AMFIE

FINANCIAL COOPERATIVE ASSOCIATION OF INTERNATIONAL CIVIL SERVANTS

Pillar 3 Disclosures

Year Ended December 31, 2021

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1. Overview

1.1. Purpose

The purpose of the Pillar 3 disclosure report is to provide information on the implementation at "Financial cooperative association of international civil servants" ("AMFIE" or "the Association") of the Basel III framework and risk assessment processes in accordance with the Pillar 3 requirements as described within part XIX "disclosure by credit institutions" of the Commission de Surveillance du Secteur Financier ("CSSF") circular 06/273 as amended, and Circular CSSF 15/618 transposing EBA guidelines on "Pillar 3 disclosures". In addition, it follows to meet the regulatory disclosure requirements as laid down in Part Eight of the "Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms" (Capital Requirements Regulation, or "CRR") and the "Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms" (Capital Requirements Directive 4, or "CRD IV").

With effect from 1 January 2014, the reforms of the accord by the Basel III were implemented in the EU legal framework through two EU legislative acts: the CRR (European Union Regulation No. 575/2013, the Capital Requirements Regulation) and CRD IV. Part 8 of the CRR is dedicated to the disclosure requirements. Their aim is to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, improve risk management and governance, and strengthen banks' transparency and disclosures. The Basel III framework introduced higher minimum capital requirements, conservation and countercyclical buffers, revised risk-based capital measures, a leverage ratio and new provisions on liquidity risk management to strengthen the resilience of the financial sector.

The disclosures in this document complement the work already undertaken by the Asssociation in its assessment of capital requirements under the Internal Capital Adequacy Assessment Process (ICAAP). The Basel framework established a more risk sensitive approach to capital management and is comprised of three pillars:

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

AMFIE is authorized and regulated by the CSSF and as such is subject to minimum regulatory capital requirements. As a regulated company, the Association is required to disclose certain aspects of regulatory information and certain details of internal processes relating to the structure and operations in place to measure and report risks. As part of this disclosure, details of the capital structure and regulatory capital requirements are required. The disclosures are to be published so they are readily available for any party interested in doing business with the regulated entity and are to be verified as a formal document of the Company.

1.2. Frequency and Location

The Association publishes the Pillar 3 disclosure report on an annual basis, or more frequently if required by significant changes in the business model. The Association has an accounting reference date of 31 December. The date of publication of the report is shortly after the date of publication of the Annual Accounts.

The report will be published on the Association's website, www.amfie.org and will not be subject to external audit, except to the extent that any disclosures are equivalent to those made in the annual accounts. Per regulation it is not required to have Pillar 3 disclosures audited.

The Pillar 3 disclosures have been prepared purely for explanation of the basis on which the Association has prepared and disclosed certain capital requirements and information about the management of certain risks and for no other purpose.

1.3. AMFIE

AMFIE was founded on November 24, 1990 in Luxembourg by international civil servants for international civil servants, and has taken the form of a cooperative society organized as a “société anonyme”, with over 7,500 members. Its aim is to offer savings and investment services not always available to them locally, at a reasonable cost and with a satisfactory return. Its main purpose is to manage the cooperative members' liquid assets, which are collectively invested to generate a global income that is then distributed among the members in proportion to their respective deposits, after deduction of the cooperative's operating costs and the reserves required for its development. Educated by long professional and personal experience, the founding members are well aware that international civil servants, whether active or retired, and their dependents generally lack local access to targeted financial services, given the diversity of their duty stations. Where many of them are expected to reside, financial services are often non-existent or very limited. Local banks can offer excellent services, but in a limited number of currencies. AMFIE was set up by a group of active or retired international civil servants, mainly from the United Nations system or European Institutions, acting mainly on a voluntary basis to benefit all their colleagues. Their experience extends to all areas of financial management: law, banking, investments, accounting, auditing, IT and taxation. AMFIE's management is based on three pillars: security, liquidity and confidentiality. In keeping with these principles, every effort is made to optimize results in terms of financial services and investment products.

Association Coopérative Financière Des Fonctionnaires Internationaux (AMFIE) SCOP S.A., originally incorporated as Association Coopérative Européenne des Fonctionnaires Internationaux (AMFIE) as a cooperative society under Luxembourg law on November 24, 1990, was established by notarial deed in the form of a cooperative society organized as a société anonyme on October 31, 2014 for an indefinite period.

The purpose of the Association is to promote, in a mutualist spirit, cooperation, mutual assistance and solidarity between Members, in particular international civil servants, by carrying on the activities of reception and transmission of orders in relation to one or more financial instruments and portfolio management in accordance with Articles 24-1and 24-4 of the amended Law of 5 April 1993 on the financial sector (the "LSF") for the purpose of managing their savings and liquid assets.

In addition, the Association is able to carry out intermediation loans with partner financial institutions. Finally, it is authorised to provide investment advice and order execution on behalf of third parties, as referred to in articles 24-5 and 24-2 of the LSF. However, these activities are not currently carried out by the Association.

The Financial Sector Professional licence was granted by the Ministry of Finance on 17 October 2014 under reference 54/14.

1.4. Significant events

At the end of 2019, the Association launched a project to set up an online platform for collecting the information needed to open an account, identification via video conferencing and qualified digital signature of account opening documents. This project is currently a priority. The application for approval has been submitted to the regulator, and a positive response has been received. The final technical aspects are currently being finalized, and production start-up is scheduled for June 2022.

2. Governance and Organisation of the Risk Management Function

2.1. Governance and Organisation

The Association's risk management process and associated governance structure are designed to ensure that there is an effective process and a clear organizational structure with well-defined responsibilities to identify, manage and monitor risk.

Board of Directors

The Board of Directors has the ultimate responsibility for limiting and monitoring the Association's risk exposure. The Board is responsible for determining the nature and extent of the risks it is willing to take in order to achieve its strategic objectives. Each Business Area is responsible for managing the risks within its operations, which includes identification, control, mitigating actions and reporting.

The mandate and the composition of the Board of Directors (BOD) are defined in paragraph 8.2.1 to 8.2.8 of the articles of incorporation. The internal regulation lays out the rules of operation of the BOD. The BOD is composed of 8 members (a majority of non-executives of the Association) elected by the General Assembly for a period not exceeding 2 years, renewable.

The Board's central role is to create and deliver value by effectively governing the Association's business, while meeting the interests of shareholders and other stakeholders through transparent reporting and active engagement. Risk is measured and reported according to common principles and policies approved by the Board of Directors, which also decides on policies for credit risk, counterparty credit risk, liquidity risk and operational risk management.

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

The details of expertise and professional experiences of non-independent and non-executive members of the Board of Directors are in the Association annual report available to members on the Association website.

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

Board of Director composition as of 31/12/2021

Position	Name	Number of other directorships
Chairman & non-executive director	Stéphane Argyropoulos	0
Vice-chairman & independent non-executive director	Rita Umeh-Okoyeocha	0
Treasurer & independent non-executive director	Daniel Henquet	0
General secretary & independent non-executive director	Adrienne Hervé	0
Independent non-executive director	Fabrice Andreone	0
Independent non-executive director	Paul Gervis	0
Independent non-executive director	Xavier Roblin	0
Independent non-executive director	Samy Saad Zaghloul	0

The Board met 7 times in 2021.

In accordance with Article 8.2.4. of the Articles of Association, it sets the general and strategic guidelines for the Association's various policies and guiding principles, and ensures the smooth running of its business.

Authorised Management

The Authorised Management implements in writing all decisions taken in accordance with the strategies and leading principles laid down by the Board of Directors as well as current laws and regulations. Decisions are taken to preserve the Association's long-term financial interests, its solvency and the liquidity situation. The Authorised Managerment is permanently present on site. The Authorised Management is in charge of the daily management and report regularly to the BOD. They act as managers ensuring that the four-eyes principle is applied and to ensure internal control of the Association's operations. Management is required also to strengthen the risk culture within the company and embeds all aspects of the Risk Appetite Statement having regard for the need to improve internal control and minimise risk within the business.

Authorised Management composition as of 31/12/2021

Position	Name	Number of other directorships
Managing Director	Muammer Kardelen	0
Director - Operations	Nicolas Horlait	0

The Managing Director is authorised by the CSSF and is responsible for the daily management at the Association. With the approval of the CSSF, the Association's Managing Director also acts as Chief Risk Officer. This implies that he is in charge of the internal Risk Control function.

Authorised Management is in charge of the preparation and maintenance of the Risk Management reports. They are reviewed on an annual basis. This frequency is subject to review should the risk profile of the Association change.

2.2. Risk Management Function

2.2.1. Risk structure

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

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

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

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

Through this model, the Association aims for an efficient, sound and prudent management of its activities and risks. These three lines of defense are complementary and each assumes its control responsibilities independently from the other lines.

2.2.2. Control functions

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

- Risk function
- Compliance function
- Internal Audit function

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

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

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

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

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

2.2.3. Risk management function

The responsibility of the Risk Management function, under the supervision of the Chief Risk Officer, is to monitor the overall risk profile of the Association and the respect of the Risk Appetite Statement defined by the Board. The General Manager assumes the function of Chief Risk Officer. The CRO also has a dotted reporting line to Board of Directors.

The risk management function also benefits from further resource capabilities and expertise from regular technical assistance from external consultants, notably in relation to operational tasks for information security risk management activities and ad-hoc technical support for the implementation of forthcoming local regulations.

The Association's Risk Management Policy laid down by the Board of Directors and most recently reviewed on 15 December 2022 defines the risk exposures and limits of the Association. Both financial and reputational risk levels have been defined in this document. There is no estimate of the financial impact of each reputational risk level, neither of the required effort to re-establish confidence should a reputational risk event materialise.

The term financial risk within the scope of investments made by the Association consists of risk of financial losses related to:

1. Market risk introduced by changes to interest- and exchange rates;
2. Sovereign and corporate obligations represent counterparty risk;
3. Liquidity risk, which is the risk of being able to meet short term financial demands. This may be due to the inability to convert a security or asset to cash without a loss of capital and/or income.
4. Investments in multiple currencies through placements in cash, obligations and investment funds.
5. The Association's credit risk is limited to the funds deposited with its main banks as the Association does not lend money to members or employees;
6. The Association is exposed to Counterparty and Exchange rate risk through deposit holdings on omnibus accounts, and this in several currencies (AUD, CAD, CHF, DKK, GBP, EUR and USD) and bank accounts in credit institutions residing in Luxembourg and abroad (Australia, Canada, Germany, Austria, Spain, The Netherlands, Belgium, France, and Switzerland).

Reputational risk is the risk of loss resulting from damages to a firm's reputation, measured in lost revenue, in increased operating, capital or regulatory costs, or in destruction of shareholder value, consequent to an adverse or potentially criminal event - even if the Association is not found guilty.

The risk management function at the Association addresses the following types of risk:

i. Financial risks incurred through members' savings and investments made through their AMFIE member accounts;
ii. Financial risks embedded in AMFIE's Treasury portfolio management;
iii. Operational and execution risks within the Association's administrative operations;
iv. Reputational risk introduced by the above-mentioned areas of risk.

<u>Risk Control Function</u>

The Risk function is an integral part of the Association's control framework. In addition to the regulatory obligations, the Risk function assists the Managing Director and the Board of Directors in the following:

- Promoting proactive management and early identification of risk;
- Avoiding unnecessary risk exposures;
- Overseeing the inventory of operational procedures & controls, and ensure regular review of risk management of these;
- Leading the preparation of a Business Continuity Management system;
- Managing the Incident Management system;
- Preparing regular reporting related to Risk Management, the development and maintenance of the risk control methods and principles of the Association;

Compliance Function

The Chief Compliance Officer is designated by the Authorised Management on the basis of objective criteria, and afterwards this decision is validated by the Board of Directors.

The Compliance Function is in charge of the management of the risks of non-conformity towards laws, regulations and professional standards. It also performs anti-money laundering verifications. It contributes, as an integral part of the internal controls of the second line of defense, to the correct implementation of the rules of conduct applicable to the Financial sector by the Association. Additionally, its contribution to the functioning of the Association improves the quality of the service to the Members and the control of the risks of non-conformity.

Internal Audit

The Internal Audit function acts at the level of the third line of defense. It provides independent advice on the internal control system and verifies and assesses its proper functioning. Its main objective is to give an assurance on the degree of mastery of the operations and to contribute to added value creation within the Association.

The Board of Directors, in agreement with the Authorised Management, has decided to externalise the Internal Audit function. It is externalised at a certified and adapted Luxembourgish audit firm. The contracts are signed for a period of three years.

2.3. Declaration on the adequacy of risk management arrangements

The Association's risk management organisation is based on the Three Lines of Defence model with a set of adapted and effective internal controls. The Association manages risk data and has systems supporting regulatory reporting and disclosures as well as internal management reporting on a regular or ad hoc basis for the various risk types (credit risk, market risk, liquidity risk, operational risk, and all others).

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

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

3. Capital Management and Regulatory own funds

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

3.1. Capital Management

Capital management and adequacy is performed in an integrated way, seeking to guarantee the Association's solvency and fulfillment of regulatory requirements as detailed in the CRR and CRD IV. It is determined by the strategic objectives and by the risk appetite set by the Board of Directors.

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

The Board of Directors establishes higher Capital Targets (Limits and Thresholds) in order to mitigate the risk of breaching Minimum Capital Requirements.

Tier 1 capital is the core measure of a financial institution's financial strength from a regulator's point of view. It is composed of core capital, which consists primarily of common stock and disclosed reserves (or retained earnings). Credit Risk includes Counterparty Risk according to Basel 2.5 Regulation of 2005. Market Risk concerns Interest rate -, Currency -, and Equity risks.

Capital Targets are intended to ensure the Association remains adequately capitalized under prolonged economic stress conditions. Thresholds function as an early indicator of serious capital adequacy risk. In limited circumstances and for short durations, the Association could operate below the Capital Thresholds. Capital Limits act as outer boundaries that determine the stage at which the Association must assess whether it is still within its risk appetite. The capital position and solvency ratio are frequently reported to the Board of Directors.

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

3.2. Regulatory Own Funds

The Association's strategy is to ensure that an adequate level of own funds is maintained using the profit generated from its business activity. The Association must maintain a sufficient capital buffer to satisfy internal and regulatory limits considering that its internal capital adequacy is reached when the amount, the type and the distribution of internal own funds allow the permanent and effective coverage of risks.

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

Common Equity Tier 1 (« CET 1 ») is composed of subscribed capital, share premiums, reserves and previous years retained earnings. CET 1 includes deductions for immaterial goods amortization.

The Association does not have any Common Equity Tier 2.

At 31/12/2021, The Association's capital amounted to EUR 943,885 (2020: EUR 938,065) divided into 89,386 shares, each fully paid-up. This meets the disclosure of the main features of Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments, as referred in Article 3 of the EU Commission implementing regulation (EU) 1423/2013 prescribes.

Disclosure of capital instruments

In EUR	**31/12/2021**	**31/12/2020**
Common Equity Tier 1 (CET1)		
Paid-up share capital and share premium accounts	943,885	938,065
Regulatory adjustments		
Accumulated other comprehensive income	0	0
Retained earnings and reserves	9,534,657	10,227,021
Profit / (Loss) for the year	381,453	-603,958
(-) Part of interim or year-end profit not eligible	0	0
Total regulatory adjustments to CET1	***9,916,110***	***9,623,063***

Common Equity Tier 1 (CET1) capital	***10,859,995***	**10,561,128**
Additional Tier 1 (T1) capital	0	0
Other transitional adjustments to CET1 Capital	0	0
Deferred tax assets	0	0
Intangible assets	-31,226	-34,532
Total Tier 1 (T1) capital	**10,828,769**	**10,526,596**
Tier 2 (T2) capital	**0**	**0**
Total Capital (CET 1 + T1 + T2)	**10,828,769**	**10,526,926**

The table "Disclosure of nature and amounts of specific items on own funds" (in annex) discloses the nature and amounts of specific items on own funds as prescribed under Article 4 of the EU Commission implementing Regulation (EU) 1423/2013.

3.3. Capital ratios according to Regulation (EU) n° 575/2013 (CRR)

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

Type of risk methodology used

Credit risk	Standardised approach
Market risk	Standardised approach
Operational risk	Fixed overheads approach

Own funds and capital ratios

In EUR	**31/12/2021**	**31/12/2020**
Own funds		
Common Equity Tier1 (CET1)	**10,828,769**	10,526,926
Tier1 (T1) capital	**10,828,769**	10,526,926
Tier2 (T2) capital	0	0
Total Capital (CET1 + T1+ T2)		
Risk-weighted assets		
Credit Risk	10,691,976	7,744,232
Market risk	0	0
Operational risk	0	1,286,1390
Total Risk-weighted assets	**10,691,976**	**9,030,370**
Capital ratios	0	
Common Equity Tier1 ratio (as a percentage of total risk exposure amount)	101,28%	116,57%
Tier1 ratio (as a percentage of total risk exposure amount)	101,28%	116,57%
Total Capital ratio (as a percentage of total risk exposure amount)	101,28%	116,57%

3.4. Capital ratios according to IFD IFR

On the basis of its activities, the Company is now subject to the requirements of "class 2" investment companies according to IFD/IFR. As a result, the calculation methods for the prudential ratios for "class 2" IEs are described in EU Regulation 2019/2033, EU Directive 2019/2034 and CSSF Circular 21/784.

The capital adequacy ratio is defined to ensure that the Company has adequate capital to cover the credit risk, dilution risk, operational risk, foreign exchange risk, commodity price risk and trading book risk incurred. The Company is required to have sufficient capital at all times to cover their overall capital requirement on an individual basis and where appropriate on a consolidated basis.

The denominator is composed of the maximum (highest) of the following elements representing the overall capital requirements:

- Capital requirements in terms of overheads;

- Capital requirements in terms of K factors relating to customers ("Risk-to-Customer", or RtC), the market ("Risk-to-Market", or RtM), and the Company ("Risk-to-Firm", or RtF);
- The minimum capital requirement.

At 31 December 2021, the Company's capital requirements are as follows (IF 02.1):

In EUR	**31/12/2021**
Permanent minimum capital requirement	150,000
Fixed overhead requirement	650,480
Total K-Factor Requirement	581,274
Own Fund requirement	**650,480**

At 31 December 2021, the requirements in terms of overheads as set out in table IF 02.01 above are calculated as follows (IF 03.00):

In EUR	**31/12/2021**
Annual Fixed Overheads of the previous year after distribution of profits	0,00
Total expenses of the previous year after distribution of profits	2 940 890,00
(-) Total deductions	-338 971,41
Fixed Overhead Requirement	**650,480**

At 31 December 2021, the requirements in terms of K factors as set out in table IF 02.01 above are calculated as follows (IF 04.00):

In EUR	**Factor Amount**	**K-factor requirement**
TOTAL K-FACTOR REQUIREMENT		
Risk to client		**581,274**
Assets under management		
Client money held - Segregated	118,639,308	474,557
Client money held - Non - segregated		
Assets safeguarded and administered	266,668,640	106,667
Client orders handled - Cash trades	48,906	49
Client orders handled - Derivatives Trades		
Risk to market	**0**	**0**
K-Net positions risk requirement		
Clearing margin given		
Risk to firm	**0**	**0**
Trading counterparty default		
Daily trading flow - Cash trades		
Daily trading flow - Derivative trades		
K-Concentration risk requirement		
TOTAL K-FACTOR REQUIREMENT		**581,274**

As defined by Article 9 of IFR, the Company must meet the following capital requirements at all times:

- a Tier 1 capital ratio of at least 56%;
- a Tier 1 capital ratio of at least 75%;
- a total capital ratio of at least 100%.

At 31 December 2021, the Company's capital ratios are calculated as follows (IF 02.02):

In EUR	**31/12/2021**
CET 1 Ratio	16.6474
Surplus (+)/ Deficit (-) of CET1 Capital	10,464,500
Tier 1 Ratio	16.6474
Surplus (+)/ Deficit (-) of Tier 1 Capital	10,340,909
Own funds ratio	16.6474
Surplus (+)/ Deficit (-) of Total capital	10,178,289

4. Capital Adequacy

4.1. Capital Adequacy according to the Pillar Plus approach

The current regulatory framework for capital requirements is articulated around the below pillars:

- Pillar I sets the minimum capital requirement for credit, market and operational risk. The aim is to make the regulatory requirements more sensitive to the risks actually incurred by financial institutions in carrying out their business activities.
- Pillar II establishes a system of supervisory review, aimed at improving financial institutions' internal risk management and capital adequacy self-assessment in line with their risk profile.

The Association reviews the adequacy of its capital in detail through the Internal Capital Adequacy Assessment Process (ICAAP). This process requires the Association to look in detail at the risks it faces and stresses the amount and quality of capital the Association has against these risks. Should the Authorised Management of the Association determine that an increased amount of capital is required in order to meet perceived risks, then an additional capital requirement would be added (Pillar Plus approach).

The Pillar plus approach include a quantification of risks identified under Pillar 2 that are added to the Pillar 1 calculations. The table below presents Pillar 1 and Pillar 2 capital requirements as defined above and according to CSSF circular 07/301, Annex Point I.2.

Total capital requirements, capital buffers as of 31/12/2021

Total own funds as of 31/12/2021		**10,828,769**

Risk Category		Total capital allocated
Pillar I		
Own funds requirements under IFD-IFR		650,480
Total Pillar I requirement		**650,480**
Pillar I capital surplus		10,178,289

Pillar II add-on		
Combined Capital Buffers		
Add-on	Market risk	6,250,000
Add-on	Operational risk	200,000
		0
Total Combined Capital Buffer		**6,450,000**

Total Internal Capital Requirement	7,100,480
Internal Capital Surplus	3,728,289
Solvency Ratio	1.53

4.2. Countercyclical capital buffer (CCyB)

Small and medium-sized investment firms are exempt from the capital conservation buffer and countercyclical capital buffer requirements, as laid out in CSSF regulation 15-02. As the Association qualifies as a "small and medium-sized investment firm", it does not have to apply this buffer.

5. Credit and counterparty risks

5.1. Overview

Credit risk is the risk of default on a debt that may arise from a borrower failing to make required payments. The risk is that of the lender and includes lost principal and interest, disruption to cash flows, and increased collection costs.

Credit risk is applied to all assets: deposits with financial institutions (risk weight varies according to credit rating assigned by a nominated external credit assessment institution), loan to members and to other balance sheet assets (risk weighted at 100%).

Counterparty risk is the risk to each party of a contract that the counterparty will not live up to its contractual obligations. In most financial contracts, counterparty risk is also known as "default risk".

The Association itself has a material credit risk exposure through its cash deposits with financial institutions in Luxembourg and through its investment in Luxembourg sovereign debt and investment funds. The Association has no exposure towards its members as it does not extend loans to them. Members' assets are kept in segregated accounts that are off-balance sheet and therefore do not impact the Association's credit risk.

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

The Association's assets which mainly consists of its own funds can only be deposited in Luxembourg banks rated investment grade.

5.2. Credit exposure types breakdowns

Credit risk represents the Association's largest regulatory capital requirement. It is mainly derived from cash and credit exposure towards third party banks (treasury placements). The Association has also some investments in sovereign debt and investment funds. The Association uses the standardised approach for credit risk when calculating the pillar 1 requirements. The Association does not currently perform lending operations and is therefore not exposed to credit risk linked to lending to members.

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

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

In EUR	Risk Weighted Exposure (Standardised approach)	Capital requirement	% of total capital requirements
Central government	994,378	79,550	9%
Institutions	174,715	13,977	2%
Claims in the form of CIU	3,057,673	244,614	29%
Other items	6,465,210	517,217	60%
Total (Standardised Approach)	10,691,976	855,358	100%

Credit Risk Exposure by geographic distribution as 31/12/2021

In EUR	Luxembourg	Other	Total
Central government	994,378	0	994,378
Institutions	873,574	0	873,574
Claims in the form of CIU	3,057,673	0	3,057,673
Other items	6,465,210	0	6,465,210
Total (Standardised Approach)	11,390,835	0	11,390,835

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

In EUR	0-3 months	3-12 months	1 to 5 years	>5 years	Unspecified	Total
Central government			994,378			994,378
Institutions	873,574					873,574
Claims in the form of CIU					3,057,673	3,057,673
Other items	4,390,336				2,074,874	6,465,210

Total (Standardised Approach)	5,263,910		997,378		5,132,547	11,390,835

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

5.3. Member's assets (off-balance sheet items)

The Association has established omnibus accounts with Luxembourg and international financial institutions. The accounts are held in European currencies (CHF, DKK, EUR, and GBP) as well as AUD, CAD and USD. Members deposit their assets in the Association's Omnibus accounts in any of the currencies offered, and this from anywhere in the world. Fund deposits in accounts abroad are repatriated to Luxembourg bank accounts within 48 hours. Off-Balance liquidities are exclusively kept in different financial institutions based in Luxembourg. As Member's assets are completely segregated from the Association's assets, the linked counterparty risk is not included in the credit risk exposure of the Association. Liquidities deposited in the Association's Luxembourg omnibus accounts are covered by the Fonds de garantie des dépôts Luxembourg (FGDL) for 100,000 EUR per member and per bank.

5.4. Risk management objectives and policies

Mitigation of credit risk towards financial institutions

The Association deposits funds almost exclusively with the main Luxembourg banks. The Association itself has accounts with Société Générale Bank & Trust and Banque Internationale à Luxembourg. Member's liquidities are deposited with the same two banks and also with Banque de Luxembourg and ING Luxembourg.

The CSSF expects the Association to keep its assets and those of its members in Luxembourg banks. Minimal operational amounts are kept in its accounts in banks outside of Luxembourg.

The risk of loss due to the bankruptcy of any of its financial counterparties is deemed low.

6. Market risk: Interest Rate-, Currency- and Equity exposure risks

6.1. Overview

According to Basel II, market risk defines this risk as the risk of losses in On- and Off-Balance sheet positions arising from movements in values of, or income from, assets or in interest or exchange rates. The Association has no trading activities and has no securitization.

The Association has defined two sub-categories of market risk resulting from commercial activity:

Type	Concerns	Adverse circumstance
1. Interest rate risk	Association	Insufficient revenues generated from the off-balance sheet assets due to adverse interest rate conditions.
	Off-Balance sheet	Interests earned on Omnibus accounts lower than interests offered to members. Portfolio value as bond prices go down when interest rates go up. Valuation variation of bond funds may generate unrealised losses in the portfolio that would need to be accounted for at Association level.
2. Currency risk	Association	None, no currency positions
	Off-balance sheet	Profit of funds on foreign exchange accounts going down in parallel with the EUR exchange rate.

Notes on market risk:

1. The Association offers its members favourable interest rates on current and savings accounts in the major currencies. The interest rate is decided up-front on a quarterly basis. Since the economy is currently going through an exceptionally long period of historically low interest rates, there is less risk to experience even lower interest rates in the upcoming years. Exposure to interest rate risk is when the market interest rates go down. Interests paid on member accounts are paid out from profit from investments of member deposits in term placements that pay higher interests. The risk would be that interests earned on bank accounts and investments are lower than the interest offered to members, and the latter would then have to be adjusted downwards. For the Association, that risk is currently mitigated. The investment portfolio generates sufficient revenues and has a short enough duration allowing the Association to reinvest at better rates when rates will start going up, while ensuring that all costs are covered in the coming years.
2. Market risk has been evaluated, but not included in the calculation of R.W.A. as it concerns off-balance items only and outside events would not affect the Association. Off-Balance sheet investments are potentially exposed to both Interest rate and Currency risks. One element still needs to be taken into account as it may impact the Association's accounts. The fund portfolio is marked to market and as such may negatively impact the results of the Association, like in 2018. Due to the increase in size of the fund positions, it becomes therefore necessary to take this element into consideration and to add an additional capital buffer. Due to the very conservative profiles of the funds invested in, it was decided that a buffer of 5% of the value of the funds in the portfolio (EUR 125 million) was very conservative and sufficient. It should be noted that the Association is under no obligation to cover those potential unrealised losses as they would be covered under the discretionary management mandate and could in the end have to be covered by members' assets.

It has been considered prudent to add an additional capital buffer of EUR 6,250,000 for the market risks in the framework of the Pillar plus approach to cover potential unrealised losses in the fund portfolio. However, no currency risk exists and interest rate risk is minimal in the medium term.

6.2. Risk management objectives and policies

Currency (FX) risk

The Association does not engage in FX transactions with market risk exposures for its own account. The Association does not hold foreign currencies in its balance sheet. The Association is therefore not exposed to any currency risk. Members' assets (off-balance sheet) are kept in the members' chosen currencies. There is therefore no currency risk on Members' assets.

Interest rate risk

The Association is not exposed to significant interest rate risk on its own funds. The treasury function makes risk-balance decisions when taking treasury decisions that materially impacts its exposure.

7. Operational Risk

7.1. Overview

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

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

According to Circular 13/575, investment firms that are authorized to offer one or several investment services and that are authorized to offer the auxiliary service 1 fall within the scope of the CRR and the ITS on

Supervisory Reporting. Within these investment firms, the CRR distinguishes 3 sub-categories of investment firms that must provide the following information according to the requirements of the ITS on Supervisory Reporting (new reporting “extended COREP”).

The Association is authorized to provide the following investment services: 1, 2, 4 and 5, as well as the following auxiliary services: 1, 4 and 5. It therefore fulfills the conditions of one of the sub-categories identified by the CRR: the one of the entities that are not authorized to provide the investment services 3 and/or 6. It therefore falls under the scope of article 95 (1) of the CRR and must provide information on its own funds and its required capital according article 92 and the first paragraph of article 95 (2) of the CRR.

According to those requirements, the Association has chosen to use the risk exposure amount due to fixed overheads.

The following calculation is made to evaluate the additional risk exposure that may need to be taken into account in the calculation of the total capital ratio:

Additional Risk Exposure Amount due to Fixed Overheads
Based on the latest audited numbers (2020)

Total charges	2,940,892
- fully discretionary staff bonuses	-196,462
- employees' and directors' shares in profits, to the extent that they are fully discretionary	0
- other appropriations of profits and other variable remunerations, to the extent that they are fully discretionary	-133,819
- fees and commissions directly paid related to fees and commissions collected	0
- charges paid to clearing houses and other intermediaries	0
- interests paid to members in connection with their deposits (if charge for AMFIE)	0
- other non-recurring charges	-8,163
- expenditures from taxes	-527
TOTAL	2,601,921
TOTAL x 25%	650,480

The main operational risk for the Association, considering the location of its members, would be external fraud. The most frequent fraud attempts are fraudulent transfer of Members’ funds to external third-party accounts, either through falsified transfer orders or fully-fledged identity thefts. The Association did not suffer any fraudulent transfers over the last three years. It has however been considered prudent to include an additional capital buffer of EUR 200,000 for the operational risk in the framework of the Pillar plus approach.

7.2. Risk management objectives and policies

Operational risk reporting and measurements systems

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

Each department has the primary responsibility to identify, implement and perform efficient controls to mitigate the operational risk on their own processes and the risk for the Association.

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

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

Key operational risk by sub-risk categories

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

- Business Disruptions & Systems failures, including business continuity

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

- Member, Products & Business Practices

Please refer to section compliance risk (9.3).

8. Liquidity Risk

8.1. Overview

Liquidity risk is the risk that an entity may be unable to meet short term financial demands. This usually occurs due to the inability to convert a security or hard asset into cash without a loss of capital and/or income in the process. The Association's liquidity is made up of the following:

Type	Reference	Adverse circumstance
1. Liquidity risk	Association	Insufficient cash to cover operational expenses.
	Off-Balance sheet	Inability to meet short term demands for cash reimbursement from members.
2. Assets side liquidity	Association	Most liquid is Cash on bank accounts = 5.3 mio €, sufficient to cover operational expenses for more than one year, and Least liquid is Tangible assets = 2.1 mio €
	Off-Balance sheet	Most liquid is Cash on bank accounts = 124.2 mio €, 30% of Debt to members = 406.7 mio € Least liquid is Fixed financial assets = 160,7 mio €
3. Liability side liquidity	Association	Tax and Other debt = 435 k€
	Off-balance sheet	Total Debt to members = 407 mio €

Notes on liquidity risk:

1. The Association has cash at disposal on bank accounts to cover its operating expenses;
2. Member assets are managed Off-Balance sheet. Should a run on members' accounts occur, it could become necessary to start selling off financial assets but only when withdrawals surpass 30% of the total assets on member accounts.

The definition "liquidity position" is the difference between the sum of liquid assets and incoming cash flows on one side and outgoing cash flows resulting from commitments on the other side. The liquidity position measured over a defined period defines the measure of the liquidity risk.

8.2. Liquidity requirements according to IFD IFR

The calculation of the liquidity requirement is calculated in accordance with EU Regulation 2019/2033, Directive 2019/2034 and CSSF Circular 21/784.

In EUR	31/12/2021
Liquidity Requirement	**216,827**
Total liquid assets	**4,159,093**
Unencumbered short-term deposits	
Level 1 assets	1,169,122
Qualifying CIU shares/units	2,989,971
Total other eligible financial instruments	

8.3. Risk management objectives and policies

Liquidity positions on-balance and off-balance are monitored by the treasury function and the accounting department. The off-balance sheet liquidity on members' assets is governed by the discretionary mandate signed by the members. It states that 20% to 50% of members' assets must be kept very liquid in very short-term instruments or cash.

Liquidity risk is not part of Pillar I calculation of internal capital at the Association. The Association does not have to calculate the liquidity rations introduced by the CRD IV regulatory framework, the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR).

Considering the high level of liquid funds available at the Association and the high level of liquidities available in off-balance, it has not been considered necessary to add an additional capital buffer for the liquidity risk in the framework of the Pillar plus approach.

9. Other material risks

9.1. Concentration Risk

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

Risk management objectives and policies

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

- On Client Concentration risk

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

- Off-balance Investment Concentration risk

Members' assets must be invested in a diversified as defined in the discretionary mandate. The treasury function monitors daily the composition and evolution of the treasury portfolio and quarterly reports to the Board of Directors.

- Service Provider Concentration risk

The Association reduces this specific concentration risk through robust initial and ongoing due diligence of its sub-contractors, and ongoing oversight monitoring.

9.2. Execution Error Risk

The Association operates an order transmission service for the Keytrade investment accounts members may open should they want to directly invest in securities. The good execution of transactions is under the responsibility of Keytrade. The Association is only exposed to a possible error made in the transmission of the members' instructions to Keytrade. This is a limited activity with low volumes. In 2021, less than 400 transactions were processed and no material errors were identified.

9.3. Compliance Risk

Compliance risk is defined as the risk of legal or regulatory sanctions, material financial loss or loss of reputation that the Association may suffer as a result of its failure to comply with laws, including the spirit of the law, regulations, and generally accepted practices and standards. Legal compliance ensures that the Association and its employees are abiding by the laws and regulations of the financial sector. Common compliance risks involve illegal practices and include fraud, theft, bribery, money laundering and corruption.

Risk management objectives and policies

The Compliance department is accountable for identifying, assessing, monitoring and reporting on whether the Association complies with applicable laws, regulations and internal requirements. It also monitors the respect of internal rules such as policies and procedures in place.

The Compliance department has notably to identify possible money laundering, terrorism financing, customer tax evasion and market abuse.

The Compliance function of the Association is headed by the Chief Compliance Officer (CCO), under the supervision of the authorised director in charge of Compliance.

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

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

9.4. Reputational Risk

Reputational risk is defined as the current or prospective risk to earnings and capital arising from an adverse perception of financial institutions on the part of existing and potential transactional stakeholders, i.e. clients, trading counterparties, employees, suppliers, regulators/governmental bodies, and investors.

Risk management objectives and policies

The risk of reputational damage arises from a variety of sources with the potential to cause direct damage to the Association. The Association uses various risk management strategies to mitigate the associated risks. However it remains that is extremely difficult to quantify reputational risks.

9.5. Strategic/Business Risk

The Association is based in Luxembourg where the financial sector is the largest contributor to the economy. The success of the financial centre is founded on the social and political stability of the Grand Duchy and on a modern legal and regulatory framework that is continuously updated, inspired by regular consultation between the government, the legislator and the private sector. The Luxembourg financial centre is characterised by a strong culture of investor protection and rigorous anti money-laundering policies.

The Associations' business model is based on members being officials from public institutions worldwide and a conservative investment policy of members' savings.

With the two above factors, in addition to well-documented business goals, the Association is likely to continue its business model. Events that may have impact on future results are:

- A high number of members withdrawing their membership and assets managed by the Association;
- A substantial reduction in the net profit coming from the investment management of members' assets, with the consequence of transferring lower net profit to the Association, potentially insufficient to cover its operational cost. The current staff number (19 persons in 2021) is the minimum number to cover operational and regulatory compliance.

None of these risks is considered very likely in the near future as the Association business model is considered sound. The Association has a considerable margin for progression as its coverage of the target segment is still quite low.

9.6. Macroeconomic Risk

As covered under strategic risk, the Association is based in Luxembourg in order to benefit from the strength and safety provided by the social and political stability of the Grand Duchy and its modern legal and regulatory framework. This is the cornerstone of the Association's strategy which is to offer a safe haven for the funds of its members, regardless of where they may be located on the planet.

Any significant change to that framework that would lessen the protection that members benefit from could be considered as a major risk to the Association. Additionally, in order for that risk to fully materialize, a concurrent offer to the Association that could potentially be more attractive would need to appear elsewhere in the world. Such a risk is very unlikely at this point in time, and would be very difficult to quantify.

10. Remuneration disclosures

10.1. Governance

In line with the regulatory requirements of CRD IV, the Association has implemented a remuneration policy promoting a sound and effective management of risks. The remuneration policy is based on the following main principles:

- Alignment of personal objectives with the long-term objectives of the Association;
- Evaluation of the employees' individual performance in a yearly and multi-year framework using financial and non-financial criteria;
- A fair balance between the fixed and variable components of the remuneration;
- Competitive remunerations compared to the market while taking into account the results of the Association.

The remuneration policy has been established and approved by the Board of Director, in collaboration with the Compliance and Risk Control functions, as well as the Human Resources department.

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

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

However, in line with best practice, remuneration oversight is undertaken by the Association's Board of Directors.

The general principles of the policy are applicable to all the employees. The detailed requirements on the variable component of the remuneration are only applicable to the category of personnel having a material impact on the risk profile of the Association ("Identified Staff"). Currently, within the Association, have been identified as such persons the Authorised Directors and the Chief Compliance Officer.

The remuneration of all employees is composed of two elements: a fixed component, which is the annual fixed salary and a variable component, which is the annual bonus that is dependent on certain performance criteria and on the financial performance of the Association.

In all instances, the variable component of the remuneration is linked to the evolution and the performance of the Association in the sense that insufficient financial results may render the attribution of a bonus impossible. A variable component will be granted only if its amount is financially viable for the Association.

Non-identified staff

The Authorised Management defines the remunerations of the staff members, in line with the guidance given by the Board of Directors and in conformity with legal requirements. In addition to the fixed component of the remuneration, staff members may receive a bonus that may not exceed 25% of the fixed component. This variable component is at the discretion of the Authorised management. These employees do not have a significant impact on the risk profile of the Association.

Board of Directors

Regarding the Board of Directors, while their activity does have a material impact on the risk profile of the Association, they are not employees of the Association. Additionally, Board members do not receive a variable remuneration and therefore the requirements on variable remunerations do not apply.

The members of the Board of Directors are volunteers and, by default, are not paid for the work done within their respective mandates. However, travel and representative expenses incurred as part of their work for the Association are reimbursed. Board members spending a significant amount of time to the execution of the missions of their function on the Board may receive a fixed compensation, as well as Board members having been charged with a specific mission requiring a regular, significant and important workload.

Compensation paid to the members of the Board is subject to approval by the General Assembly and is subject to a note in the annual accounts of the Association.

Identified Staff

For the members of the Authorised management, the fixed component represents a sufficiently important part of the total remuneration so that their commitment is not linked to their bonus. Their remunerations are defined in their contract and is coherent with their powers, tasks, expertise and responsibilities.

In addition to the fixed remunerations, they may receive a bonus, at the discretion of the Board of Directors. The attribution of this variable remuneration takes into account the adequation between the remunerations, the economic situation and the long-term growth of the Association. The variable component of the remuneration may never exceed 50% of the total fixed component of the remuneration of each person.

Particular attention is paid so that these bonuses do not exclusively depend on financial and commercial aspects, but also from qualitative criteria. To that effect a list of performance indicators for the evaluation of the performance of the Authorised Management has been defined by the Board of Directors.

In order to guarantee the independence of the control functions, in this case the Chief Compliance Officer, who have control authority on the operations of the Association, the analysis of the performance of this employee is based on objectives linked to the control function and not the financial performance of the Association. However, the variable component is still dependent of the global performance of the Association, meaning that in order to allocate a bonus, the Association must have the financial resources available in order to do so. This variable component may not exceed 25% of the fixed component and is supervised by the Board of Directors. A list of performance indicators for the evaluation of the performance of the Chief Compliance Officer has been defined by the Board of Directors.

10.2. Remuneration Plan Design and Disclosures

Fixed Remuneration

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

- Salary
- Car allowance
- Occupational pension scheme

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

Variable Remuneration

In addition to fixed remuneration, the Association also provides variable remuneration to all its employees. Each individual can be entitled to a bonus which is linked to the performance of the individual during the year. The total amount available for distribution is defined by the Board of Directors and is dependent on the Association's overall performance.

Ratios between fixed and variable remuneration

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

Minimum and maximum variable remuneration for Identified Staff

Identified Staff	Minimum Payout (as % of basic salary)	Maximum Payout (as % of basic salary)	Maximum Payout (as % of total remuneration)
Authorised Directors	0%	50%	25%
Chief Compliance Officer	0%	25%	12.5%

The following table summarises the total remuneration awarded to Identified Staff employed by the Association in respect of the performance year ending December 31, 2021. Due to the size of the Identified

Staff population, and data protection issues, we are not differentiating between Authorised Managers and other Identified Staff.

Aggregate remuneration

	Total
Number of Identified Staff	3
Remuneration (in EUR th.)	499

Other elements

To align with regulatory requirements and good governance principles, the Association will only provide guaranteed remuneration in exceptional circumstances when hiring new staff and, where offered, the guarantee will not extend beyond 12 months from the date of hire. Such guaranteed remuneration as never been granted as of now.

The Association's Board of Directors will review all guarantees and exceptional awards. The guarantees and the exceptional awards will only be paid in accordance with applicable regulations.

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

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

11. Annex

Disclosure of nature and amounts of specific items on own funds

		Amount at disclosure date in EUR
Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	Capital instruments and the related share premium accounts 32,000,000	943,885
	of which: instrument type 1	
	of which: instrument type 2	
	of which: instrument type 3	
2	Retained earnings	9,047,380
3	Accumulated other comprehensive income (and other reserves)	487,277
3a	Funds for general banking risk	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	
5	Minority interests (amount allowed in consolidated CET1)	
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	381,453
6	**Common equity tier 1 capital before regulatory adjustments**	**10,859,995**
Common equity tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	
8	Intangible assets (net of related deferred tax liability) (negative amount)	31,226
9	Empty set in the EU	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability) (negative amount)	
11	Fair value reserves related to gains or losses on cash flow hedges	
12	Negative amounts resulting from the calculation of expected loss amounts	
13	Any increase in equity that results from securitised assets (negative amount)	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	
15	Defined-benefit pension fund assets (negative amount)	
16	Direct and indirect holdings of own CET1 instruments (negative amount)	
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	
20	Empty set in the EU	
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	
20b	of which: qualifying holdings outside the financial sector (negative amount)	
20c	of which: securitisation positions (negative amount)	
20d	of which: free deliveries (negative amount)	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	
22	Amount exceeding the 15% threshold (negative amount)	
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	
24	Empty set in the EU	

25	of which: deferred tax assets arising from temporary differences	
25a	Losses for the current financial year (negative amount)	
25b	Foreseeable tax charges relating to CET1 items (negative amount)	
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**31,226**
29	**Common Equity Tier 1 (CET1) capital**	**10,828,769**
	Additional Tier 1 (AT1) capital: instruments	
30	Capital instruments and the related share premium accounts	
31	of which: classified as equity under applicable accounting standards	
32	of which: classified as liabilities under applicable accounting standards	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	
35	of which: instruments issued by subsidiaries subject to phase out	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**0**
	Additional Tier 1 (AT1) capital: regulatory adjustments	
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant invest-ment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	
41	Empty set in the EU	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**0**
44	**Additional Tier 1 (AT1) capital**	**0**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**10,828,769**
	Tier 2 (T2) capital: instruments and provisions	
46	Capital instruments and the related share premium accounts	
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase-out from T2	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	
49	of which: instruments issued by subsidiaries subject to phase-out	
50	Credit risk adjustments	
51	**Tier 2 (T2) capital before regulatory adjustments**	**0**
	Tier 2 (T2) capital: regulatory adjustments	
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a signif-icant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	

55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	
56	Empty set in the EU	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**0**
58	**Tier 2 (T2) capital before regulatory adjustments**	**0**
59	**Total capital (TC = T1 + T2)**	**10,828,769**
60	**Total risk weighted assets**	**10,691,976**
Capital Ratios and buffers		
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	101.28%
62	Tier 1 (as a percentage of total risk exposure amount)	101.28%
63	Total capital (as a percentage of total risk exposure amount)	101.28%
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)	7.00%
65	of which: capital conservation buffer requirement	2.50%
66	of which: countercyclical buffer requirement	
67	of which: systemic risk buffer requirement	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	94,28%
Amounts below the thresholds for deduction (before risk weighting)		
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant invest-ment in those entities (amount below 10% threshold and net of eligible short positions)	
74	Empty set in the EU	
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	
Applicable caps on the inclusion of provisions in Tier 2		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings -based approach	
80	- Current cap on CET1 instruments subject to phase out arrangements	
81	- Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	
82	- Current cap on AT1 instruments subject to phase out arrangements	
83	- Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	
84	- Current cap on T2 instruments subject to phase out arrangements	
85	- Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	