Board of Directors (hereafter "BoD") and Executive Management Board (EMB or Authorised Management). With the extraordinary general meeting of 10 September 2021, the change from the two-tier corporate structure to the one-tier corporate structure has taken place. After that date, the composition of the Board of Directors and the Executive Management Board was as follows:
As at 31 December 2021, EDB´s Board of Directors comprised five members, namely Prof. Joe Bannister (Chairman), Mr. Peter Hughes (Founder and Chief Executive Director, Apex), Mr. Charles Muller, Mr. Roland Steies and Mr. Rüdiger Tepke.

As at 31 December 2021, the Bank was managed by the four members of the Executive Management Board, namely Mr. Rüdiger Tepke (Executive Managing Director), Mr. Holger Barth, Mr. Eckhard Lang and Mr. David Rhydderch.

Board of Directors

The Bank's Board of Directors bears the overall responsibility for the Bank and ensures that its business activity is ensured and that its going-concern is maintained with the help of this set of rules and regulations. The Board of Directors is responsible for writing:

- Business, risk, credit risk, capital resources and data protection GDPR strategies;
- Guiding principles for the organisational structure, accounting, business continuity / crisis management, IT rules and regulations, information systems, internal controls, communication systems, management information systems, outsourcing, human resources / remuneration policy / key functions and succession planning, SCV system, unusual / intransparent business activities, changes in activities.

The Board of Directors instructs the Executive Management Board to implement the strategies and guiding principles by means of policies and procedures and monitors their implementation, among others through approving the policies. The Board of Directors is responsible for the continuous controlling of the activities of the Executive Management Board and has the right to demand all information necessary in order to carry out these tasks. This includes reviewing and approving key strategies and policies as well as financial objectives and operational plans of the Bank. Its rights and obligations are regulated in Articles 10–12 of the Articles of Association as amended.

The Board of Directors carries out a critical evaluation of the rules and regulations at least once a year.

The Board in its composition has a majority of independent non-executive directors. All Directors are appointed by the shareholders of EDB.

Executive Management Board

In order to ensure solid and prudent management, including the risks associated with the business activities, the Executive Management Board revised or had the Bank's rules and regulations revised in the third quarter of 2021.
To this end, the existing documents regarding the organizational structure, policies, charters, procedures and processes were reviewed and, where deemed necessary, adapted on the basis of the strategies and guiding principles specified by the Board of Directors.

The Executive Management Board is responsible to ensure that the Bank has the internal audit mechanisms, technical infrastructure and human resources necessary to assure solid and prudent management (including risk management) within the framework of the rules and regulations.

The Executive Management Board informs the Board of Directors in detail, in writing and regularly, at least once a year, about the implementation, appropriateness, effectiveness and compliance with the rules and regulations.

Composition and Duties of the Executive Management Board Committees

The Committees, under the leadership and guidance of their respective Chairs, ensure effective day to day control of the management of EDB. The Chair of each of the Committees calls for meetings of the Committee on a regular basis. Nominated members of the respective Committees attend the meetings.

Finance and Administration Committee

The Finance and Administration Committee shall carry out the day to day oversight responsibilities of the Executive Management Board with respect to the finance and administration of EDB and further:

- Advises on financial and administrative policy issues;
- Establishes appropriate financial controls and reporting ensuring that accurate records of actual income and expenditure are maintained and prepare financial reports and accounts when required;
- Advises on the selection procedures for the external auditors, reviews their services and ensures that the auditor is providing an adequate level of service and advice as set out in the External Auditor's engagement letter;
- Reviews and provides oversight on insurance policies ensuring that the organisation is adequately insured and that the policies are regularly reviewed to ensure that the cover is adequate and competitive;
- Ensures adequate level of staff and reviews and makes recommendations regarding personnel policies, including compensation and benefits; and
- Ensures that new staff appointments are properly carried out.

Outsourcing Committee

The purpose of the Outsourcing Committee is to enable EDB to properly manage the risks associated with outsourcing and to ensure that the outsourcing of material – or "critical / important" – functions does not impair the quality of internal controls or ability to monitor ongoing compliance with applicable laws and regulatory requirements. Further duties of the Committee are to:

- Oversee and monitor outsourcing operations taking into consideration the financial and non-financial risk of the outsourcing activities;
- Review proposals from businesses and functions in relation to any new internal or third party outsourcing or material changes to any existing outsourcing arrangements and to make such recommendations as relate to the proposed material changes to any existing outsourcing arrangements as the Committee considers appropriate;
- Carry out due diligence at the onset and on a continuing basis on service providers;
- Prepare reports for the Executive Management Board regarding adherence to outsourcing agreements and service level agreements between an entity and outsourcing service providers ("agreements") including: Key Performance Indicators, Key Risk Indicators and other processing statistics for all processes within the scope of the Agreements; and
- Resolve day to day operational management issues.

Audit, Compliance and Risk Committee

In 2021, a permanent Audit, Compliance and Risk Committee (formerly Risk Committee) has been installed as an Executive Management Committee to control the bank-wide risk management. It ensures regular, systematic and holistic monitoring of the risk profile of the Bank including its branches. The role of the Committee is to institutionalize the risk management framework in accordance with the Board of Directors' policies and procedures. Risk monitoring and assessment by the Committee covers, on an ongoing basis, the risk categories credit risk, market risk, liquidity risk, operational risk including ongoing and new client risks as well as strategic risks.

Audit, Compliance and Risk are a dynamic process and monitoring and analysis is carried out using appropriate tools with alert systems. The following are the duties of the Committee:

- Promoting a proper risk culture within EDB and monitoring holistically the risk profile of EDB;
- Conducting specific risk assessments and oversight of Key Risk Indicators (KRIs);

- Carrying out investigations into any matters within its scope of responsibility. In doing so, the Committee shall also have the authority to meet with and seek any information it requires from any employee / officer of EDB or external parties;
- Providing guidance and support for specific location risk;
- Reviewing risk alerts submitted by EDB employees;
- Monitoring the various risk events such as the complaints received from clients, incurred loss events and risk limit breaches as well as material findings by the persons in charge of the control functions;
- Adopting measures and making recommendations to improve the risk situation through avoidance, mitigation, or transfer;
- Escalating without delay any alleged or suspected fraud or other significant breakdown in internal risk controls to the Executive Management Board for necessary action; and
- Submitting periodic reports to the Executive Management Board and directly to the Board of Directors as it feels necessary on risk assessments.

Within the financial year 2021, the Committee met a total of four times with the last meeting taking place on 16 December 2021.

Business Acceptance Committee

The Business Acceptance Committee has an important role in upholding the reputation and integrity of EDB. The primary role of the Committee is to act as a gateway. In doing so, the maintenance of a strong and efficient on-boarding process is critical and hence the top priority of this Committee. Hereby, close cooperation from all concerned departments such as the sales team of the Apex Group / EDB and the Relationship Management within EDB is required. The Apex Group and EDB sales team as well as EDB Relationship Management ensure to receive all information from the client enabling EDB to perform an individual due diligence followed by a client risk assessment analysis. The information gathered must both in terms of quality and quantity be sufficient for the BAC to take a reasonable decision about the on-boarding of the customer.

Joint Branch Committee

The Apex Group has substantial fund administration activity in Europe particularly in Luxembourg, Dublin, Malta and UK. The formation of operating branches necessitates the setting up of a Joint Branch Committee to ensure that the EDB culture and values are instilled in the branches in the absence of direct interaction between staff operating in Luxembourg and in branches. The running of operations by the branches necessitates that these should have their own internal branch committee which should report to the Joint Branch Committee.

1.2.4. Directorships and recruitment policy

(Article 435 (2) (a), (b) and (c) CRR)

The Bank´s Board of Directors reviews and assesses the Executive Management Board composition and recommends the appointment of its members. The Board of Directors further oversees the conduct of the annual review of the Executive Management Board effectiveness.

The Bank implemented its recruitment policy and diversity strategy for the selection of members of the Executive Management Board in accordance with the following principles:

The Bank acknowledges the importance of having a diverse Executive Management Board and considers diversity at Executive Management Board level as an important element in maintaining a competitive advantage. A diverse Executive Management Board includes individuals with different skills. Those skills shall match to the relevance of the business of the Bank, including e.g. financial services, regional and industry experience, background, nationality, gender or age of directors and authorised managers. EDB considers those attributes in the determination of the composition of the Management.

EDB seeks to have persons of the highest competence to carry out effective management in compliance with applicable laws and regulations. Section 4.2.2 of CSSF Circular 20/759 defines that:

- Members of the Authorised Management shall, both individually and collectively, have the necessary professional qualifications (knowledge, skills and experience), good reputation and personal qualifications to manage the institution and determine the business direction effectively. The personal qualifications must be suitable to effectively perform the authorised manager's mandate with the required dedication, commitment, availability, objectivity, critical thinking and independence of mind;
- The guiding principles governing the appointment and succession of individuals with key functions in the institution provide that, in this regard, the institution shall comply with the requirements of the EBA/GL/2012/06 of 22 November 2012 and the prudential authorisation procedure of key function holders as published in the CSSF document entitled Guidelines on the assessment of the suitability of members of the Management Body and Key Function Holders.

The Board of Directors of EDB has the primary responsibility of selecting and nominating individuals who must comply with the requirements for fitness and propriety ("suitability test") to become Members of the Executive Management Board.

The following table depicts the areas of responsibility of the Bank´s Executive Management Board members according to their experience in the financial services sector in Luxembourg and in other jurisdictions:

Executive Management Board – Areas of Responsibility			
Rüdiger Tepke	**Holger Barth**	**David Rhydderch**	**Eckhard Lang**
Executive Managing Director	Managing Director	Managing Director	Managing Director
Client Relationship Management	Depositary	Digital Banking	IT
Finance	Custody	Marketing	Facilities management
Trading / Treasury	Compliance		Account opening
HR	Credit risk		Outsourcing
Legal	Branches oversight		RTA transformation
Internal Audit			Risk

The mandates held by the Bank´s Management Body as at 31 December 2021 are as follows:

Executive Management Board	Function	Company
Rüdiger Tepke	Executive Managing Director and Member of the Executive Management Board and Board of Directors	European Depositary Bank SA, Luxembourg
	Member of the Board of Directors	Quint: Essence Concept SICAV-FIS
Holger Barth	Managing Director, Member of the Executive Management Board	European Depositary Bank SA, Luxembourg
David Rhydderch	Managing Director, Member of the Executive Management Board	European Depositary Bank SA, Luxembourg
	Global Head of Financial Services	Apex Group
	Member of the supervisory board	LRI Invest SA
	Member of the management/governing body	Apex Consolidation Entity Ltd.
	Member of the management/governing body	Apex Corporate Services Ltd.
	Member of the management/governing body	Apex Fund Services (Ireland) Ltd.
	Member of the management/governing body	Apex Fund Services (UK) Ltd.
	Member of the management/governing body	Apex Insurance Fund Services Ltd.
	Member of the supervisory board	Apex Fund Services SA
	Other professional activity	FundRock Holdings SA
	Member of the management/governing body	FundRock Distribution SA
Eckhard Lang	Managing Director, Member of the Executive Management Board	European Depositary Bank SA, Luxembourg

1.2.5. Scope of application

(Article 436 (b) CRR)

EDB and its three branches – Dublin, Malta and London – are covered throughout this disclosure report. As the Bank is authorised under Article 2 of the Law of 5 April 1993 on the financial sector as amended and is not subject to consolidation pursuant to Article 49 (4) of this law, the Bank does neither prepare its own partial consolidated financial statements in accordance with Article 80 of the Law of 17 June 1992 as amended nor is it subject to prudential consolidation requirements. Consequently, this report is prepared on standalone basis.

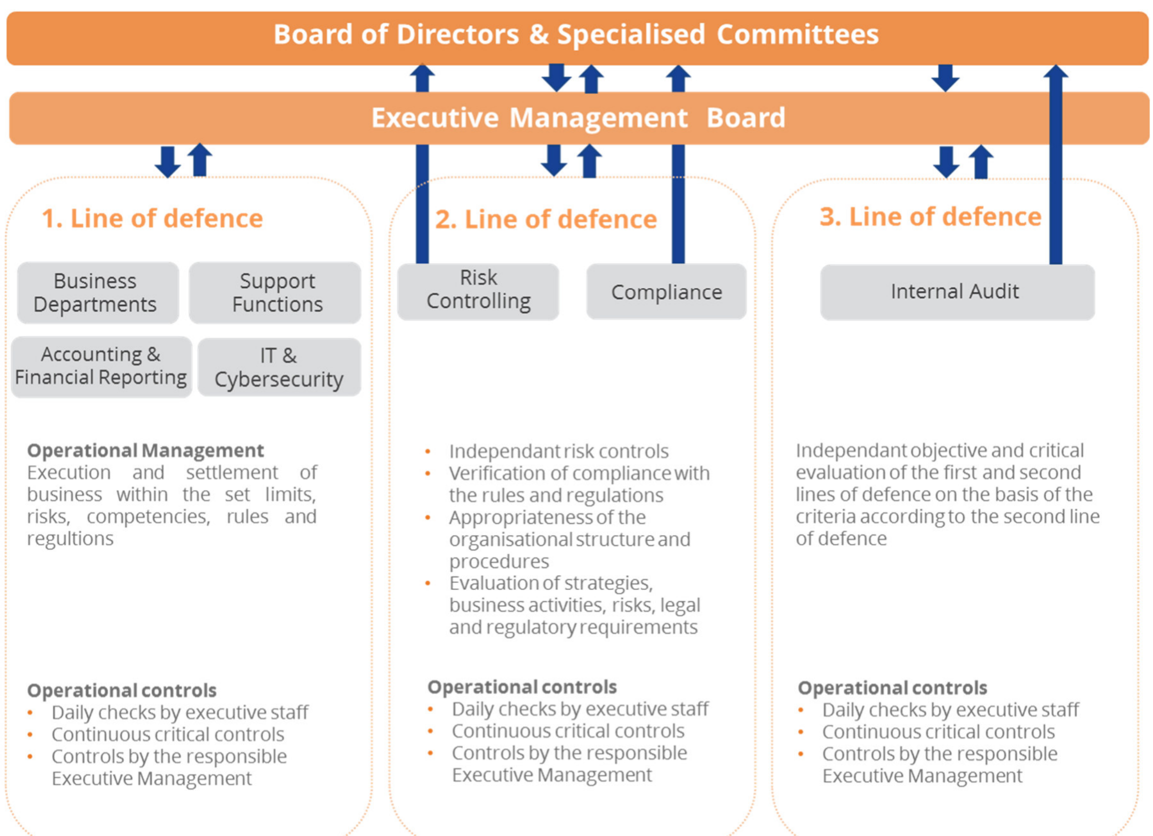
The Bank publishes the Pillar 3 disclosure report on an annual basis in accordance with Article 433 CRR.

1.3. Risk management setup

(Article 435 (1) CRR)

Table EU OVA – Institution risk management approach

The Bank's risk management is based on three lines of defence and four levels of control within the framework of strategies and guiding principles set by the Board of Directors and the resulting limits in terms of internal governance. As comprehensive monitoring bodies with regard to Risk Management, the Bank has set up a specialised Risk Management Committee of the Board of Directors and an Audit, Compliance and Risk Committee of the Executive Management Board.



Monitoring and control tasks assigned to the lines of defence with regard to risk management are fixed in writing in binding policies, charters and processes of the respective units of the company. These especially include clearly defined responsibilities, strict compliance with the principle of segregation of duties at all levels of the Bank as well as automatic controls and approvals integrated in the technical systems as per the four-eye principle.

Cooperation of the support and control functions of the second and third lines of defence serves to record the "entirety of risks". The risk control function is additionally supported by the bodies of the Audit, Compliance and Risk Committee on the Executive Management Board level and of the specialized Risk Management Committee on the Board of Directors level and if necessary, by the crisis task force that can be convened ad-hoc as well as through risk relevant notifications raised by the Executive Management Board, by the Chief Compliance Officer, by the Chief Internal Auditor and by the Bank's employees.

The risk strategy, which is supplemented by the credit risk and capital resources strategies, is closely linked to the Bank´s business strategy. The risk strategy specifies and limits the business strategy. The risk strategy includes the risk-bearing capacity concept and the guiding principles that govern the identification, measurement, reporting, control and monitoring of risks. It is geared to achieving attractive return on equity through a cautious approach to risks and their consistent monitoring. In doing so, it takes into account external as well as internal influencing factors and thus influences the implementation of the strategies in the planning process. It is subdivided into general strategic guiding principles as well as sub-strategies for all risk types that are considered significant in the Risk Register assessment.

As part of overall bank management, the Board of Directors reviews the risk strategy annually or in case of significant changes in the business structure on an ad hoc basis. In particular, the risk bearing capacity, the business policy starting position (determined by external and internal influencing factors), the results of the deviation and cause analysis, as well as the assessment of the risks associated with the banking business are included in the review of the strategy.

The capital resources strategy's top priority is to ensure that the institution is solvent and that there is adequate capital at all times. In accordance with the credit-risk strategy, the Bank's primary lending business is merely a supplementary business activity to the core business areas of depositary and custody services, serving of external asset managers and institutional client services. It focuses on low-risk, well-secured and less-processing-intensive loans to funds, clients of external asset managers, professional private clients and companies for which EDB provides depositary or custody services.

The Bank uses a risk register assessment, the risk committees at BoD and EMB level, risk notifications of employees, operational event reporting, customer complaints, and Key Risk Indicators as instruments for the identification of risks.

In order to improve risk identification, in particular operational risks, all Bank employees are obliged to critically reflect on their responsibility and to report openly or anonymously any matters of which they become aware and from which risks arise or could arise.

For the Bank's credit risks, market price risks and operational risks, the Bank uses a value-at-risk to quantify the risk and for liquidity risks liquidity maturity balances. The risk values are consistently determined as value-at-risk (VaR) with a confidence level of 99.5% for the underlying present value orientated creditor protection approach.

Based on internal considerations of business and earnings planning and taking into account its business and risk strategy, the Bank annually applies for risk limits for the significant risk types credit risk, market price risk and operational risk for the following financial years as part of the limit review. Subsequently, by means of a Board of Directors decision on the limit structure, risk limits are allocated and approved taking into account the risk-bearing capacity. The allocated risk limits result in the risk capital requirement, which is compared to the risk coverage potential within the framework of the risk-bearing capacity concept. The risk limit is also an expression of Bank´s risk appetite.

The Bank defines risk management as a permanent task with a focus on credit, market price and liquidity risks as well as operational risks. The Bank´s implemented risk control function is carried out by the Risk Controlling department, whose head of department, Mr. Christian Ringelstein, has been appointed Chief Risk Officer in accordance with the amended Circular CSSF 12/552. The risk control function is additionally supported by the bodies of the risk committees at BoD and EMB level and if necessary, by the crisis task force that can be convened ad-hoc as well as through risk relevant notifications by the Executive Management Board, by the Chief Compliance Officer, by the Chief Internal Auditor and by the Bank's employees. In general, the main task of the internal control functions is to monitor compliance with all internal regulations and procedures that fall within their remit and to regularly assess their adequacy.

The specific purviews of the risk control function include the following responsibilities:

- Anticipating, identifying, measuring, tracking, monitoring and communicating the full range of risks that the Bank and its branches are exposed to and ensuring adequate risk management;
- Assisting the Executive Management Board in controlling risks;
- Compilation of a comprehensive overview of the risks, presentation of the risk-bearing capacity and the stress test program to the Executive Management Board; and
- Conduction of conservative qualitative and quantitative risk assessments and back testing of valuations.

The risks taken by EDB are configured and limited, as part of an active risk management system, in such a way that all material risks confronting the bank – besides the liquidity risk –, such as i.e. credit risks, market price risks, and operational risks, are continuously covered by the Bank's risk coverage potential by taking into account risk concentrations. Liquidity risk is limited by the Board of Directors in the form of minimum liquidity requirements. Alarm thresholds are also implemented for these risks, serving as early warning indicators and thus contributing to adherence to applicable limits. The Risk Controlling department constantly monitors the risks taken and regularly reports to the Executive Management Board, the Board of Directors and the Supervisory Authority. In this context, the risk reporting system presents the risks in terms of the utilisation of previously fixed limits.

The purpose of the specialised Risk Management Committee of the BoD is to have oversight of the EDB risk management framework, the EDB's capital, liquidity and funding planning and strategy, EDB's risk appetite statement, including risk tolerance levels and limits ("Risk Appetite Statement"), and the performance of the Chief Risk Officer. The Risk Committee's responsibility in this regard is one of oversight and review, while risk assessment and risk management are the responsibility of the EDB Executive Management Board.

The Audit, Compliance and Risk Committee at EMB level will ensure a regular, systematic and holistic monitoring of the risk profile of EDB including its branches. Risk monitoring and assessment by the Committee covers, on an ongoing basis, the following risk categories:

- Credit risks;
- Market price and liquidity risks;
- Operational risks including ongoing and new client risks and strategic risks.

The principles governing risk management and the methods and procedures put in place to evaluate risks, together with the risk values ascertained using those methods and procedures, are regularly examined and, where deemed necessary, adjusted to ensure that they are adequate and plausible. With a view to monitoring and managing all of the risks confronting it, the Bank, in addition to applying the above-mentioned risk limits, has also put in place, in respect of further risks and subclasses of risk, qualitative monitoring measures and, where appropriate, limits to be applied thereto.

The Internal Capital Adequacy Process and Internal Liquidity Adequacy Process (ICAAP/ILAAP) are core elements of the Pillar 2 of the Basel accord. Under ICAAP/ILAAP, the Bank ensures that as per its individual risk profile, adequate "internal capital and liquidity" for covering all significant risks is available. With regard to the ICAAP, EDB has implemented two perspectives, the economic and normative perspective.

The Bank's Executive Management Board has established the underlying conditions for implementing the ICAAP through mandatory instructions and workflow descriptions, and has set them out in writing in the Bank's organisation handbook ("OHB"). In particular, these include clearly defined responsibilities, strict adherence to the principle of the separation of duties at all levels of the Bank, as well as internal controls and approvals under the four-eyes principle integrated into operational procedures and technical systems. In addition, the Bank has taken out insurances regarding transfers of possible operational risks with a high loss potential. The Bank's comprehensive OHB is continuously updated and published on the intranet, where every employee is made aware of and can consult them. In order to support the ICAAP, the Bank has implemented risk related committees at BoD and EMB level and has added processes to its rules and regulations. These processes concern operational events, client complaints, new products, outsourcing, non-transparent transactions, and amendments to the business strategy and/or the risk profile, and are designed to reveal any changes in the Bank's risk profile occurring throughout the year.

In accordance with Circular CSSF 11/506 as amended ("Principles of a sound stress testing program"), EDB performs a thorough stress test for all risks defined as significant in order to be able to simulate risks even in extreme market situations. The analyses are based on hypothetical market scenarios, historical market scenarios or sensitivity analyses of individual risk factors. Hypothetical market scenarios are fictional scenarios defined by the Bank itself in which relevant risk factors are changed. The assumed market changes are selected in such a way that the individual changes to risk factors do not contradict or exclude one another. During a sensitivity analysis, just one risk factor is changed and the effect is analyzed. The spectrum is broadened by reverse stress tests. Unlike "normal" stress tests, reverse stress tests alter the most important risk factors to such an extent that the Bank incurs a loss that it can no longer bear, whereby the limit of risk-bearing capacity corresponds to the risk coverage potential established in the creditor protection approach. This way, the strength of the parameter change is established. As a rule, parameter changes leading to an inverse scenario are extremely unlikely – even unrealistic.

When the results are evaluated, it is assumed that the risk limits of the risks not subject to the stress test are utilised to capacity, i.e. 100%.

The Bank strives to prevent risk concentrations through the existing limit systems. The unintentional emergence of risk concentrations is counteracted, even in case of compliance with all limits, through their identification and communication. The Bank also analyses cross-risk concentrations. The basis for this is the risk measurement of the individual risk types and the intra-risk concentrations recognized there.

The Risk Controlling department produces a quarterly risk report to inform the Management, the Board of Directors, the Chief Compliance Officer and Chief Internals Auditor as well as the Apex Group Global Head of Governance, in detail of the overall risk situation regarding significant risks, including the extent to which the allocated risk limits and the risk coverage potential are at capacity. The risk report contains annotations, drawing attention to any risk concentrations, peculiarities in the reporting period, or transactions that deviate from the strategy. Moreover, this report focuses on the effects that stress tests in individual risk types have on the risk-coverage potential on cross-risk topics and on bank-wide risk management aspects.

In addition, a daily report is provided to the Management Board, the Sales & Treasury department, detailing the trading book and banking book positions entailing market price risks and their economic outcomes (Mark-to-Market), and liquidity risks (liquidity maturity balances) drawn up as part of liquidity risk management.

The Bank's Risk Appetite is aligned with its business goals, strategy development, and capital planning. It provides a common framework and comparable measures for senior management and the Board of Directors to communicate, understand, and assess the types and levels of risk that they are willing to accept.

The Bank´s Risk Appetite articulates the overall levels and types of risks that the Bank is willing to assume within its risk bearing capacity in pursuing its strategy and business plan. It forms part of the Bank's Risk Strategy and the overarching Risk Management Framework, including qualitative and quantitative risk limits as embedded in the Bank's policies and procedures.

As a matter of principle, the Risk Appetite of the Bank is oriented in such a way that it does not endanger the risk coverage potential, while at the same time complying with regulatory provisions and ratios as well as with internally set limitations.

It defines the boundaries within which senior management (Executive Management Board, branch managers, department heads and responsible persons for specific functions) is expected to operate when pursuing the Bank's business strategy.

The Bank carries out an annual risk register assessment for all its entities. Its objective is to ensure the effective control of all risks of the Bank with the aid of systematic risk management and to differentiate between material risks and non-material risks. This distinction is the basis for the further handling of risks in the procedures of the Bank. The material risks are quantified, limited and taken into account for the risk-bearing capacity calculation. In addition, alarm thresholds were implemented for these risks, which serve as early warning indicators and thus contribute to compliance with the limits. The principle of proportionality applies to non-material risks. The annual performance of the risk register assessment ensures a regular review of the materiality nature of the risks.

Significant risks have been identified as being:

- Credit risk;
- Market risks;
- Operational risks; and
- Liquidity risk.

For the EDB branches in Dublin, Malta and London only operational risks have been classified as significant.

In addition to the measures outlined above, the Bank has established further supportive procedures to control the entirety of risks it is exposed to. These include limit cataloguing, monitoring of key risk indicators, controlling of outsourcing, risk analysis of new products, risk monitoring of participations, monitoring of unusual and non-transparent business activities and crisis management, monitoring of compensation policies, and events in the customer lending business. The Bank has also documented procedures for identification, assessment and monitoring of IT and (Cyber) security risks on which the CRO is supported by the Information Security Officer. The Bank's Risk Controlling, in particular the Chief Risk Officer, is closely involved in the processes. These procedures and instruments complete the picture of the Bank's overall risk situation and also serve as a means of early risk detection:

- **Limit catalogue:** The Bank´s regulatory and relevant internal limits are compiled in a limit catalogue for the purpose of risk steering. For each limit, the limit catalogue specifies the monitoring department and the control instance. Beside the escalation routines already installed, limit exceedances that lie beyond the reporting threshold specified in the limit catalogue, must be escalated to the Chief Risk Officer, who analyses and comments the reports and supervises the measures envisaged for avoiding limit exceedances in the future. In the context of a risk-oriented audit, the processes are checked by the Bank´s Internal Audit department or external auditors.
- **Key Risk Indicators:** EDB performs a group-wide monitoring and reporting of the Bank´s key risk indicators (KRI´s). The key risk indicators are critical predictors of significant events which can adversely impact EDB´s risk situation. They monitor changes in the levels of risk exposure and contribute to the early warning signs that enable the Bank to report risks, prevent crisis and mitigate them in time. They are separated into several categories and provide an

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overview and information on the areas that are currently subject to risk. Threshold values or traffic light schemes provide information on the current risk assessment.

- **Outsourcings:** EDB is obliged to define, implement and apply an outsourcing policy. The Executive Management Board has the overall responsibility for any outsourcing activity and the proper management of the risks associated with outsourcing. In order to achieve a prudent governance of the outsourcing activities an Outsourcing Committee is installed.
- **New Products:** The term "new product" describes all changes of business activities with regard to market coverage, customer reach, products, and services. The "New Product Process" (NPP) of EDB, including its branches, and serves the implementation of new products. The aim is to minimise risks from new products through process reliability and to ensure that the obligations associated with the product are fulfilled. The process is divided into three phases: The NPP initiation under the responsibility of the initiator, the NPP pre-analysis under the responsibility of Risk Controlling department and the implementation phase under the responsibility of one or more designated department heads or a project manager.
- **Participations:** Participations are part of the annual risk inventory and are included as a shareholder / participation risk under the credit risk. In addition to taking the book value of the participations into account when calculating the CVaR on a quarterly basis, risk monitoring by the risk control and compliance functions is performed more stringently for the participations deemed to be material. As a risk monitoring procedure, the annual financial statements of the material participations are actively provided annually by the management office of the participation. In addition, risk monitoring during the year is ensured by the submitted quarterly risk reports and a notification obligation for the participations. The control functions take note of the reports and any ad-hoc risk notifications are received by the control functions and any abnormalities are escalated to the Executive Management Board. The information on the shareholdings is supplemented by the report of the Executive Management Board based on its performance of supervisory board mandates relating to the participations.
- **Monitoring of unusual and non-transparent business activities:** Unusual or non-transparent business activities are defined as business activities carried out by means of especially designated legal entities or in areas with deficits in transparency or which do not meet international banking standards. The whistleblowing and risk reporting systems set up at the Bank ensure that such transactions are reported to the compliance function. Reports of unusual or non-transparent transactions are immediately forwarded to the risk control function. It examines whether the risks resulting from the reported business activities are controlled by the procedures available to the Bank and can therefore be adequately managed and gives its opinion on risk assessment and compatibility with the risk strategy. In addition, in the context of product control for new business activities, a review is carried out to determine whether it is an unusual or non-transparent business activity as defined above.
- **Crisis Management:** The Crisis Management Committee, which is chaired by the Executive Management Board, is responsible for all stress situations at the Bank. This applies in particular to security issues, business interruptions as well as financial and reputational risks. In the event of any special incidents affecting the safety of the company, its employees and guests, business operations, the balance sheet and the profit and loss account and reputation, the Executive Management Board must be contacted and the crisis management team convened. The "Chef de Situation" nominated by the Crisis Task Force and the persons appointed by him have access to all resources necessary for solving the situation, irrespective of the normally existing division of departments and line structures. The aim of all measures taken in the event of a crisis is to ensure that both the technical operation of all functions and business operations can be continued within a reasonably short period of time. In this context, each department has to draw up and regularly update a contingency plan. The Crisis Task Force is responsible for the coordination of the measures to be taken from the respective contingency plans.

2. Key metrics

(Article 447 CRR)

The Bank´s key metrics are reflected in the below template. Since the related data is disclosed for the first time, the data for previous years has not been included in line with Annex II (3) of the EBA ITS setting out instructions for overview disclosure templates.

Template EU KM1 – Key metrics template

EUR		**a** **2021**
Available own funds (amounts)		
1	Common Equity Tier 1 (CET1) capital	54,187,556
2	Tier 1 capital	54,187,556
3	Total capital	54,187,556
Risk-weighted exposure amounts		
4	Total risk exposure amount	230,622,298
Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	23.50%
6	Tier 1 ratio (%)	23.50%
7	Total capital ratio (%)	23.50%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)		
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1.00%
EU 7b	*of which: to be made up of CET1 capital (percentage points)*	1.00%
EU 7c	*of which: to be made up of Tier 1 capital (percentage points)*	1.00%
EU 7d	Total SREP own funds requirements (%)	9.00%
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)		
8	Capital conservation buffer (%)	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	
9	Institution specific countercyclical capital buffer (%)	0.43%
EU 9a	Systemic risk buffer (%)	
10	Global Systemically Important Institution buffer (%)	
EU 10a	Other Systemically Important Institution buffer (%)	
11	Combined buffer requirement (%)	2.93%
EU 11a	Overall capital requirements (%)	11.93%
12	CET1 available after meeting the total SREP own funds requirements (%)	15.50%
Leverage ratio		
13	Total exposure measure	1,685156,383
14	Leverage ratio (%)	3.22%
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)		
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	

EU 14b	*of which: to be made up of CET1 capital (percentage points)*	
EU 14c	Total SREP leverage ratio requirements (%)	3.00%
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)		
EU 14d	Leverage ratio buffer requirement (%)	
EU 14e	Overall leverage ratio requirement (%)	3.00%
Liquidity Coverage Ratio		
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	1,331,208,167
EU 16a	Cash outflows - Total weighted value	787,528,385
EU 16b	Cash inflows - Total weighted value	20,042,555
16	Total net cash outflows (adjusted value)	767,485,829
17	Liquidity coverage ratio (%)	173.45%
Net Stable Funding Ratio		
18	Total available stable funding	533,497,794
19	Total required stable funding	111,557,319
20	NSFR ratio (%)	478.23%

3. Own funds and capital adequacy

3.1. Own funds composition

(Article 437 CRR)

In accordance with Article 92 (1) CRR the Bank is obliged to maintain sufficient own funds at all times. As per 31 December 2021, EDB´s total own funds consist solely of Common Equity Tier 1 capital (hereafter "CET1") which is comprised of subscribed capital, share premium, retained earnings and reserves. Deductions from CET1 arise from intangible assets, value adjustments due to the requirements for prudent valuation as well as CET1 instruments of financial sector entities on which EDB has a significant investment. The following table illustrates the Bank´s own funds composition as at 31 December 2021.

Template EU CC1 – Composition of regulatory own funds

EUR		**(a)** **Amounts**	
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	21,000,000	CC2–18 and CC2–19
	of which: shares, fully paid up	8,000,000	CC2–19
2	Retained earnings	26,210,564	CC2–20 and CC2-21
3	Accumulated other comprehensive income (and other reserves)	4,349,631	CC2–20 and CC2-21
EU-3a	Funds for general banking risk		
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1		
5	Minority interests (amount allowed in consolidated CET1)		
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	4,966,173	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**56,526,368**	

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Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-359,465	
8	Intangible assets (net of related tax liability) (negative amount)	-1,890,681	CC2–7
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)		
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value		
12	Negative amounts resulting from the calculation of expected loss amounts		
13	Any increase in equity that results from securitised assets (negative amount)		
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		
15	Defined-benefit pension fund assets (negative amount)		
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)		
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-88,667	
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		
EU-20b	*of which: qualifying holdings outside the financial sector (negative amount)*		
EU-20c	*of which: securitisation positions (negative amount)*		
EU-20d	*of which: free deliveries (negative amount)*		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)		
22	Amount exceeding the 17,65% threshold (negative amount)		
23	*of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities*		
25	*of which: deferred tax assets arising from temporary differences*		
EU-25a	Losses for the current financial year (negative amount)		
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)		
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)		
27a	Other regulatory adjustments		

28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-2,338,813**	
29	**Common Equity Tier 1 (CET1) capital**	**54,187,556**	
	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) CRR and the related share premium accounts subject to phase out from AT1		
EU-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1		
EU-33b	Amount of qualifying items referred to in Article 494b(1) CRR 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, indirect and synthetic 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)		
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)		
42a	Other regulatory adjustments to AT1 capital		
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**		
44	**Additional Tier 1 (AT1) capital**		
45	**Tier 1 capital (T1 = CET1 + AT1)**	**54,187,556**	
	Tier 2 (T2) capital: instruments		
46	Capital instruments and the related share premium accounts		
47	Amount of qualifying items referred to in Article 484(5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR		
EU-47a	Amount of qualifying items referred to in Article 494a(2) CRR subject to phase out from T2		
EU-47b	Amount of qualifying items referred to in Article 494b(2) CRR 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, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)		
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
55	Direct, indirect and synthetic 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)		
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)		
EU-56b	Other regulatory adjustments to T2 capital		
57	**Total regulatory adjustments to Tier 2 (T2) capital**		
58	**Tier 2 (T2) capital**		
59	**Total capital (TC = T1 + T2)**	**54,187,556**	
60	**Total Risk exposure amount**	**230,622,298**	
	Capital ratios and requirements including buffers		
61	Common Equity Tier 1 capital		
62	Tier 1 capital		
63	Total capital		
64	Institution CET1 overall capital requirements		
65	*of which: capital conservation buffer requirement*		
66	*of which: countercyclical capital buffer requirement*		
67	*of which: systemic risk buffer requirement*		
EU-67a	*of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement*		
EU-67b	*of which: additional own funds requirements to address the risks other than the risk of excessive leverage*		
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**		
	Amounts below the thresholds for deduction (before risk weighting)		

72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)		
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)		
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)		
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		
82	Current cap on AT1 instruments subject to phase out arrangements		
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		
84	Current cap on T2 instruments subject to phase out arrangements		
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		

It shall be noted that the Bank´s COREP reporting is based on FINREP figures. The differences between balance sheet positions included in the regulatory own funds for COREP purposes (as per Template EU CC1) and those disclosed in the audited financial statements (as per Template EU CC2) are made of IFRS 9 adjustments between Lux GAAP and IFRS in line with FINREP.

Template EU CC2 – Reconciliation of regulatory own funds to balance sheet in the audited financial statements

EUR		a	b	c
		Balance sheet as in published financial statements		Reference
		As at period end		
Assets – Breakdown by asset classes according to the balance sheet in the published financial statements				
1	Cash in hand, balances with central banks and post office banks	1,089,557,087		
2	Loans and advances to credit institutions	73,571,324		
3	Loans and advances to customers	25,652,329		
4	Debt securities and other fixed-income securities	333,800,752		
5	Participating interests	26,729		
6	Shares in affiliated undertakings	61,938		
7	Intangible assets	6,248,156		
8	Tangible assets	566,011		
9	Other assets	30,376,663		
10	Prepayments and accrued income	5,093,116		
11	**Total assets**	**1,564,954,105**		
Liabilities – Breakdown by liability classes according to the balance sheet in the published financial statements				
12	Amounts owed to credit institutions	537,721		
13	Amounts owed to customers	1,469,497,684		
14	Other liabilities	20,920,351		
15	Accruals and deferred income	879,276		
16	Provisions	15,732,318		
17	**Total liabilities**	**1,507,567,350**		
Shareholders' Equity				
18	Subscribed capital	13,000,260		CC1–1
19	Share premium account	7,999,740		CC1–1
20	Reserves	29,056,000		
21	Profit or loss brought forward	112,512		
22	Profit of loss for the financial year (before deduction of interim dividends)	8,948,208		
23	Interim dividends	-1,729,965		
25	**Total shareholders' equity**	**57,386,755**		

Template EU CCA – Main features of regulatory own funds instruments and eligible liabilities instruments

EUR	a
	Qualitative or quantitative information

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1	Issuer	European Depositary Bank SA
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
2a	Public or private placement	Private placement
3	Governing law(s) of the instrument	Luxembourg Law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
Regulatory treatment		
4	Current treatment taking into account, where applicable, transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo level
7	Instrument type (types to be specified by each jurisdiction)	Ordinary registered shares
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	13,000,000
9	Nominal amount of instrument	N/A
EU - 9a	Issue price	N/A
EU - 9b	Redemption price	N/A
10	Accounting classification	Shareholder´s equity
11	Original date of issuance	30/06/2021
12	Perpetual or dated	Perpetual
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
	Coupons / dividends	N/A
17	Fixed or floating dividend/coupon	N/A
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	N/A
EU - 20 a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU - 20 b	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
34 a	Type of subordination (only for eligible liabilities)	N/A
EU-34 b	Ranking of the instrument in normal insolvency proceedings	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
37 a	Link to the full term and conditions of the instrument (signposting)	N/A

3.2. Capital adequacy

(Article 438 CRR)

The Bank applies the Standardised Approach in accordance with Part Three, Title II, Chapters 2 and 4 CRR for the calculation of own funds requirements for credit risk set out in Article 92 (3) point (a) CRR. In this context, the Financial Collateral Comprehensive Method (hereafter "FCCM") is used to mitigate credit risks to which the bank is exposed. With regards to counterparty credit risk related to derivative exposures, EDB applies the Original Exposure Method (hereafter "OEM") in accordance with Article 282 CRR. Credit valuation adjustments (hereafter "CVA") for OTC derivatives are further measured using the Standardised Approach in line with Article 384 CRR. The Basic Indicator Approach (hereafter "BIA") is applied for the calculation of own funds requirements for operational risk set out in Article 315 CRR.

Table EU OVC – ICAAP information

On the basis of Circular CSSF 07/301 (as amended), as supplemented by Circulars CSSF 08/338 (as amended), CSSF 09/403, CSSF 11/506 (as amended), CSSF 12/552 (as amended), CSSF 12/537, CSSF 12/538, CSSF 13/574, CSSF 14/597 and CSSF 16/647, EDB is required to perform Internal Capital and Liquidity Adequacy Assessment Process in order to determine the adequacy of its internal capital and liquidity. Pursuant to the said Circular, the Bank's Authorised

Management informs the management body in its supervisory function on the institution’s situation of risks and its internal, current and planned capital and liquidity on the situation and the management of risks, internal and regulatory capital and liquidity at least once a year.

The ICAAP serves to receive a closed picture of the risk situation of the Bank and to deal with the systematic analysis of risks, which endanger the existence of the Bank or can have a negative influence on its development in the future

The Bank ensures under the supervision of the Accounting & Regulatory Reporting department that its capital ratios are at all times compliant with the following objectives:

- Regulatory requirements are met;
- Risk Appetite targets are respected;
- Financial flexibility is given within RWA allocation; and
- Resilience is maintained in the event of stress.

In the light of the Bank´s ICAAP, risks not fully covered by the minimum regulatory own funds requirements are addressed.

In this context, the adequacy of the internal capital and the constant safeguarding of the institution’s liquidity are paramount for ensuring its solvability. The ICAAP must be designed in such a way as to assess to what extent its internal capital and liquidity is adequate to cover all the risks to which it is or might be exposed. The ICAAP, thus, supplements the regulatory stipulated coefficients (e.g. Capital Adequacy Ratio). Concerning the completeness of the risks, these objectives result from the claim to secure the Bank's continued existence with always adequate capital and comfortable liquidity.

3.2.1. Capital requirements

(Article 438 (d) CRR)

Template EU OV1 – Overview of total risk exposure amounts

EUR		**Total risk exposure amounts (TREA)**		**Total own funds requirements**
		a	**b**	**c**
		2021	**2020**	**2021**
1	Credit risk (excluding CCR)	72,564,722	75,759,484	5,805,178
2	*of which the standardised approach*	72,564,722	75,759,484	5,805,178
3	*of which the Foundation IRB (F-IRB) approach*			
EU 4a	*of which equities under the simple risk weighted approach*			
5	*of which the Advanced IRB (A-IRB) approach*			
6	Counterparty credit risk - CCR	66,680,408	23,295,544	5,334,433
7	*of which the standardised approach*			
8	*of which internal model method (IMM)*			
EU 8a	*of which exposures to a CCP*			

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EU 8b	*of which credit valuation adjustment - CVA*	19,034,884	8,529,591	1,522,791
9	*of which other CCR*	47,645,524	14,765,953	3,811,642
15	Settlement risk			
16	Securitisation exposures in the non-trading book (after the cap)			
17	*of which SEC-IRBA approach*			
18	*of which SEC-ERBA (including IAA)*			
19	*of which SEC-SA approach*			
EU 19a	*of which 1250% / deduction*			
20	Position, foreign exchange and commodities risks (Market risk)	18,126,226	819,563	1,450,098
21	*of which the standardised approach*	18,126,226	819,563	1,450,098
22	*of which IMA*			
EU 22a	Large exposures			
23	Operational risk	73,250,942	61,559,039	5,860,075
EU 23a	*of which basic indicator approach*	73,250,942	61,559,039	5,860,075
EU 23b	*of which standardised approach*			
EU 23c	*of which advanced measurement approach*			
24	Amounts below the thresholds for deduction (subject to 250% risk weight)			
29	**Total**	**230,622,298**	**161,433,630**	**18,449,784**

3.2.2. Capital buffers

(Article 440 CRR)

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

		a	b	c	d	e	f	g	h	i	j	k	l	m
EUR		**General credit exposures**		**Relevant credit exposures – Market risk**		**Securitisation exposures Exposure value for non-trading book**	**Total exposure value**	**Own fund requirements**				**Risk-weighted exposure amounts**	**Own fund requirements weights (%)**	**Countercyclical buffer rate (%)**
		Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
	Breakdown by country:													
010	(BM) Bermuda	21,192					21,192	1,695			1,695	21,192		
012	(CH) Swiss Confederation	6					6	0.5			0.5	6		
013	(DE) Federal Republic of Germany	42,796,104					42,796,104	551,689			551,689	6,896,115		
015	(GB) Great Britain and Northern Ireland	9,920					9,920	794			794	9,920		
016	(IE) Ireland	65					65	5			5	65		
017	(IT) Italian Republic	74,555					74,555	5,964			5,964	74,555		

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018	(JE) Jersey	4,313					4,313	345			345	4,313		
0110	(LT) Republic of Lithuania	74					74	6			6	74		
0111	(LU) Grand Duchy of Luxembourg	76,442,600					76,442,600	6,115,408			6,115,408	76,442,600	0.43%	0.5%
0112	(MT) Republic of Malta	107					107	9			9	107		
0113	(US) United States of America	5,086,595					5,086,595	406,928			406,928	5,086,595		
0114	(VG) Virgin Islands (British)	9,933					9,933	795			795	9,933		
0115	Other	960,340					960,340	76,827			76,827	960,340		
020	**Total**	**125,405,805**					**125,405,805**	**7,160,465**			**7,160,465**	**125,405,805**		

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

	EUR	**31.12.2021**
1	Total risk exposure amount	230,622,298
2	Institution specific countercyclical capital buffer rate	0.43%
3	Institution specific countercyclical capital buffer requirement	984,817

3.3. Leverage ratio

(Article 451 CRR)

Table EU LRA – Disclosure of LR qualitative information

The leverage ratio is a measure which allows for the assessment of an institutions' exposure to the risk of excessive leverage.

EDB calculates and manages its leverage ratio in accordance with Part 7 CRR. In this context, managing the Bank´s risk of excessive leverage means both calibrating its Tier 1 capital measure (leverage ratio nominator) and monitoring its exposure measure (leverage ratio denominator) on a daily basis. Whereas on-balance sheet exposures represent the biggest component of EDB´s leverage ratio denominator, off-balance sheet exposures and derivative positions are also considered for the determination of the bank´s exposure measure. The Bank´s leverage exposures are actively managed by the departments Sales & Treasure and Credit. The Accounting and Regulatory Reporting department is in charge of the monitoring and calibration of the leverage ratio itself. Target is to maintain an internally defined leverage ratio level which is set well above the minimum requirement of 3% in accordance with Article 92 (1) (d) CRR. The respective leverage ratio levels are periodically reported to the Bank´s Executive Management and Board of Directors. The related process and objectives are laid down in EDB´s Risk Appetite Statement.

The Bank´s leverage exposures are primarily influenced by the volume of its client deposits. More precisely, the main trigger for the leverage ratio constitutes the client behaviour – the deposits received are stored at BCL or reinvested in short-term high quality liquid assets on the market.

As at 31 December 2021, EDB maintained a leverage ratio of 3.22%.

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

EUR		**a**
		Applicable amount
1	Total assets as per published financial statements	1,686,252,001
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	
7	Adjustment for eligible cash pooling transactions	
8	Adjustment for derivative financial instruments	-117,302,630
9	Adjustment for securities financing transactions (SFTs)	

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10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	883,730
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-359,465
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	
12	Other adjustments	115,682,747
13	**Total exposure measure**	**1,685,156,383**

Template EU LR2 – LRCom: Leverage ratio common disclosure

EUR		**CRR leverage ratio exposures**	
		a	**b**
		2021	**2020**
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	1,568,949,371	2,104,742,916
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework		
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)		
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)		
5	(General credit risk adjustments to on-balance sheet items)		
6	(Asset amounts deducted in determining Tier 1 capital)	-1,979,348	-6,353,605
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**1,566,970,023**	**2,098,389,311**
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)		
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach		
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions		
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach		

EU-9b	Exposure determined under Original Exposure Method	117,302,630	73,167,296
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)		
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)		
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)		
11	Adjusted effective notional amount of written credit derivatives		
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)		
13	**Total derivatives exposures**	**117,302,630**	**73,167,296**
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions		
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)		
16	Counterparty credit risk exposure for SFT assets		
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR		
17	Agent transaction exposures		
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)		
18	**Total securities financing transaction exposures**		
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	1,803,460	2,228,962
20	(Adjustments for conversion to credit equivalent amounts)	-919,730	-1,114,481
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated associated with off-balance sheet exposures)		
22	**Off-balance sheet exposures**	**883,730**	**1,114,481**
Excluded exposures			
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)		
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet))		
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)		
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)		
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))		

EU-22f	(Excluded guaranteed parts of exposures arising from export credits)		
EU-22g	(Excluded excess collateral deposited at triparty agents)		
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)		
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)		
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)		
EU-22k	**(Total exempted exposures)**		
	Capital and total exposure measure		
23	**Tier 1 capital**	**54,187,556**	**32,772,902**
24	**Total exposure measure**	**1,685,156,383**	**2,172,671,087**
	Leverage ratio		
25	Leverage ratio (%)	3.22%	1.51%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	3.22%	1.51%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	3.22%	1.51%
26	Regulatory minimum leverage ratio requirement (%)	3.00%	
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)		
EU-26b	*of which: to be made up of CET1 capital*		
27	Leverage ratio buffer requirement (%)		
EU-27a	**Overall leverage ratio requirement (%)**	**3.00%**	
	Choice on transitional arrangements and relevant exposures		
EU-27b	Choice on transitional arrangements for the definition of the capital measure		
	Disclosure of mean values		
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable		
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables		
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	1,685,156,383	2,172,671,087

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30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	1,685,156,383	2,172,671,087
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	3.22%	1.51%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	3.22%	1.51%

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

EUR		a
		CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**1,568,949,371**
EU-2	Trading book exposures	
EU-3	Banking book exposures, of which:	
EU-4	Covered bonds	39,896,322
EU-5	Exposures treated as sovereigns	1,383,770,924
EU-6	Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns	
EU-7	Institutions	80,312,528
EU-8	Secured by mortgages of immovable properties	
EU-9	Retail exposures	
EU-10	Corporates	38,014,339
EU-11	Exposures in default	
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	26,955,257

4. Credit risk

4.1. Credit risk management

(Article 435 (1) (a), (b), (d) and (f) CRR)

Table EU CRA – General qualitative information about credit risk

Credit risk defines the risk of loss of assets as a result of partial or complete default of asset positions with different characteristics in the form of counterparty, settlement, issuer, investment and shareholder as well as country risk. The lending business is a business activity complementary to the bank's core business activities. The credit risk comprises receivables and credit equivalents from customers and banks as well as securities receivables from issuers.

To limit credit risks, the Executive Management Board approves specified limits, which are applied for in coordination by the departments Sales & Treasury and Custody Operations for money market transactions, foreign currency transactions, securities and derivative transactions.

Regularly assessed collaterals are an important instrument for minimising risk. In accordance with the credit risk strategy, the Bank's lending business focuses on Lombard loans for external managed private customers with assets deposited with the Bank and short-term loans to investment funds, for which EDB has the depositary bank function. In addition, loans may also be granted to entities within the Apex Group.

The Bank considers its foreign currency loans defined in the CSSF Circular CSSF 12/538 and the related risks to be insignificant in view of the low proportion of non-currency congruent collateralised foreign currency loans in the balance sheet total and in view of the intended monitoring of systemic risks as originating from the Circular. The mandatory requirements of the Circular are implemented by the binding organisational instructions in the Bank's internal policies.

For the Bank's holdings in interest-bearing securities, it observes issuer limits as well as the list of approved products in its proprietary trading. New investments focus on securities exempt from regulatory own funds backing on account of their creditworthiness (so called Solva Zero) and German covered bonds. A further selection criterion is the eligibility for refinancing at the ECB, especially for in EUR denominated securities.

Credit Risk Management prepares a monthly report of exposures (counterparty default risk report) that are overdrawn and/or have a lending value shortfall and submit it to the Executive Management Board for information and approval. The report also includes all doubtful receivables, overdrafts of issuers, overdraft of country limits and overdrafts of risk limits set for shadow banking entities.

Continuous credit monitoring is carried out by the responsible customer advisor and the Credit Risk Management team in order to identify changes in the credit rating early on. The Credit Risk Management team monitors compliance with the competences and the timely repayment of overdrafts on an ongoing basis and reports this as part of the allocation of competences. In addition, the exposures are monitored daily for collateral value shortfall, with any underfunding reported as part of the competence allocation and also communicated to the Chief Risk Officer, once the internally defined threshold values are reached.

Within the Bank's ICAAP, the credit risk limit for the loan portfolio is based on the allocated risk-bearing capacity limit. Unexpected losses, i.e. losses exceeding the expected amount, are measured against this limit. Furthermore, a surcharge for migration risks is applied to the limit resulting from the selected method as part of the risk-bearing capacity approach. In principle, all positions with counterparty risk are included in the portfolio analysis when determining CVaR. The unexpected loss is defined by the credit value at risk (CVaR) as the 99.5% quantile of the loss distribution of the Bank's credit portfolio. The migration risk surcharge is calculated as the difference between the expected loss of the actual portfolio and the expected loss of the actual credit portfolio of all borrowers simultaneously shifted by a certain number of rating classes. The number of the shifted rating classes is derived from historical migration analyses of the credit portfolio. The calculation is carried out using the internal credit risk model, into which the unsecured portions and default probabilities of the individual borrowers as well as correlations (via an industry / sector classification) flow. In addition, a central additional condition is that the regulatory limitation of capital requirements regulation must always be complied with.

4.2. Credit exposure

(Articles 442 and 444 CRR)

Table EU CRD – Qualitative disclosure requirements related to standardised approach

The Bank applies the Standardised Approach in accordance with Part Three, Title II, Chapters 2 and 4 CRR to determine its own funds requirements for credit risk set out in Article 92 (3) point (a) CRR.

The Standardised Approach assigns standardised risk weights based on external ratings given by eligible External Credit Assessment Institutions ("ECAI") as per Part Three, Title 2, Chapter 2, Section 3 CRR. Under the Standardised Approach, the external credit assessments assigned by the nominated ECAI Standard & Poor´s (hereafter "S&P") are used by the Bank for the exposure classes central governments or central banks, regional governments or local authorities and public sector entities. Where no external credit assessment is available, the Bank assigns the specific predefined risk weights as per CRR.

In line with Commission Implementing Regulation (EU) 2016/1799, the following table depicts the mapping of the long-term S&P external credit assessments to credit quality steps, the latter being relevant for the Bank´s determination of risk weights.

S&P credit assessment	Mapping to credit quality steps
AAA to AA-	1
A+ to A-	2
BBB+ to BBB-	3
BB+ to BB-	4
B+ to B-	5
CCC+ and below	6

As at 31 December 2021, the Bank did not have any non-performing or forborne exposures and its non-performing loans ratio was below 5%. Since the Bank further does not constitute a large institution, the following disclosure requirements do not apply:

- Template EU CR2a – Changes in the stock of non-performing loans and advances and related net accumulated recoveries
- Template EU CQ1 – Credit quality of forborne exposures
- Template EU CQ2 – Quality of forbearance
- Template EU CQ6 – Collateral valuation - loans and advances;
- Template EU CQ7 – Collateral obtained by taking possession and execution processes
- Template EU CQ8 – Collateral obtained by taking possession and execution processes –
- Vintage breakdown

Template EU CR1 – Performing and non-performing exposures and related provisions

EUR		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount						**Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions**						**Accumulated partial write-off**	**Collateral and financial guarantees received**	
		Performing exposures			**Non-performing exposures**			**Performing exposures – accumulated impairment and provisions**			**Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions**				**On performing exposures**	**On non-performing exposures**
			Of which: stage 1	Of which: stage 2		Of which: stage 2	Of which: stage 3		Of which: stage 1	Of which: stage 2		Of which: stage 2	Of which: stage 3			
005	Cash balances at central banks and other demand deposits	1,163,021,530	1,163,021,530					-7,302	-7,302						4,622,683	
010	Loans and advances	37,380,770	37,380,770					-66,600	-66,600						3,656,013	
020	Central banks															
030	General governments															
040	Credit institutions															
050	Other financial corporations	31,452,717	31,452,717					-18,701	-18,701						3,593,257	
060	Non-financial corporations	6	6													
070	*of which: SMEs*															
080	Households	5,928,047	5,928,047					-47,899	-47,899						62,756	
090	Debt securities	333,842,692	333,842,692													
100	Central banks															
110	General governments	85,581,808	85,581,808													
120	Credit institutions	248,260,884	248,260,884													

130	Other financial corporations															
140	Non-financial corporations															
150	Off-balance-sheet exposures	1,803,460	1,803,460					3,116	3,116						82,500	
160	Central banks															
170	General governments															
180	Credit institutions															
190	Other financial corporations	1,046,693	1,046,693					314	314						30,000	
200	Non-financial corporations	182,792	182,792					629	629							
210	Households	573,974	573,974					2,173	2,173						52,500	
220	**Total**	**1,536,048,452**	**1,536,048,452**					**-70,786**	**-70,786**						**8,361,196**	

Template EU CR1-A: Maturity of exposures

EUR		a	b	c	d	e	f
		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	36,941,028	373,142				37,314,170
2	Debt securities		98,803,872	210,005,895	25,018,671		333,828,438
3	**Total**	**36,941,028**	**99,177,013**	**210,005,895**	**25,018,671**		**371,142,608**

Template EU CQ3 – Credit quality of performing and non-performing exposures by past due days

EUR	a	b	c
	Gross carrying amount / Nominal amount		
	Performing exposures		
		Not past due or Past due < 30 days	Past due > 30 days < 90 days
Cash balances at central banks and other demand deposits	1,163,021,530	1,163,021,530	
Loans and advances	37,380,770	37,380,770	
Central banks			
General governments			
Credit institutions			
Other financial corporations	31,452,717	31,452,717	
Non-financial corporations	6	6	
of which: SMEs			
Households	5,928,047	5,928,047	
Debt Securities	333,842,692	333,842,692	
Central banks			
General governments	85,581,808	85,581,808	
Credit institutions	248,260,884	248,260,884	
Other financial corporations			
Non-financial corporations			
Off-balance sheet exposures	1,803,460		
Central banks			
General governments			
Credit institutions			
Other financial corporations	1,046,693		
Non-financial corporations	182,792		
Households	573,974		
Total	**1,536,048,452**	**1,534,244,992**	

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Template EU CQ4 – Quality of non-performing exposures by geography

EUR		a	b	c	d	e	f	g
		Gross carrying/Nominal amount				**Accumulated impairment**	**Provisions on off-balance sheet commitments and financial guarantees given**	**Accumulated negative changes in fair value due to credit risk on non-performing exposures**
			of which: non-performing		of which: subject to impairment			
				of which: defaulted				
010	On balance sheet exposures	370,939,026				-66,599		
010	DE	127,923,147				-19,762		
020	LU	29,420,057				-17,652		
030	US	5,178,068				-29,158		
040	BM	21,205				-13		
050	GB	10,001				-6		
060	VG	9,939				-6		
070	JE	4,348				-3		
080	MT	107						
090	LT	74						
100	IE	65						
110	CH	6						
140	Other countries	208,372,008						
150	Off balance sheet exp.	1,803,460					-3,116	
160	LU	1,154,486					-497	
170	DE	551,474.00					-2,083	
180	IT	75,000.00					-446	
190	ZA	22,500.00					-91	
220	**Total**	**372,742,485**				**-66,599**	**-6,232**	

Template EU CQ5 – Credit quality of loans and advances to non-financial corporations by industry

EUR		a	b	c	d	e	f
		Gross carrying amount				**Accumulated impairment**	**Accumulated negative changes in fair value due to credit risk on non-performing exposures**
			of which: non-performing		of which: loans and advances subject to impairment		
				of which: defaulted			
120	Financial and insurance activities	6			6		
200	**Total**	**6**			**6**		

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4.3. Credit risk mitigation techniques

(Article 453 CRR)

Table EU CRC – Qualitative disclosure requirements related to CRM techniques

The Bank applies the Financial Collateral Comprehensive Method in accordance with Article 223 CRR and considers only eligible collateral meeting the conditions set out in Articles 197 and 198 CRR, respectively.

As at 31 December 2021, the Bank used the following eligible collateral as credit risk mitigation techniques:

- Cash on deposit or cash on accounts;
- Margins relating to derivative transactions; and
- Debt securities.

No further collateral like immovable property, receivables, leasing, other physical collateral, guarantees or any types of credit derivatives are in use. Moreover, EDB does not apply on- or off-balance sheet netting. The Credit Risk department is in charge of the monitoring, evaluation and management of eligible collateral.

EDB used FlexFinance (Fernbach) and ABACUS360 (BearingPoint) as supporting application to manage valuations and eligibility of collateral.

Template EU CR3 – CRM techniques overview – Disclosure of the use of credit risk mitigation techniques

<table>
<tr><th colspan="2" rowspan="3">EUR</th><th rowspan="3">Unsecured carrying amount</th><th rowspan="3">Secured carrying amount</th><th colspan="3"></th></tr>
<tr><th rowspan="2">Of which: secured by collateral</th><th colspan="2">Of which: secured by financial guarantees</th></tr>
<tr><th></th><th>Of which: secured by credit derivatives</th></tr>
<tr><td colspan="2"></td><td>a</td><td>b</td><td>c</td><td>d</td><td>e</td></tr>
<tr><td>1</td><td>Loans and advances</td><td>1,196,739,984</td><td>3,656,013</td><td>3,656,013</td><td></td><td></td></tr>
<tr><td>2</td><td>Debt securities</td><td>325,563,997</td><td>8,278,695</td><td>8,278,695</td><td></td><td></td></tr>
<tr><td>3</td><td>Total</td><td>1,522,303,981</td><td>11,934,708</td><td>11,934,708</td><td></td><td></td></tr>
<tr><td>4</td><td>of which: non-performing exposures</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>EU-5</td><td>of which: defaulted</td><td></td><td></td><td></td><td></td><td></td></tr>
</table>

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

EUR	Exposure classes	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		On-balance-sheet exposures	**Off-balance-sheet exposures**	**On-balance-sheet exposures**	**Off-balance-sheet exposures**	**RWAs**	**RWAs density (%)**
		a	**b**	**c**	**d**	**e**	**f**
1	Central governments or central banks	1,089,760,087		1,089,760,087		0	0.00%
2	Regional government or local authorities	55,835,421		55,835,421		0	0.00%
3	Public sector entities	29,746,387		29,746,387		0	0.00%
4	Multilateral development banks	208,429,029		208,429,029		0	0.00%
5	International organisations						
6	Institutions	80,312,528		80,312,528		16,062,506	20.00%
7	Corporates	38,014,339	1,800,344	23,887,186	1,670,142	25,557,326	100.00%
8	Retail						
9	Secured by mortgages on immovable property						
10	Exposures in default						
11	Exposures associated with particularly high risk						
12	Covered bonds	39,896,322		39,896,322		3,989,632	10.00%
13	Institutions and corporates with a short-term credit assessment						
14	Collective investment undertakings						
15	Equity						
16	Other items	26,955,257		26,955,257		26,955,257	100.00%
17	**Total**	**1,568,949,371**	**1,800,344**	**1,554,822,218**	**1,670,142**	**72,564,721**	**4.66%**

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Template EU CR5 – Standardised approach

EUR	Exposure classes	0%	10%	20%	100%	Total	Of which unrated
		a	d	e	j	p	q
1	Central governments or central banks	1,089,760,087				1,089,760,087	1,089,760,087
2	Regional government or local authorities	55,835,421				55,835,421	55,835,421
3	Public sector entities	29,746,387				29,746,387	29,746,387
4	Multilateral development banks	208,429,029				208,429,029	208,429,029
6	Institutions			136,863,415		136,863,415	136,863,415
7	Corporates				61,892,675	61,892,675	61,892,675
12	Covered bonds		39,896,322			39,896,322	
16	Other items				26,955,257	26,955,257	26,955,257
17	**Total**	**1,383,770,924**	**39,896,322**	**136,863,415**	**88,847,932**	**1,649,467,260**	**1,609,570,938**

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4.4. Counterparty credit risk

(Article 439 CRR)

Table EU CCRA – Qualitative disclosure related to CCR

Counterparty credit risk ("CCR") is the risk arising from the possibility that a counterparty to a transaction may default before the final settlement of the transaction's cash flows.

For exposures that give rise to counterparty credit risk (i.e. OTC derivatives) the Bank applies the Original Exposure Method ("OEM") in accordance with Article 282 CRR in order to determine its RWA.

For the limitation of risks in connection with market activities, the Bank has specified internal limits for counterparty credit risk which are a component of the counterparty and the related group's overall credit limit. Those counterparty credit limits are granted with regards to money market transactions, foreign currency transactions, securities and derivative transactions after consideration of the characteristics of transactions eligible under these limits and the assessment of the overall credit quality of the counterparty. The limits are subject to annual approval and monitoring involving the Board of Directors. Within the framework of a credit-value-at-risk model, unexpected losses, quantified in monetary terms, are calculated on the basis of unsecured portions of the debt, the likelihood of the counterparty defaulting and the relevant correlations.

EDB did not apply any netting agreements for regulatory purposes and did not have any credit derivatives exposures.

Template EU CCR1 – Analysis of CCR exposure by approach

EUR		a	b	c	d	e	f	g	h
		Replacement cost (RC)	**Potential future exposure (PFE)**	**EEPE**	**Alpha used for computing regulatory exposure value**	**Exposure value pre-CRM**	**Exposure value post-CRM**	**Exposure value**	**RWEA**
EU-1	EU - Original Exposure Method (for derivatives)	13,527,055	71,529,239		1.4	119,078,812	119,078,812	104,616,706	47,645,524
EU-2	EU - Simplified SA-CCR (for derivatives)				1.4				
1	SA-CCR (for derivatives)				1.4				
2	IMM (for derivatives and SFTs)								
2a	*of which securities financing transactions netting sets*								
2b	*of which derivatives and long settlement transactions netting sets*								
2c	*of which from contractual cross-product netting sets*								
3	Financial collateral simple method (for SFTs)								
4	Financial collateral comprehensive method (for SFTs)								
5	VaR for SFTs								
6	**Total**					**119,078,812**	**119,078,812**	**104,616,706**	**47,645,524**

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Template EU CCR2 – Transactions subject to own funds requirements for CVA risk

EUR		a	b
		Exposure value	**RWEA**
1	Total transactions subject to the Advanced method		
2	(i) VaR component (including the 3× multiplier)		
3	(ii) stressed VaR component (including the 3× multiplier)		
4	Transactions subject to the Standardised method	115,362,933	19,034,884
EU-4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)		
5	**Total transactions subject to own funds requirements for CVA risk**	**115,362,933**	**19,034,884**

Template EU CCR3 – Standardised approach – CCR exposures by regulatory exposure class and risk weights

EUR	**Exposure classes**	**Risk weight**	
		e	**i**
		20%	100%
6	Institutions	56,858,805	
7	Corporates		47,757,901
11	**Total exposure value**	**56,858,805**	**47,757,901**

4.5. Asset encumbrance

(Article 443 CRR)

Table EU AE4 – Accompanying narrative information

An asset shall be treated as encumbered where it has been pledged or is subject to any form of arrangement to secure, collateralize or credit enhance any transaction from which it cannot be freely withdrawn.

Encumbrance at EDB mainly arises from collateralising movements of market values stemming from derivative transactions.

The figures related to the Bank´s encumbrance reflected in the templates below correspond to the median of 2021 quarterly values. The totals correspond to the median of total values and are consequently not equal to the sum of the medians of sub-components.

Template EU AE1 – Encumbered and unencumbered assets

EUR		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which: notionally eligible EHQLA and HQLA		of which: notionally eligible EHQLA and HQLA		of which: EHQLA and HQLA		of which: EHQLA and HQLA
		010	030	040	050	060	080	090	100
010	**Assets of the reporting institution**	**62,813,089**	**40,169,531**			**1,678,959,490**	**1,409,786,762**		
030	Equity instruments					26,729		26,729	
040	Debt securities	46,180,606	40,169,531	46,180,606	40,169,531	274,660,068	261,375,150	274,660,068	261,375,150
050	*of which: covered bonds*	12,050,705	12,039,584	12,050,705	12,039,584	208,628,914	200,404,695	208,628,914	200,404,695
060	*of which: securitisations*								
070	*of which: issued by general governments*	34,129,900	28,129,947	34,129,900	28,129,947	66,031,153	60,970,454	66,031,153	60,970,454
080	*of which: issued by financial corporations*	12,050,705	12,039,584	12,050,705	12,039,584	208,628,914	200,404,695	208,628,914	200,404,695
090	*of which: issued by non-financial corporations*								
120	Other assets	16,632,483		-	-	1,404,272,693	1,148,411,612	-	-

Template EU AE2 – Collateral received and own debt securities issued

EUR		Fair value of encumbered collateral received or own debt securities issued		Unencumbered: Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	060
130	Collateral received by the disclosing institution				
140	Loans on demand				
150	Equity instruments				
160	Debt securities				
170	*of which: covered bonds*				
180	*of which: securitisations*				
190	*of which: issued by general governments*				
200	*of which: issued by financial corporations*				
210	*of which: issued by non-financial corporations*				
220	Loans and advances other than loans on demand				
230	Other collateral received				
240	Own debt securities issued other than own covered bonds or securitisations				
241	Own covered bonds and securitisation issued and not yet pledged				
250	**Total collateral received and own debt securities issued**	**63,658,527**	**52,169,438**		

Template EU AE3 – Sources of encumbrance

EUR		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
		010	**030**
010	Carrying amount of selected financial liabilities	12,726,967	61,029,561

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5. Market risk

5.1. Market risk management

(Article 435 CRR)

Table EU MRA – Qualitative disclosure requirements related to market risk

As per 31 December 2021, EDB continued its activities as a non-trading book institution.

Market risk is the risk of losses arising from adverse movements in market prices (interest rates, exchange rates, stock and commodity prices). Market risks result from price changes in securities held in the Bank's own holdings portfolio as well as open foreign exchange positions and the negative effects of changes in the interest rate structure as part of maturity transformation. Market risk under Pillar II of the Basel Accord includes interest rate risk in the banking book (hereafter "IRRBB"), and mainly refers to the negative impact caused by interest rate changes on a bank's net interest income or on the value of its equity (please refer to Chapter 8.1).

The following types of transactions are processed in money market and foreign exchange trading with banks:

- Money market funds;
- Spot foreign exchange transactions;
- Currency option transactions;
- Foreign exchange forwards;
- Currency swaps; and
- Other financial instruments.

In order to limit the market price risks associated with the banking book and minor trading book positions, a value-at-risk method (VaR-method) based on a Monte Carlo simulation is applied by the Bank.

For the daily management and monitoring of the potential market price risks, the VaR calculation is based on a confidence interval of 99% and a holding period of 1 day (standard VaR). For the purposes of the risk-bearing capacity, a conversion to the 99.5% quantile and a holding period of 60 days is applied. The VaR is calculated for the total portfolio and for the individual sub-portfolios, the liquidity portfolio, trading portfolio, foreign exchange portfolio and money market portfolio. Additional alarm thresholds in the form of a traffic light system are installed for the purpose of monitoring the VaR limit utilisations.

To assess forecast quality of the risk model, the Bank uses a so-called clean back testing procedure, which calculates the current MtM value for positions of the previous day and compares this value with the risk calculated on the previous day. In this case, the back-testing failures by the Risk Controlling department are examined. The back testing failures rated as outliers are not taken into account.

A risk limitation system approved by the Executive Management Board and the Board of Directors is employed to limit market risks separately according to the respective sub-portfolios. Apart from the VaR, negative Mark-to-Market results accumulated in the course of the year also lead to a reduction of the open/unused limit, with the objective that potential losses in the current financial year are limited to the approved risk limits.

In addition to the regulatory IRRBB stress test, several other stress tests are carried out on a quarterly basis and are integrated in the quarterly risk report. These contain sensitivity analyses, each with different parameters for the banking and trading books for share price risk, foreign currency risk and interest rate risk, with both directions of change being examined (e.g. rising and falling prices). In addition, several hypothetical and historical scenarios are examined, based on stress situations that have occurred in the past.

As EDB is an institution without material trading activity, the Bank was only subject to own funds requirements for foreign exchange risk and hence does not have any reportable items under the following disclosure tables and templates:

- Table EU MRB – Qualitative disclosure requirements for institutions using the internal Market Risk Models
- Template EU MR2-A – Market risk under the internal Model Approach (IMA)
- Template EU MR2-B – RWEA flow statements of market risk exposures under the IMA
- Template EU MR3 – IMA values for trading portfolios
- Template EU MR4 – Comparison of VaR estimates with gains/losses
- Template EU PV1 – Prudent valuation adjustments (PVA)

5.2. Market risk exposure

(Article 445 CRR)

EUR		a
		RWEAs
	Outright products	
1	Interest rate risk (general and specific)	
2	Equity risk (general and specific)	
3	Foreign exchange risk	18,126,226
4	Commodity risk	
	Options	
5	Simplified approach	
6	Delta-plus approach	
7	Scenario approach	
8	Securitisation (specific risk)	
9	**Total**	18,126,226

5.3. Interest rate risk in the banking book (IRRBB)

(Article 448 CRR)

Table EU IRRBBA – Qualitative information on interest rate risks of non-trading book activities

The Bank defines interest rate risk as the loss risk from non-congruent refinancing in the banking book, if interest rate structure changes. The IRRBB arise from potential losses due to unfavourable fluctuations in interest rates.

The IRRBB as part of the market price risks are consciously taken on and controlled accordingly with the aim of exploiting earnings opportunities. For daily management and monitoring of the potential IRRBB as part of market price risks, the VaR calculation is based on a confidence interval of 99% and a holding period of 1 day (standard VaR). For the purposes of the risk-bearing capacity, a conversion to the 99.5% quantile and a holding period of 60 days is applied.

An interest maturity of one day is assumed for items with an indefinite contractual interest rate fixation, which thus represents both the average and the longest period for interest rate adjustments.

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IRRBB stress tests are carried out on a quarterly basis, with different parameters. In addition, historical and hypothetical interest rate scenarios are explored, which are based on stress situations that have occurred in the past. EDB conducts the regulatory IRRBB stress test (EVE and NII). The change in EVE is calculated at least for each currency where the assets or liabilities denominated in that currency amount to 5% or more of the total non-trading book financial assets. To compute the change in the forecasted net interest income (NII) metrics the same parallel shock up and down scenarios applied for computing the change in EVE are used on the forecasted net interest income.

In order to comply with the Luxembourgish requirements, as amended by the Circular CSSF 20/762, the Bank assesses the impact of the interest rate risk, in form of a sudden interest rate shift of +/- 200 basis points (parallel shift), according to paragraph 113 of the EBA/GL/2018/02, as well as other prescribed six stress scenarios with currency specific parameterizations, according to paragraph 114 of the EBA/GL/2018/02, on the interest-bearing net positions of the banking book on the economic value of the equity (EVE) and on the net interest income (NII) on a quarterly basis. The results are submitted to the CSSF annually by 31 December and by the end of the quarter if the thresholds of 20% change in economic value for the parallel shift and 15% change in economic value for the six additional scenarios are exceeded.

The NII stress test is based on a one-year forecast balance sheet, assuming that reinvestments are made in the Bank's proprietary portfolio and that positions/accounts of optional behaviour do not mature. Compared to the previous year, the calculation of the current NII stress test is based on a cash flow valuation instead of a gap analysis. Hence and due to the changed concept a comparison of the result is not meaningful.

Template EU IRRBB1 – Interest rate risks of non-trading book activities

Supervisory shock scenarios		a	b	c	d
		Changes of the economic value of equity		**Changes of the net interest income**	
		Current period	**Last period**	**Current period**	**Last period**
1	Parallel up	2,040,010	1,719,139	-1,110,789	-3,677,444
2	Parallel down	-990,981	-1,915,991	8,563,276	8,940,172
3	Steepener	1,144,442	1,592,423		
4	Flattener	-952,500	-1,887,505		
5	Short rates up	-1,232,384	-2,295,523		
6	Short rates down	1,913,275	1,721,173		

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6. Liquidity risk

6.1. Liquidity risk management

(*Article 451a (4) CRR)*

Table EU LIQA – Liquidity risk management

Liquidity risk is defined as the risk that the Bank will be unable to meet its payment obligations in full and at all times. The Bank's liquidity shortage may be triggered by the consequences of default risk and also by maturity risks arising from a negative deviation between the expected and actual date of a cash inflow.

The Bank's liquidity risk is managed under the strict additional condition of adhering to the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). Liquidity management is the responsibility of the Money Market & Foreign Exchange group, which is part of the Sales & Treasury department. It analyses known and expected cash flows and uses these to devise liquidity planning while always taking into account compliance with the regulatory and internal liquidity principles. The cash inventories must be managed in such a way that the expected cash outflows are always offset by sufficient cash inflows. If necessary, this also applies during the course of the day.

In the framework of the ILAAP provisions, Risk Controlling has implemented a liquidity monitoring procedure. In addition, the liquidity risk is also analysed within the risk register assessment.

Risk Controlling provides a daily liquidity risk report to the Executive Management Board and the Money Market & Foreign Exchange group. Liquidity management planning is monitored by means of a daily gap analysis bin the Risk Controlling department. The liquidity maturity statements, prepared for this purpose, take into account, in addition to all balance sheet items and the irrevocable loan commitments and guarantees provided also the repayment flows from derivatives and are integrated into the daily management information system.

At the end of each month, historical and hypothetical or inverse stress tests are carried out, which simulate the liquidity position in extreme situations in order to identify possible liquidity bottlenecks. In order to carry out inverse stress tests, based on classical stress tests, the extent to which negative effects of the risk driver – deposit deduction, collapse of prices of eligible securities and drawing of open commitments – would lead to insolvency on the following day. This is simulated for the individual risk drivers on the basis of extreme scenarios of the individual risk parameters and for mixed scenarios.

The aim is to ensure that the Bank remains liquid for at least one month in a stress scenario. As part of the Management Information System, the Executive Management Board and the employees responsible for liquidity management and monitoring are informed of the results of all stress tests within the daily report for end of month, the members of the Board of Directors as part of the quarterly risk report. In addition, the Executive Management Board is informed about the daily balance sheet and the LCR as a key figure of the liquidity coefficients in a separate report, provided by the Accounting department.

In liquidity crises, it is particularly important for the Bank to be able to implement problem-solving processes and measures quickly and effectively. To this end, the Bank has developed and approved a liquidity emergency plan.

Through modification of the deposit base assumptions and market prices, but also through simulation of idiosyncratic extreme situations, the results of hypothetical and historical stress scenarios are ascertained.

The Bank´s management bodies have approved that the liquidity risk management system is adequate with regards to EDB´s profile and strategy. Liquidity risk is part of the risk management framework and is considered in Risk Appetite statements of the Bank.

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6.2. Regulatory liquidity ratios

(Article 451a (2) and (3) CRR)

Table EU LIQB – On qualitative information on LCR, which complements template EU LIQ1

The Liquidity Coverage Ratio (LCR) promotes the short-term resilience of a bank's liquidity risk profile by ensuring that a bank has an adequate stock of unencumbered high-quality liquid assets (HQLA) that can be converted into cash easily and immediately in private markets to meet its liquidity needs for a 30 calendar day liquidity stress scenario. The regulatory requirements are laid down in Part 6 CRR in connection with Commission Delegated Regulation (EU) 2015/61.

At EDB, the LCR is calculated and monitored on a daily basis and the Bank has set internal limits for the LCR, lying well above the regulatory minimum requirement of 100% in order to counteract any negative developments at an early stage.

In line with Article 415 (2) CRR, the Bank publishes liquidity reports separately in its reporting currency EUR as well as in each foreign currency amounting to or exceeding 5% of the Bank´s total liabilities on the respective reporting date, excluding own funds and off-balance sheet items. Throughout the year 2021, EDB calculated and reported its liquidity reports mainly in EUR, USD and GBP.

In 2021, the Bank´s LCR was always above the internal limit of 150% and hence met the regulatory minimum requirement at all times. More precisely, EDB´s average LCR for the four quarters ranged from 169% to 179% during the year 2021. Decisive for the Bank´s comfortable liquidity balances is the high level of BCL reserves, the stock of own unencumbered securities as well as the high volume of stable deposits.

Template EU LIQ1 – Quantitative information of LCR

EUR		a	b	c	d	e	f	g	h
		Total unweighted value (average)				**Total weighted value (average)**			
EU 1a	Quarter ending on	31.12.2021	30.09.2021	30.06.2021	31.03.2021	31.12.2021	30.09.2021	30.06.2021	31.03.2021
EU 1b	Number of data points used in the calculation of averages	3	3	3	3	3	3	3	3
HIGH-QUALITY LIQUID ASSETS									
1	**Total high-quality liquid assets (HQLA)**					**1,415,977,236**	**1,483,943,661**	**1,644,029,121**	**1,918,640,392**
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	8,831,553	8,740,078	9,296,481	9,223,794	794,054	780,031	916,968	880,865
3	*Stable deposits*	2,770,399	2,860,721	2,525,284	2,889,283	138,520	143,036	126,264	144,464
4	*Less stable deposits*	6,061,154	5,879,357	6,771,197	6,334,510	655,534	636,995	790,703	736,401
5	Unsecured wholesale funding	1,541,389,295	1,602,644,603	1,786,078,229	2,067,912,205	852,787,950	919,510,348	966,205,323	1,169,004,647
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	915,053,634	907,274,431	1,086,542,415	1,189,792,898	228,763,409	226,818,608	271,635,604	297,448,225
7	*Non-operational deposits (all counterparties)*	626,335,661	695,370,171	699,535,814	878,119,307	624,024,542	692,691,740	768,020,174	871,556,423
8	*Unsecured debt*								
9	*Secured wholesale funding*	-							
10	Additional requirements	1,750,111	1,984,308	2,298,013	2,512,854	1,245,578	1,479,814	1,889,579	2,092,612

11	*Outflows related to derivative exposures and other collateral requirements*		118,934	99,725	349,818		118,934	99,725	349,818
12	*Outflows related to loss of funding on debt products*								
13	*Credit and liquidity facilities*	1,750,111	1,944,663	2,198,289	2,163,036	1,245,578	1,440,170	1,789,854	1,742,794
14	Other contractual funding obligations	2,764,333	2,350,667	2,245,667	2,123,667	0	0	0	0
15	Other contingent funding obligations								
16	**Total cash outflows**					**857,591,916**	**924,120,859**	**969,011,870**	**1,171,978,124**
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)								
18	Inflows from fully performing exposures	90,142,222	113,911,113	95,847,664	87,353,290	9,333,536	44,339,050	37,445,955	18,954,709
19	Other cash inflows	9,654,009	14,545,887	10,446,803	26,741,744	9,654,009	14,545,887	10,446,803	26,741,744
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)								
EU-19b	(Excess inflows from a related specialised credit institution)								

20	**Total cash inflows**	**99,796,231**	**128,457,001**	**106,294,467**	**114,095,034**	**18,987,546**	**58,884,937**	**47,892,758**	**45,696,454**
EU-20a	*Fully exempt inflows*								
EU-20b	*Inflows subject to 90% cap*								
EU-20c	*Inflows subject to 75% cap*	99,796,231	128,457,001	106,294,467	114,095,034	18,987,546	58,884,937	47,892,758	45,696,454
TOTAL ADJUSTED VALUE									
EU-21	**Liquidity buffer**					**1,415,977,236**	**1,483,943,661**	**1,644,029,121**	**1,918,640,392**
22	**Total net cash outflows**					**835,840,037**	**873,392,044**	**921,119,112**	**1,126,281,670**
23	**Liquidity Coverage Ratio**					**169.77%**	**170.73%**	**179.13%**	**170.53%**

Template EU LIQ2 – Net Stable Funding Ratio

EUR		a	b	c	d	e
		Unweighted value by residual maturity (average)				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) items						
1	Capital items and instruments	54,187,556				54,187,556
2	*Own funds*	54,187,556				54,187,556
3	*Other capital instruments*					
4	Retail deposits		9,121,407			8,332,371
5	*Stable deposits*		2,462,089			2,338,985
6	*Less stable deposits*		6,659,318			5,993,386
7	Wholesale funding		1,460,183,775	712,598		450,353,966
8	*Operational deposits*		895,249,702	712,598		447,981,150
9	*Other wholesale funding*		564,934,072			2,372,815
10	Interdependent liabilities					
11	Other liabilities:		16,564,12		20,623,902	20,623,902
12	*NSFR derivative liabilities*					
13	*All other liabilities and capital instruments not included in the above categories*		16,564,12		20,623,902	20,623,902
14	**Total available stable funding (ASF)**					533,497,794
Required stable funding (RSF) items						
15	Total high-quality liquid assets (HQLA)					14,944,212
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool					
16	Deposits held at other financial institutions for operational purposes					
17	Performing loans and securities:		99,649,431			21,558,249

18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*					
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		92,042,604			9,204,260
20	*Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		7,606,827			3,803,414
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*					
22	*Performing residential mortgages, of which:*					
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*					
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*				10,059,500	8,550,575
25	Interdependent assets					
26	Other assets:		13,208,182		30,125,426	37,497,105
27	*Physical traded commodities*					
28	*Assets posted as initial margin for derivative contracts and*					

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	contributions to default funds of CCPs					
29	*NSFR derivative assets*		1,535,177			1,535,177
30	*NSFR derivative liabilities before deduction of variation margin posted*					
31	*All other assets not included in the above categories*		11,673,005		30,125,426	35,961,928
32	Off-balance sheet items		913,510	889,950		90,173
33	**Total RSF**					**111,557,319**
34	**Net Stable Funding Ratio (%)**					**478.23%**

7. Operational risk

(Articles 435 (1) and 446 CRR)

Table EU ORA – Qualitative information on operational risk

Operational risk is defined as the potential loss resulting from the inadequacy or failure of internal procedures, people and systems or as a result of external events. It includes legal and compliance risks.

The Bank applies the Basic Indicator Approach (hereafter "BIA") for the calculation of own funds requirements for operational risk in accordance with Article 315 CRR. In line with this approach, the Bank´s capital requirements for operational risk are determined as 15% of the average over three years of the relevant indicator set out in Article 316 CRR.

The Bank addresses operational risks by clearly defined competences and responsibilities. The identification, containment and avoidance of operational risks is carried out by continuously updating the documentation of all essential work processes, competences and responsibilities in the regulations as well as detailed instructions from the departments. Strict adherence to the principle of segregation of functions at all levels of the Bank, as well as internal controls and approvals, which are integrated into workflows and technical systems, on the basis of the dual control principle, constitute other important aspects of the risk mitigation. By maintaining a Business Recovery Centre and setting up backup workstations, including enabling the staff to work from home, the Bank has taken precautionary measures to mitigate the risks associated with an IT failure and pandemics. In order to maintain a high level of availability and performance of the systems, the Bank also continuously invests in the IT infrastructure. These measures are accompanied by insurance policies (e.g. electronics insurance or small machinery insurance).

Legal risks are countered by the Bank through an extensive use of standard and standardized contracts, the review of individual contracts on a regular basis and the regular update of wording and various clauses of contracts, as applicable, according to the prevailing legislation and business practices, with recourse being had for this to the expertise of external legal advisers.

The Bank continuously improves the range of instruments designed to combat money laundering, the financing of terrorism and white-collar crime. In this context all employees receive regular trainings on the prevention of money laundering and the financing of terrorism as well as training on fraud prevention. For the purpose of risk transfer, the Bank has concluded insurance policies, in order to reduce operational risk, to cover damages resulting from computer misuse, counterfeiting and fraudulent acts and to cover personal injury, material damage and financial loss, for which the Bank could be held liable under statutory liability provisions. The Bank has taken out a Professional Indemnity, D&O and comprehensive crime insurance policies (including cyber excess policy), which serve to provide coverage for claims for damages arising from the operating business or for the company managers against financial losses.

In response to changing influencing factors, Risk Controlling conducts an expert survey, called operational risk Self-Assessment, at annual intervals in order to identify existing and latent operational risks and to use the parameters probability of occurrence and financial impact to assess them. To calculate the potential damage, a value-at-risk for operational risks is calculated using a Monte-Carlo simulation. The method used in the internal model is the loss distribution approach, combining the results of Self-assessments with stochastic actuarial distribution assumptions. Operational risk is understood as the 99.5% quantile of the distribution of possible losses incurred by the Bank based on operational events within one year. This defines the value-at –risk of operational risks to which a corresponding risk capital is allocated. In addition, a stress test is calculated that assumes a higher correlation between operational events.

In order to manage risk, measures are defined for reporting loss events and given a deadline for processing, which is monitored by the Internal Audit department and, in the event of a risk-limit exceedance, by the Risk Controlling department. In addition, risk management measures can be adopted by the Audit, Compliance and Risk Committee, as operational events are discussed at the regular meetings of this body. Additional alarm thresholds for operational risk are in place within the framework of the risk-bearing capacity.

Regarding legal and reputational risk, the Bank has its own Legal department. Externally, the Bank is advised and represented by lawyers based in Luxembourg. In order to identify legal risks at an early stage, the Bank has set up a complaint management system within the meaning of CSSF Regulation No. 16-07. The complaints management system provides, among other things, the possibility to escalate cases of complains to the CSSF and monitoring their careful and prompt processing by the appointed complaints manager.

The Bank´s management bodies have approved that EDB´s operational risk management system is adequate and in line with its internal profile and strategy.

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

		a	b	c	d	e
EUR		**Relevant indicator**			**Own funds requirements**	**Risk exposure amount**
		Year-3	Year-2	Last year		
1	Banking activities subject to basic indicator approach (BIA)	25,620,408	29,756,923	43,117,132	4,924,723	61,559,039
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches					
3	*Subject to TSA:*					
4	*Subject to ASA:*					
5	Banking activities subject to advanced measurement approaches AMA					

8. Risks arising from securitisations

(Article 449 CRR)

Table EU SECA – Qualitative disclosure requirements related to securitisation exposures

The Bank does not engage in securitisation activities and therefore does not have any reportable items under the respective disclosure templates related to securitisation exposures (EU SEC1 to EU SEC5).

9. Remuneration

(Article 450 CRR)

Table EU REMA – Remuneration Policy

EDB has in place a Remuneration Policy that is accessible to all staff members of the Bank through publication in the Organizational Handbook enabling them to understand the criteria used to determine their remuneration. The Remuneration Policy is acknowledged by the specialised Appointments & Remuneration Committee of the Board of Directors as well as approved by the Board of Directors. The Policy has been further shared with the CSSF according to the statutory guidelines. EDB's Remuneration Policy is adhering to the principle of effective risk management and sound business practices in line with the strategy, objectives, values and long-term interests of the Bank. The Remuneration Policy is published on EDB's website.

The roles and responsibilities regarding the Remuneration Policy and operating effectiveness of remuneration activity within the Bank are assigned to different levels of responsibility within the organisation:

Board of Directors

The Board of Directors establishes the general principles governing EDB's Remuneration Policy and ensures it is appropriately implemented and aligned with the governance framework, culture, risk appetite and the Bank´s (risk-taking) strategy.

The Board of Directors, in prior consultation with Apex Group, sets the remuneration of the members of the EMB of EDB, approves bonus and incentive payments following the rules implemented in the Policy (in particular for Identified Staff & Material Risk Takers).

Appointments & Remuneration Committee

In line with the regulatory framework and in view of EDB´s organizational structure, the Bank has established the specialised Appointments & Remuneration Committee of the Board of Directors.

The role of the Committee, as a specialized Committee of the Board, is to assist and advise the Board in all analyses and decisions related to appointments and remuneration that have an impact on risk and risk management.

The Appointments & Remuneration Committee is involved in the performance of risk assessments in which objectives of the Bank, business units and staff deriving from EDB´s business and risk strategy, corporate values, risk appetite and long-term interests are considered.

This Committee further oversees proportionality assessment of the Bank, assessment of the Identified Staff and remuneration of the Identified Staff & Material Risk Takers.

The Committee is constituted in a way that enables it to exercise competent and to provide independent judgment on the remuneration policies, practices as well as the incentives created for managing risks.

The Appointments & Remuneration Committee is responsible for scrutinising the design and the monitoring of the implementation of the Remuneration Policy in compliance with legislation and regulations. It has a supervisory role in the remuneration practice and in the related decision making process.

Executive Management Board and its internal EMB Committees

Notwithstanding the fact that the overall responsibility for the Policy remains with the Board of Directors, it is important to note the active role of the Executive Management Board. The latter shall ensure the operational implementation of the Policy and shall take appropriate measures to facilitate a compliant application of the Policy.

Human Resources

The Human Resources function is the ultimate owner of this Policy and its implementation follow-ups. Human Resources shall participate in developing and evaluating the Bank´s Remuneration Policy, including the remuneration structure, remuneration levels and incentive schemes, in a way to not only attract and retain the staff the Bank needs, but also assuring that the Remuneration Policy is aligned with EDB's risk profile.

Human Resources is also in charge of the procedures and the involved processes or practices in line with the Remuneration Policy and shall coordinate the periodical reviews with the control functions.

Control functions (Risk, Compliance, Internal Audit)

The control functions are involved in the design and ongoing oversight of the Remuneration Policy and in performing regular reviews:

- The Risk Management Function assists with and informs on the definition of suitable risk-adjusted performance measures (including ex post adjustments), as well as with assessing how the variable remuneration structure affects the risk profile and culture of the institution. The Risk Management function should validate and assess risk adjustment data.
- The Compliance function, in cooperation with Human Resources, performs a periodic analysis of the compliance of the Remuneration Policy with the applicable regulatory requirements.
- The Risk and Compliance functions provide effective input in accordance with their roles into the setting of bonus pools, performance criteria and remuneration awards where those functions have concerns regarding the impact on staff behaviour and the riskiness of the business undertaken.
- The Internal Audit function performs independent and regular review of the design, implementation and effects of the Bank's Remuneration Policy, on its risk profile and the way these effects are managed in line with the EBA Guidelines on sound remuneration policies under Directive 2013/36/EU (EBA/GL/2021/04).

The aforementioned control functions are further responsible for reporting on the review to EMB, to the specialised Committees and to the Board of Directors.

The Bank has the responsibility to identify its members of staff whose professional activities have a material impact on its risk profile. This assessment is performed annually with the support of the Human Resources function together with the control functions. The situation is reviewed by the EMB, and supervised by the Appointments & Remuneration Committee. The ultimate responsibility, however, sits with the Board of Directors.

Based on the internal assessment, EDB has concluded that 43.8 persons have a material impact on the Bank´s risk profile and consequently should be considered Material Risk Takers for the purposes of the Remuneration Policy, namely:

- Members of the Board of Directors;
- Members of Executive Management Board;
- Members with managerial responsibility for the control functions or material business units; and
- Staff members entitled to significant remuneration in the previous or current financial year where they are entitled to significant remuneration equal to or greater than € 500,000 / average remuneration awarded to the members of Board of Directors and Executive Management Board and where they are performing professional activities within a material business unit and their activity having a significant impact on the relevant business unit's risk profile.

In addition to staff members identified under the above criteria, other staff members shall be deemed to have a material impact on an institution's risk profile.

The assessment of the Identified Staff and Material Risk Takers are based on both qualitative and quantitative criteria (see Articles 5 and 6 of Commission Delegated Regulation (EU) 2021/923).

In relation to qualitative criteria, such staff members shall be deemed to have a material impact when managerial responsibility exists for:

(i) Legal affairs;
(ii) Soundness of accounting policies and procedures;
(iii) Finance, including taxation and budgeting;
(iv) Performing economic analysis;
(v) Prevention of money laundering and terrorist financing;
(vi) Human resources;
(vii) Development or implementation of the remuneration policy;
(viii) Information technology;
(ix) Information security; and
(x) Managing outsourcing arrangements of critical or important functions as referred to in Article 30 (1) of Commission Delegated Regulation (EU) 2017/565.

The list of Identified Staff and Material Risk Takers is monitored by the Human Resources function on a regular basis and updated at least once a year.

Due to size and the scope and complexity of activities, EDB does not fall under the definition of a significant institution as set out in Article 131 Directive 20 13/36/EU. In the framework of this Policy, and in the light of the analysis and assessment performed by the control functions, reviewed by the Appointments & Remuneration Committee and validated by the Board, EDB resorts to the proportionality principle taken into account the size, internal organisation as well as the nature, scope and complexity of the Bank's activities as per EBA Guidelines, LFS Law and CSSF Circular 12/552 as amended. The proportionality principle encoded in Article 38-5 of the LFS Law aims to apply remuneration requirements in a proportionate manner taken into account Part 4 of EBA Guidelines (EBA/GL/2021/04). The proportionality analyses are conducted by the control functions and results are reported to the Appointments & Remuneration Committee for oversight and assessment before the final validation of the Board. This proportionality requirement is reassessed at least on an annual basis.

In this context of the EBA Guidelines on sound remuneration policies EBA/GL/2021/04 and CSSF Circular 22/797, EDB applies the waiver to the requirement to pay out 50% of variable remuneration in shares and or equivalent instruments for staff members. EDB can use shares and or equivalent instruments as part of variable remuneration for identified staff.

EDB is performing a bi-annual performance review on individual basis and has processes in place to align the business and individual goal setting throughout the Bank. The performance review and assessment is used to determine the variable remuneration components. Both financial and non-financial factors are taken into consideration when determining the individual's variable remuneration, i.e. compliance with the Group's core values, internal guidelines and procedures, including customer and investor related guidelines. For Identified Staff the performance assessment of two years in a row need to meet the above mentioned criteria to trigger any variable remuneration payments.

All staff receives a fixed base salary as determined in the employment contract. In addition to this salary, employees receive benefits and might receive variable remuneration components.

Base salary levels are intended to compensate all employees based on their level of responsibility, qualification, experience, and involvement in tasks entrusted together with their particular set of competencies. Base salary levels are set on the assumption that the employee may not receive a variable remuneration and this is the sole source of income. The individual base salary paid are in line with the requirements of the classification as per official convention (Collective Bargaining Agreement) for the staff covered by such. For other staff not covered by the aforementioned convention, the base salary is determined by the Executive Management Board or the Board of Directors, depending on the case.

In addition, EDB may grant on a purely discretionary basis, an amount of variable remuneration to be paid at the end of the year to each member of staff taking into account a performance assessment as set out above. This variable remuneration does not constitute an acquired right for staff neither in principal nor in the amount. Furthermore, the amount of the variable remuneration depends on the overall financial performance of EDB / Apex Group as well as on the individual performance of the employees. The total volume of variable remuneration shall not limit the capacity of EDB to reinforce its financial base.

Each employee is appropriately remunerated by the fixed remuneration package. The variable remuneration only represents additional remuneration and is not guaranteed. Furthermore, an appropriate balance between fixed and variable remuneration components should be maintained. Exceptions are possible for Identified Staff and Material Risk Takers ranging between 100% and 200%, depending on Shareholders' approval. For any variable remuneration exceeding 200%, a specific procedure of validation and approval (Shareholders and CSSF) is required.

Template EU REM1 – Remuneration awarded for the financial year

			a	b	c	d
	EUR		MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	5	5	18	20.8
2		Total fixed remuneration	230,100	586,162	1,882,807	1,036,559
3		Of which: cash-based	230,100	554,341	1,836,978	1,015,956
4		(Not applicable in the EU)				
EU-4a		Of which: shares or equivalent ownership interests				
5		Of which: share-linked instruments or equivalent non-cash instruments				
EU-5x		Of which: other instruments				
6		(Not applicable in the EU)				
7		Of which: other forms		31,821	45,829	20,602
8		(Not applicable in the EU)				
9	Variable remuneration	Number of identified staff		3	15	12.8
10		Total variable remuneration		273,041	404,669	69,948
11		Of which: cash-based		273,041	404,669	69,948
12		Of which: deferred				
EU-13a		Of which: shares or equivalent ownership interests				
EU-14a		Of which: deferred				
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments				
EU-14b		Of which: deferred				

EU-14x		Of which: other instruments				
EU-14y		Of which: deferred				
15		Of which: other forms				
16		Of which: deferred				
17	Total remuneration (2 + 10)		230,100	859,203	2,287,476	1,106,507

Template EU REM2 – Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

		a	b	c	d
		MB Supervisory function	MB Management function	Other senior management	Other identified staff
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff				
2	Guaranteed variable remuneration awards -Total amount				
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap				
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff				
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount				
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff		N/A		
7	Severance payments awarded during the financial year - Total amount		53,958		
8	Of which paid during the financial year		53,958		
9	Of which deferred				

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10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap		53,958			
11	Of which highest payment that has been awarded to a single person		N/A			

Template EU REM5 – Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

		Management body remuneration			**Business areas**							
		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset managemen t	Corporat e functions	Independent internal control functions	All other	Total
1	Total number of identified staff										43.8
2	Of which: members of the MB		5	5							
3	Of which: other senior management						8	6	4		
4	Of which: other identified staff						20.8				
5	Total remuneration of identified staff	230,100	859,203	1,089,303			2,114,776	893,029	386,178		
6	Of which: variable remuneration		273,041	273,041			260,626	133,629	80,362		
7	Of which: fixed remuneration	230,100	586,162	816,262			1,854,149	759,400	305,816		

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