SMBC SMBC NIKKO

SMBC Nikko Bank (Luxembourg) S.A.

Disclosure Report of SMBC Nikko Bank (Luxembourg) S.A. for the period from 1 April 2022 to 31 March 2023 (the “Period”) according to Part eight of the EU Regulation n°575/2013 (CRR) as amended by EU Regulation 2019/876.

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1 Introduction

The purpose of this disclosure report is to provide the information in accordance with Part Eight "disclosure by credit institutions" of the EU Regulation 575/2013 (the "CRR") as amended by EU Regulation 2019/876.

The EU Regulations N°575/2013, EU Regulation 2019/876 and N°680/2014 as amended define capital ratios pursuant to article 56 of the law of 5 April 1993 as amended, on the financial sector. CRDIV/CRR enlarges and reinforces the scope of the banking sector supervision implemented by the Basel II Pillars I, II & III framework.

SMBC Nikko Bank (Luxembourg) S.A. ("SNBL" or "the Bank"), formerly named Nikko Bank (Luxembourg) S.A., was incorporated in Luxembourg in February 1974 for a period of 30 years. The duration of the Bank has been extended by notary deed for a new period of ten years starting on 14 February 2004 and later on, in July 2006, the duration of the Bank has been changed again and is now formed for an unlimited period.

The object of the Bank is the undertaking for its own account as well as for the account of third parties, either within or outside the Grand Duchy of Luxembourg, of any Banking or financial operations as well as other operations, which directly or indirectly relate to the main object described here below:

- Fund accounting and administration services;
- Global custody services;
- Transfer agency and registrar agent services;
- Investment fund depository services; and
- Paying agency services.

Today, the main activities of the Bank are fund administration and custody services.

SNBL does not have any branches, representative offices, foreign subsidiaries, direct banking and call centre operations in the operating networks.

As part of a Group restructuration process[1], SNBL's full ownership in SMBC Nikko Investment Fund Management Company S.A. ("SNIF" or the "Company"), whose purpose is the management of investment vehicles was transferred to SNS on 10 February 2023.

Within SMBC group, SNBL's core business of fund administration and custody services continues to play a key role in the group's Japanese offshore investment fund product offering. For additional information on SNBL results, please refer to the annual financial statements available on SNBL's website: www.smbcnikko-lu.com.

SNBL did not use the ability to omit one or more of the required disclosures under this report as provided under Part Eight of the EU Regulation 575/2013 as amended by EU Regulation 2019/876.

[1] Following the ownership restructuration of three SMBC Group entities in EMEA in scope of the CRD V Regulation on Intermediate Parent Undertakings ("IPU"), the Bank is a wholly owned subsidiary of SMBC Bank EU AG ("SMBC EU" or the "Parent Company"), effective since the finalization of the transfer of SNBL shares from SMBC Nikko Securities Inc.("SNS") to SMBC EU on 30 May 2023. SMBC EU had previously filed for a qualifying holding assessment in order to acquire 100% of SNBL shares with the CSSF and the European Central Bank.

SMBC EU was previously established in 2018, notably as a response to Brexit, to serve as SMBC´s banking hub in the European Economic Area. SMBC EU merged with SMBC Nikko Capital Markets Europe GmbH ("CM FRA") on 25 April 2022. The rationale of the merger was i) the creation of a Universal Banking model for SMBC in the European Economic Area (integrated Corporate and Investment Bank) ii) the streamlining and simplification of the institutional set up of SMBC in EMEA.

Within Sumitomo Mitsui Financial Group ("SMFG"), SMBC EU is wholly owned by SMBC, one of the largest commercial banks in Japan

EBA tables and templates

Reference	Name	CRR regulation	Disclosure
EU OV1	Overview of RWAs	Article 438 (c) - (f)	5.1.3 Risk Weighted assets
EU CRB-B	Total and average net amount of exposures	Article 442 (c)	5.3.1 Credit risk exposure
EU CRB-C	Geographical breakdown of exposures	Article 442 (d)	5.3.1 Credit risk exposure
EU CRB-D	Concentration of exposures by industry or counterparty types	Article 442 (e)	5.3.1 Credit risk exposure
EU CRB-E	Maturity of exposures	Article 442 (f)	5.3.1 Credit risk exposure
EU CR1-A	Credit quality of exposures by exposure class and instrument	Article 442 (g)-(f)	5.3.1 Credit risk exposure
EU CR1-B	Credit quality of exposures by industry or counterparty types	Article 442 (g)	5.3.1 Credit risk exposure
EU CR1-C	Credit quality of exposures by geography	Article 442 (g)	5.3.1 Credit risk exposure
EU CR4	Credit risk exposure and CRM effects	Article 453 (f)-(g)	5.3.2 Credit risk mitigation effects
EU CR5	Standardised approach	Article 444 (e)	5.3.2 Credit risk mitigation effects
EU CCR1	Analysis of CCR exposure by approach	Article 439 (e)-(f)	5.3.3 Counterparty credit risk
EU CCR2	CVA capital charge	Article 439 (e)-(f) & (i)	5.3.3 Counterparty credit risk
EU CVA3	The standardised approach for CVA (SA-CVA)	Article 439 (e)-(f)	5.3.3 Counterparty credit risk
EU CVA4	RWA cash flow statements of CVA risk exposures under SA-CVA	Article 439 (e)-(f)	5.3.3 Counterparty credit risk
EU CCR5-A	Impact of netting and collateral held on exposures values	Article 439 (e)	5.3.3 Counterparty credit risk
EU MR1	Market risk under the standardised approach	Article 445	5.4 Market risk
EU LIQ1	Quantitative information of LCR	Article 451a(4)	5.10 Liquidity Risk
EU CR1	Performing and non-performing exposures and related provisions	Article 442 (c & e)	5.3.1 Credit risk exposure
EU CQ1	Credit quality of forborne exposures	Article 442 (c)	5.3.1 Credit risk exposure
EU CQ3	Credit quality of performing and non-performing exposures by past	Article 442 (d)	5.3.1 Credit risk exposure
EU CQ7	Collateral obtained by taking possession and execution processes	Article 442 (c)	5.3.1 Credit risk exposure

2 Governance

In order to achieve a sound and prudent business management, including the underlying risks inherent in them, the Bank establishes internal governance arrangements, which are consistent with the three-lines-of-defence model, in accordance with CSSF Circular 12/552 as amended.

Within SNBL, the Board of Directors (“BoD”) is the highest decision making body, both in strategic but also in risk related matters. The BoD entrust the Authorized Management (“AM”) with the daily management of the Bank.

SNBL structures its internal governance in the spirit of the so-called “three-line of defence” model for risk governance.

- First line: Front office units, responsible for managing risks within the established set of risk appetite framework (“RAF”) targets and limits.
- Second line: Risk Management and Fund Compliance department and the Compliance Function, responsible for the maintenance and development of the risk management and controls framework.
- Third line: Internal Audit function, providing an independent review of the risk management practices and internal control framework.

2.1 Board of Directors

The BoD is responsible for all strategic decisions as well as for defining the strategies and guiding principles of a clear and consistent organizational and operational structure.

With regards to risk management, the BoD is responsible for defining the guidelines and key principles of SNBL’s risk management and entrusts the AM to establish a risk management framework to implement these risk management guidelines and principles. The BoD remains responsible for supervising the proper implementation of these guidelines and principles.

The BoD is responsible for determining the risk tolerance and risk appetite taking into consideration the specificities of SNBL activities and ensuring the effectiveness and comprehensiveness of SNBL’s risk assessment process. This responsibility is materialized by the BoD’s approval of the Internal Capital Adequacy Assessment Process (“ICAAP”), Internal Liquidity Adequacy Assessment Process (“ILAAP”), RAF and any other risk-related strategies and policies.

Regarding capital adequacy, the BoD is responsible for:

- Establishing and approving the key principles for risk management;
- Defining and approving the risk appetite metrics and their respective limits, as part of the RAF scope;
- Assessing and validating SNBL’s capital adequacy in respect of the limits proportionate to SNBL’s risk appetite.

2.2 Authorized Management

As mentioned above, the AM has been assigned with the charge of the effective, sound and prudent day-to-day business and inherent risk management. This management shall be exercised in compliance with the strategies and guiding principles laid down by the BoD.

With regards to risk management, the AM has to ensure the proper development and implementation of the risk management framework within the Bank. Among other responsibilities, the AM is responsible for:

- Developing and implementing internal written policies, procedures and systems for managing risks in accordance with the strategies and guiding principles defined by the BoD;
- Implementing an effective internal control system and providing the necessary mechanisms, technical infrastructures and human resources to ensure the sound and prudent risk management (including liquidity risk);
- Verifying the compliance with the procedures, policies and systems;
- Determining the appropriateness of all risk reports and ensuring a proper communication on the Bank's risk situation to the Risk Committee and the BoD;
- Ensuring that all risks are correctly identified, managed, monitored, reported and every exposure covered, via various risk management processes (i.e. Risk Appetite Statement, ICAAP, ILAAP and Recovery Plan).

2.3 Directorships held by members of the management body

The following tables provide an overview on the number of directorships held by the Board of Directors and Management Committee members of SNBL according to the rules of counting applicable to entities forming part of the same group.

Management Committee	*Number of Directorships*
Marcello De Paola	1
Björn Alexander Senger	1
Akira Shimada	1
Chikara Okubo	0
Board of Directors	*Number of Directorships*
Marcello De Paola	1
Björn Alexander Senger	1
Akira Shimada	1
Mitsutaka Kajiya	1
Giovanni Mancuso	7
Naoki Okubo	1

2.4 Information on the diversity policy

SNBL actively promotes diversity for its staff and its management body in order to promote a diverse pool to achieve a variety of views and experiences and reduce the phenomenon of groupthink and to facilitate independent opinion and constructive challenging in the process of decision-making.

Diversity is part of general framework and incorporated in policies and procedures.

The Bank believes that diversity in its staff is critical to its success and it seeks to recruit, develop and retain the most talented people from a diverse candidate pool, ensuring that the recruitment and selection of all employees will be fair, open and transparent. The Bank is fully committed to equal employment opportunity and compliance with the letter and spirit of the full range of laws regarding fair employment practices and non-discrimination. The Bank promotes a work environment, where diversity is embraced and where all differences are valued and respected.

The Bank is an equal opportunity employer, which means offering equal treatment to all applicants and employees. Each employee has a duty to ensure equal opportunities by not discriminating, either directly or indirectly, on the grounds of sex, sexual orientation, trans-sexuality, ethnic origin, religion, belief, disability, marital status, creed, nationality, national origin, colour and/or age.

3 Risk framework

The Bank defines the risk appetite as the level of risk that the organisation is prepared to accept in the pursuit of its strategic objectives.

SNBL's business strategy is focused on providing fund administration and custody services to investment funds.

SNBL adapts its risk strategy to the size of the Bank and to the degree of complexity of its activities:

- Identification of risks, i.e. the process of identifying all risks for SNBL;
- Assessment of risks, i.e. once the risks are identified they need to be assessed and classified as material risk or non-material risk;
- Measurement of risks, i.e. the process and quantification of the risks;
- Controlling the risks, i.e. how the risks are controlled in the daily operations; and
- Monitoring the risks, i.e. the process and controls that are in place in order to manage the risks.

The following risks were identified and monitored:

- Credit and counterparty risk;
- Concentration risk;
- Country risk;
- Market risk for FX positions;
- Interest rate risk;
- Liquidity risk;
- Operational risk, including the IT risk and the risk linked to outsourced processes as well as risks linked to new / complex activities or products;
- Clearing and settlement risk;
- Legal and reputation risk;
- Compliance risk, risk of fraud included;
- Business risk and strategic risk;
- Climate risk;
- Depositary risk.

According to the principle of proportionality, the Bank has assessed the risks requiring minimum prudential own funds ("Pillar 1"). But also, the risks which are not covered or not fully captured by the minimum prudential own funds requirements which have been subject to a separate assessment and were added to the risks of the first pillar in order to define the overall internal capital requirement ("Pillar 2").

Risk	Key risk measure	31-03-23
Liquidity Risk	Liquidity Coverage Ratio	187.40%
Capital Adequacy Risk	Total Capital Ratio	90.33%
Market Risk	Overall net foreign exchange position	EUR 547.219
Operational Risk	RWA	EUR 50.911.683

4 Declaration of Management

SNBL Management confirms, for the purpose of Article 435 of the CRR, that the Bank's risk management arrangements are adequate with regard to its risk profile and strategy.

The Bank's main strategic objective is its role as administrative agent, transfer agent and custodian Bank for investment funds, which are its main activities.

The Management Committee is aware of the risks resulting from the business model of the Bank and of its potential impact on the realization of strategic goals, considering its responsibilities to stakeholders, including shareholders, clients, employees and supervisory authorities in which it operates.

The Bank has implemented a risk management framework in alignment with the business strategy and resulting risk profile. This framework ensures that sustainable growth of the institution is balanced with an acceptable level of risk. The risk appetite framework sets SNBL's risk management principles. Furthermore, it contains qualitative statements covering all material risk types and specific risk indicators including relevant thresholds corresponding to the Bank's risk tolerance. The risk limits are monitored and controlled regularly.

Throughout FY22, the Bank's risk profile has remained within planned values.

The following table shows the economic capital need as well as the internal capital as of 31 March 2023

Regulatory capital		**175,023,513**
Pillar I	Credit risk	10,999,484
	Credit Value Adjustment	296,084
	Market risk	43,778
	Operational Risk	4,072,935
	Settlement Risk	87,859
	Total	*15,500,139*
Pillar II	IRRBB	8,000,000
	Total	*8,000,000*
Total Pillar I & II		*23,500,139*
Regulatory Capital Ratio		**90.33%**
Pillar II Capital Ratio		**59.58%**

Ratios are above internal thresholds and regulatory threshold (10.5%)

The following table shows the intragroup transactions and exposures

Name of the counterparty	Asset or liability	Purpose and description of the exposure	Gross exposure amount EUR
SUMITOMO MITSUI BANKING CORPORATION	Asset	Interbank nostro account in foreign currency (JPY)	204,846,638
SMBC BRUSSELS Branch	Asset	Interbank term deposit in foreign currency (USD)	8,268,255
SMBC BANK INTERNATIONAL PLC	Asset	Interbank nostro account in EUR	102,350
SMBC BANK INTERNATIONAL PLC	Asset	Accrued interest receivable on margin call deposit in foreign currency (USD)	21,983
SMBC NIKKO SECURITIES INC.	Asset	Current account of Money Market Fund distributor	1,826
SMBC BANK EU AG	Asset	Interbank nostro account in EUR	90
SMBC BANK INTERNATIONAL PLC	Liability	Margin call deposit in foreign currency (USD)	11,731,735
SMBC NIKKO INVESTMENT FUND MANAGEMENT COMPANY S.A.	Liability	SMBC Nikko Investment Fund Management Company S.A current account in EUR	9,969,028

5 Own Funds and capital adequacy

SNBL approach to capital management is driven by its strategic and organisational requirements, taking into account the regulatory, economic and commercial environment.

5.1 Regulatory capital adequacy

5.1.1 Own funds overview

Own funds are calculated pursuant to Art 72 CRR: own funds consist of the sum of Tier 1 capital (Common Equity Tier 1 (CET1) + Additional Tier 1 capital) and Tier 2 capital.

The nature and amounts of prudential filters, deductions, restrictions applied to the calculation of own funds in accordance with Art. 437 of the CRR.

Capital Tier 1 consists of subscribed capital, reserves (profit brought forward included) and accumulated other comprehensive income.

Own funds disclosure		31.03.2023
	Common equity Tier 1 capital : instruments and reserves	
1	Capital instruments and the related share premium accounts	90.154.448
2	Retained earnings	4.341.052
3	Accumulated other comprehensive income (and other reserves)	81.607.881
6	***Common Equity Tier 1 (CET1) capital before regulatory adjustments***	***176.103.382***
	Common equity Tier 1 (CET1) capital : regulatory adjustments	
8	Intangible assets (net of related tax liabilities) (negative amounts)	-1.079.869
28	***Total regulatory adjustments to common equity Tier 1 (CET1)***	***-1.079.869***
29	**Common Equity Tier 1 (CET1) capital**	**175.023.513**
	Additional Tier 1 (AT1) capital : instruments	
36	***Additional Tier 1 (AT1) capital before regulatory adjustments***	**-**
	Additional Tier 1 (AT1) capital : regulatory adjustments	
43	***Total regulatory adjustments to additional Tier 1 (AT1) capital***	**-**
44	**Additional Tier 1 (AT1) capital**	**-**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**175.023.513**
	Tier 2 (T2) capital : instruments and provisions	**-**
51	***Tier 2 (T2) capital before regulatory adjustments***	**-**
	Tier 2 (T2) capital : regulatory adjustments	**-**
57	***Total regulatory adjustments to Tier 2 (T2) capital***	**-**
58	**Tier 2 (T2) capital**	**-**
59	**Total capital (TC = T1 + T2)**	**175.023.513**
60	**Total risk weighted assets**	**193.751.733**
	Capital ratios and buffers	
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	90,33%
62	Tier 1 (as a percentage of risk exposure amount)	90,33%
63	Total capital (as a percentage of risk exposure amount)	90,33%
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92(1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic rick buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	2,51%
65	of which : capital conservation buffer requirement	2,50%
66	of which : countercyclical buffer requirement	0,01%
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	Available Common Equity Tier 1 for the buffers (as a percentage of the risk exposure amount)	87,82%

	Amounts below the thresholds for the deduction (before risk weighting)	
72	Direct and indirect positions of the bank in capital instruments of companies in the financial sector in which the institute holds no significant investment (less than 10% and less eligible sales positions)	-
73	Direct and indirect positions of the bank in instruments of Common Equity Tier 1 of companies in the financial sector in which the institute holds no significant investment (less than 10% and less eligible sales positions)	-
75	Deferred tax assets dependent on future profitability resulting from temporary differences (below the threshold of 10%, less corresponding tax liabilities if the conditions of Art; 38 (3) are met)	-
	Capital caps for the inclusion of valuation allowances in the tier 2 capital	
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)	-

Overall Capital

The Overall capital requirement (OCR) ratio is equal to 11.11%. Which is the sum of Total SREP capital requirement and the combined buffer requirement ratio referred to in point (6) of Article 128 CRD.

5.1.2 Main features of the Capital instruments

	Main features of the capital instruments	31.03.2023
	Capital instruments main features template	**Capital instrument 1**
1	Issuer	SMBC Nikko Bank Luxembourg S.A.
2	Standard identifier	Not applicable
3	Governing law(s) of the instrument	Luxembourgish law
	Regulatory treatment	
4	Transitional CRR rules	CET1
5	Post-transitional CRR rules	CET1
6	Eligible at solo/(sub-)consolidated/solo&(sub-)consolidated	Solo
7	Instrument type	Share capital
8	Amount eligible for regulatory capital	90.154.448
9	Nominal amount of instrument	90.154.448
9a	Issue price	248
9b	Redemption price	Not applicable
10	Accounting classification	Subscribed capital
11	Original issue date	Various
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	Not applicable
16	Later termination dates, if applicable	Not applicable
	Coupons/dividends	***Not applicable***

5.2 Risk Weighted Assets

In accordance with the Article 138(c) to (f) of the CRR, the following table shows Risk Weighted Assets (RWA) and regulatory capital requirements distributed by risk types compared to the previous period on an annual basis.
The capital requirements have been obtained by applying 8% to the corresponding RWA.

Disclosure requirements on overview of RWA		RWA		Minimum capital requirements 31.03.2023 Euro
		31.03.2023 Euro	31.03.2022 Euro	
1	Credit risk (excluding counterparty credit risk)	137.493.549	245.950.565	10.999.484
2	Of which : standardised approach (SA)	137.493.549	245.950.565	10.999.484
3	Of which : foundation internal ratings-based (F-IRB) approach			
4	Of which : supervisory slotting approach			
5	Of which : advanced internal ratings-based (A-IRB) approach			
6	Counterparty credit risk (CCR)			
7	Of which : standardised approach for counterparty credit risk			
8	Of which : IMM			
9	Of which : other CCR			
10	Credit valuation adjustment (CVA)	3.701.048	7.722.949	296.084
11	Equity positions under the simple risk weight approach and the internal model method during the five-year linear phase-in period			
12	Equity investments in funds - look-through approach			
13	Equity investments in funds - mandate-based approach			
14	Equity investments in funds - fall-back approach			
15	Settlement risk	1.098.232	23.131	87.859
16	Securitization exposures in banking book			
17	Of which : securitization IRB approach (SEC-IRBA)			
18	Of which : securitization external ratings-based approach (SEC-ERBA), including internal assessment approach (IAA)			
19	Of which : securitization standardised approach (SEC-SA)			
20	Market risk	547.219	438.840	43.778
21	Of which : standardised approach (SA)	547.219	438.840	43.778
22	Of which : internal model approach (IMA)			
23	Capital charge for switch between trading book and banking book			
24	Operational risk	50.911.684	52.835.668	4.072.935
25	Amounts below the thresholds for deduction (subject to 250% risk weight)			
26	Aggregate capital floor applied			
27	Floor adjustment (before application of transitional cap)			
28	Floor adjustment (after application of transitional cap)			
29	**Total (1 + 6 + 10 + 11 + 12 + 13 + 14 + 15 + 16 + 20 + 23 + 24 + 25 + 28)**	**193.751.733**	**306.971.153**	**15.500.139**

The Risk Weighted Assets is mainly reflected on the credit risk and is linked to the volume of the credit institutions deposits induced by the level of clients' cash balances.

The schedule above provides the own funds requirement to cover the credit risk, market risk, settlement risk, credit valuation adjustment risk and operational risk as at 31 March 2023.

Approaches applied to calculate the own funds requirements are the following:

- Credit risk: standardised approach
- Market risk: standardised approach
- Credit valuation adjustment: standardised approach
- Operational risk: basic indicator approach

Regarding the credit risk, the capital requirements are assigned by exposure classes as defined in the EU regulation N° 575/2013 as amended of the European Parliament and of the Council, namely:

- Exposures to central governments and central banks;
- Exposures to regional governments or local authorities;
- Exposures to public sector entities;
- Exposures to multilateral development banks;
- Exposures to international organizations;
- Exposures to institutions;
- Exposures to corporates;
- Retail exposures;
- Exposures secured by mortgages on immovable property;
- Exposures in default;
- Exposures associated with particularly high risk;
- Exposures in the form of covered bonds;
- Items representing securitization positions;
- Exposures to institutions and corporate with a short-term credit assessment;
- Exposures in the form of units or shares in collective investment undertakings;
- Equity exposures; and
- Other items.

5.3 Leverage ratio

The leverage ratio (LR) was introduced by the Basel Committee to serve as a simple and non-risk-based ratio to complete the existing risk-based capital requirements.

The Basel III leverage ratio is defined as the capital measure divided by the total exposure, with this ratio expressed as a percentage and having to exceed a minimum of 3%.

The capital measure for the leverage ratio is the Tier 1 capital taking account of transitional arrangements. The total exposure corresponds to the sum of the following exposures:

- On-balance sheet exposures;
- Derivatives exposures;
- Securities financing transaction (SFT) exposures; and
- Off-balance sheet (OBS) items.

As of 31 March 2023, SNBL's leverage ratio stood at 26.28%, showing an increase compared to year-end 2022 level of +4.52%. The composition of SNBL's exposure reflects the custodian bank orientation of its business model.

SNBL leverage ratio is depicted as follows:

	Leverage ratio common disclosure template	31.03.2023 Euro	31.03.2022 Euro
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	632.756.327	717.454.037
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework		
3	(Deductions of receivable 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	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Basel III Tier 1 capital)		
6	(Asset amounts deducted in determining Basel III Tier 1 capital and regulatory adjustments)		
7	***Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 and 6)***	***632.756.327***	***717.454.037***
Derivatives exposures			
8	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)		
9	Add-on amounts for potential future exposure associated with all derivatives transactions		
10	(Exempted central counterparty (CCP) leg of client-cleared trade exposures)	33.145.712	79.717.716
11	Adjusted effective notional amount of written credit derivatives		
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)		
13	***Total derivative exposures (sum of rows 8 to 12)***	***33.145.712***	***79.717.716***
Securities financing transaction exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sale accounting transactions		
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)		
16	Counterparty credit risk exposure for SFT assets		
17	Agent transaction exposures		
18	***Total securities financing transaction exposures (sum of the rows 14 to 17)***	***0***	***0***
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount		
20	(Adjustments for conversion to credit equivalent amounts)		
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)		
22	***Off-balance sheet items (sum of rows 19 to 21)***	***0***	***0***
Capital and total exposures			
23	***Tier 1 capital***	**175.023.513**	**173.440.957**
24	***Total exposures (sum of rows 7,13,18 and 22)***	**665.902.039**	**797.171.753**
Leverage ratio			
25	***Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)***	**26,28%**	**21,76%**
25a	Basel III leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	26,28%	21,76%
26	**National minimum leverage ratio requirement**	3%	3%
27	**Applicable leverage buffers**	0	0

5.4 Summary reconciliation of accounting assets and leverage ratio exposures

	Summary comparison of accounting assets vs leverage ratio exposure measure	Applicable values 31.03.2023 Euro
1	Total consolidated assets as per published financial statements	632.756.327
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	
3	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	
4	Adjustments for temporary exemption of central bank reserves (if applicable)	
5	Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	
7	Adjustments for eligible cash pooling transactions	
8	Adjustments for derivatives financial instruments	33.145.712
9	Adjustments for securities financing transactions (ie repurchase agreements and similar secured lending)	
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	
12	Other adjustments	0
13	**Total Leverage ratio exposure measure**	**665.902.039**

The table below shows the breakdown of the total exposure as of March 2023:

Exposures values by classes of exposure		31.03.2023 Euro
	On-balance sheet exposures (SA exposures)	**Off-balance sheet exposures (SA exposures)**
= 0 %	131.900.172	0
> 0 and ≤ 12%	-	0
> 12 and ≤ 20%	489.731.977	0
> 20 and ≤ 50%	17.147.905	0
> 50 and ≤ 75%	13.747	0
> 75 and ≤ 100%	24.538.469	0
> 100 and ≤ 425%	2.569.769	0
> 425 and ≤ 1250%	-	0
Total	**665.902.039**	**0**

5.5 Capital buffers

5.5.1 Countercyclical buffer

As defined in the Art 440 (a) & (b) of the CRR, the table below shows the geographical breakdown of the main credit exposures relevant for the countercyclical capital buffer.

Geographical distribution of credit exposures				31.03.2023 Euro
	Exposures	Own funds requirements	Own funds requirement weights	CCB rates
Australia	331.141	0	0,00	0,00%
Belgium	15.994.740	0	0,00	0,00%
France	30.341.429	0	0,00	0,00%
Canada	737.177	0	0,00	0,00%
Italy	45.934.750	0	0,00	0,00%
Japan	204.850.395	0	0,00	0,00%
Cayman	51.744.612	0	0,00	0,00%
Luxembourg	302.407.930	4.429.001	0,784	0,39%
United-Kingdom	50.441.566	1.218.613	0,22	0,22%
United States	1.578.321	0	0,00	0,00%
TOTAL	704.362.060	5.647.615	1,00	0,61%

Total risk exposure amount	704.817.295
Institution specific countercyclical buffer rate	0,61%
Institution specific countercyclical buffer requirement	1.178.517

As at 31 March 2023, SNBL countercyclical capital buffer was EUR 1.178.517.

5.6 Credit risk

Credit risk represents the potential loss that the Bank may incur as a result of a deterioration in the solvency on any counterparty.

5.6.1 Credit risk exposure

SNBL's exposure to counterparties, for interbank lending, nostro accounts and foreign exchange transactions, is subject to SNBL's limits regularly reviewed by the risk management function and the Credit Committee. These limits are monitored on a daily basis by the Risk Management and Fund Compliance department, which immediately reports any breach to the Management Committee of SNBL and to the Parent Company.

SNBL furthermore restricts its exposure to credit risk losses by entering into master netting arrangements with counterparties with which it undertakes significant volumes of transactions. Master netting arrangements do not generally result in offset of balance sheet assets and liabilities as transactions are usually settled on a gross basis. However, the credit risk associated with the settlements of favourable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. SNBL's overall exposures are driven by its daily financial operations and fluctuate substantially from time to time.
Considering the Bank's business model, the internal capital allocation for credit and counterparty risk is set equivalent to the prudential capital requirements.

5.6.2 Total and average amount of credit exposure by exposure classes

In the application of Article 442 (c) in the CRR, the table below represents the year-end total and annual average exposure expressed in net values. For on-balance sheet items the "Net value of exposure" is calculated by deducting allowances/ impairments from the gross amount.
The year-end total exposure includes figures obtained using both the standardised approach. The average credit exposure is computed as the average of the net exposure values observed at the end of each quarter of the year 2022 (from June to December) and end of March 2023.

Total and average net amount of exposures		31.03.2023 Euro
	Net value of exposures at the end of the period	Average net exposures over the period
Exposures to central governments or central banks	57.266.240	37.491.697
Regional governments or local authorities	-	-
Public sector entities	9.325.801	9.481.537
Multilateral developments banks	33.463.094	33.895.201
International organisations	31.845.036	32.075.565
Institutions	506.879.882	561.204.493
Corporates	12.834.433	29.707.320
Of which SMEs	-	-
Retail	13.747	11.841
Of which SMEs	-	-
Secured by mortgages on immovable property	-	-
Of which SMEs	-	-
Exposures in default	-	-
Items associated with particularly high risk	-	-
Covered bonds	-	-
Claims on institutions and corporates with a short-term credit assessment	-	-
Collective investments undertakings	-	-
Equity exposures	29.100	9.863.997
Other exposures	14.244.704	15.053.129
Total standardised approach	**665.902.039**	**728.784.780**

5.6.3 Distribution by class and instrument

In the application of Article 442 (e) of the CRR, the table below shows the net value of exposure broken down by exposure class and industry at year-end 2022. The industry classification is based on NACE codes which is European industry standard classification system for classifying business activities).

The exposures by economical sector are as follows:

Concentration of exposures by industry or counterparty types						**31.03.2023 Euro**
	Financial and insurance activities	Public administration	Wholesale and retail trade	Information and communication	Other services	Total
Exposures to central governments or central banks	57.266.240					57.266.240
Regional governments or local authorities						0
Public sector entities		9.325.801				9.325.801
Multilateral development banks		33.463.094				33.463.094
International organisations		31.845.036				31.845.036
Institutions	519.710.560					519.710.560
Corporates	3.756					3.756
Of which SMEs						0
Retail			13.747			13.747
Of which SMEs						0
Secured by mortgages on immovable property						0
Of which SMEs						0
Exposures in default						0
Items associated with particularly high risk						0
Covered bonds						0
Claims on institutions and corporates with a short-term credit assessment						0
Collective investments undertakings						0
Equity exposures				29.100		29.100
Other exposures	520				14.244.185	14.244.704
Total standardised approach	**576.981.076**	**74.633.932**	**13.747**	**29.100**	**14.244.185**	**665.902.039**

As at 31 March 2023, the sectors "Financial and insurances activities" and "Public administration" represented almost the global amount of exposure with respectively 86.65% and 11.21% of the total exposures.

5.6.4 Geographic distribution of the exposures

The table below shows the risk concentration arising from the exposures by geographic location as at 31 March 2023 as defined in the Art 442 (d) in the CRR

Geographical breakdown of exposures							31.03.2023 Euro
	Luxembourg	**Europe** (Other than Luxembourg)	**North America**	**Japan**	**Oceania** (Australia//New Zealand)	**Others**	**Total**
Exposures to central governments or central banks	45.876.818	11.389.423					57.266.240
Regional governments or local authorities							0
Public sector entities		9.325.801					9.325.801
Multilateral development banks	23.925.638	9.537.456					33.463.094
International organisations	31845036						31.845.036
Institutions	186.507.824	112.567.679	2.315.496	204.846.460	523.230	12.949.871	519.710.560
Corporates				3.756			3.756
Of which SMEs							0
Retail	6.989	6.757					13.747
Of which SMEs							0
Secured by mortgages on immovable property							0
Of which SMEs							0
Exposures in default							0
Items associated with particularly high risk							0
Covered bonds							0
Claims on institutions and corporates with a short-term credit assessment							0
Collective investments undertakings							0
Equity exposures		29.100					29.100
Other exposures	14.244.704						14.244.704
Total standardised approach	**302.407.009**	**142.856.217**	**2.315.496**	**204.850.216**	**523.230**	**12.949.871**	**665.902.039**

The major part of the exposures is concentrated in Europe (66.87%) and Japan (30.76%).

Country ratings are reviewed daily by the Risk Management and Fund Compliance department. Any downgrade below the allowed ratings is immediately reported to the Management Committee and internal control functions. The country risk policy is defined by the Board of Directors of SNBL with respect to risk ratings applicable to countries in which the counterparty, sub-custodian and/or prime brokers (debtor) and its final parent company are located.

5.6.5 Distribution by residual maturity

As defined in the article 442 (f) of the CRR, the table below analyses the exposures in terms of maturity groups based on their remaining lives as at 31 March 2023:
The exposures with a residual maturity "on demand" or less than 1 year represent 86.6% of the total exposure and 84.7% of exposures with residual maturity "on demand" or of less than 1 year are exposures to financial institutions.

Maturity of exposures						**31.03.2023 Euro**
	Net exposure value					
	On demand	**< = 1 year**	**> 1 year < = 5 years**	**> 5 years**	**No stated maturity**	**Net values**
Exposures to central governments or central banks	57.266.240					57.266.240
Regional governments or local authorities						0
Public sector entities			9.325.801			9.325.801
Multilateral development banks			33.463.094			33.463.094
International organisations		9.991.400		21.853.636		31.845.036
Institutions	506.879.882					506.879.882
Corporates		12.834.433				12.834.433
Of which SMEs						0
Retail		13.747				13.747
Of which SMEs						0
Secured by mortgages on immovable property						0
Of which SMEs						0
Exposures in default						0
Items associated with particularly high risk						0
Covered bonds						0
Claims on institutions and corporates with a short-term credit assessment						0
Collective investments undertakings						0
Equity exposures					29.100	29.100
Other exposures					14.244.704	14.244.704
Total standardised approach	**564.146.123**	**12.848.180**	**42.788.895**	**31.845.036**	**14.273.804**	**665.902.039**

5.6.6 Credit quality of exposures by exposure class and instrument

Credit quality of exposures by exposure class and instrument							31.03.2023 Euro
	a	b	c	d	e	f	g
	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-off	Credit risk adjustment charges of the period	Net values
	Defaulted exposures	Non-defaulted exposures					(a+b-c-d)
Exposures to central governments or central banks		57.266.663	422	-	-	-	57.266.240
Regional governments or local authorities		-		-	-	-	-
Banks		9.325.801		-	-	-	9.325.801
Multilateral development banks		33.463.094		-	-	-	33.463.094
International organisations		31.845.036		-	-	-	31.845.036
Institutions		506.880.764	882	-	-	-	506.879.882
Corporates		51.748.369	6	-	-	-	51.748.363
Of which SMEs		-		-	-	-	-
Retail		13.764	17	-	-	-	13.747
Of which SMEs		-		-	-	-	-
Secured by mortgages on immovable property		-		-	-	-	-
Of which SMEs		-		-	-	-	-
Exposures in default		-		-	-	-	-
Items associated with particularly high risk		-		-	-	-	-
Covered bonds		-		-	-	-	-
Claims on institutions and corporates with a short-term credit assessment		-		-	-	-	-
Collective investments undertakings		-		-	-	-	-
Equity exposures		29.100		-	-	-	29.100
Other exposures		14.244.704		-	-	-	14.244.704
Total standardised approach	**0**	**704.817.295**	**1.327**	**0**	**0**	**0**	**704.815.968**

As of 31 March 2023, the Bank has no defaulted exposures.

The banking sector represents almost than 71.92% of the total exposure.

The exposures to banks are subject to counterparty limits approved by the Management Committee of SNBL and monitored by the risk management function. Exceptions are allowed on a case-by-case basis.

Retail exposures are assigned a weight of 75% as they meet the EU regulation conditions. They relate to individual persons, have similar characteristics and the total amount of the exposure does not exceed EUR 1 million. Exposures to corporates are assigned a 100% risk weight as these corporates are unrated. Other exposures weighted at 100% are mainly tangible assets, prepayments and accrued income.

SNBL places its cash with SMBC, SNBL's group company and wholly owned subsidiary of SMFG, the ultimate parent company of SNBL, and with certain other third party banks with credit quality rating not lower than investment grade. A daily report of ratings and limits is reviewed by the Risk Management and Fund Compliance department and any downgrade is immediately escalated to the Management Committee and Internal Control function.

In principle, SNBL does not undertake traditional credit activity. On exceptional circumstances and subject to the Credit Committee pre-approval, SNBL allows temporary overdrafts on Funds' current accounts to face cash shortage deriving from transactions' value date mismatch. SNBL potential risk of losses deriving from overdraft amounts can be mitigated by SNBL's General Terms and Conditions that the customer is asked to sign and which includes the possibility of pledging the customer's assets. Such lending is checked daily by the Risk Management and Fund Compliance department. For granting short term personal loans to SNBL employees, the total outstanding loan amount at any time represents not more than the concerned employee's net salary of 2 months.

5.6.7 Credit quality of exposures by industry or counterparty types

In the application of Article 442 (g) of the CRR, the tables below provide a breakdown of defaulted and non-defaulted exposures by regulatory exposure classes and industries respectively. The bank books specific credit risk adjustment and general credit risk adjustment.

Credit quality of exposures by industry or counterparty types							**31.03.2023 Euro**
	a	**b**	**c**	**d**	**e**	**f**	**g**
	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-off	Credit risk adjustment charges of the period	Net values
	Defaulted exposures	Non-defaulted exposures					(a+b-c-d)
Financial and insurance activities	-	623.966.363	888	-	-	-	623.965.475
Public administration	-	66.592.464	422	-	-	-	66.592.042
Wholesale and retail trade	-	13.764	17	-	-	-	13.747
Information and communication	-	-	-	-	-	-	-
Other services	-	14.244.704	-	-	-	-	14.244.704
Total standardised approach	**0**	**704.817.295**	**1.327**	**0**	**0**	**0**	**704.815.968**

5.6.8 Credit quality of exposures by geography

In the application of Article 442 (h) of the CRR, the table below provides a breakdown of defaulted and non-defaulted exposures by geographical areas. The geographical distribution is based on the legal residence of the counterparty or issuer.

Credit quality of exposures by geographical area							31.03.2023 Euro
	a	b	c	d	e	f	g
	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-off	Credit risk adjustment charges of the period	Net values
	Defaulted exposures	Non-defaulted exposures					(a+b-c-d)
Europe	-	445.263.226		-	-	-	445.263.226
Of which Luxembourg	-	142.856.217		-	-	-	142.856.217
United States and Canada	-	2.315.496		-	-	-	2.315.496
South and Central America	-	0		-	-	-	0
Asia	-	205.373.446		-	-	-	205.373.446
Of which Japan	-	204.850.216		-	-	-	204.850.216
Other geographical areas	-	12.949.871		-	-	-	12.949.871
Total standardised approach	**0**	**665.902.039**	**0**	**0**	**0**	**0**	**665.902.039**

5.6.9 Distribution by exposure classes and credit quality step

Standard & Poor's and Moody's have been chosen as nominated External Credit Assessment Institutions (ECAI) to calculate the risk-weighted amounts of the exposure to central banks and institutions. SNBL complies with the mapping established by the CSSF in annex 1 to the CSSF Circular for the associations of the external ratings of each nominated ECAI and Export Credit Agency (ECA) with the credit quality step prescribed in part VII thereof.

Exposure by exposure classes / ECAI	
Exposures to central governments and central banks	Moody's / Standard & Poor's
Exposures to public sector entities	Moody's / Standard & Poor's
Exposure to multilateral development banks	Moody's / Standard & Poor's
Exposures to institutions	Moody's / Standard & Poor's
Exposures to corporates	Not applicable
Retail exposure	Not applicable
Equity exposure	Not applicable
Other exposure	Not applicable

5.6.10 Performing and non-performing exposures and related provisions

The Bank defines its non-performing exposures based on the EBA regulation.

An exposure is considered as non-performing whether:

- The exposure is “defaulted” under the Basel framework
- The exposure is credit-impaired (in the meaning of an exposure having experienced a downward adjustment to its valuation due to deterioration of its creditworthiness)
- The exposure is not defaulted or impaired but nevertheless:
  - is a material exposure that is more than 90 days past due; or
  - where there is evidence that full repayment based on the contractual terms, original or, when applicable, modified (eg repayment of principal and interest) is unlikely without the bank’s realisation of collateral, whether or not the exposure is current and regardless of the number of days the exposure is past due.

A financial asset is past due when a counterparty has failed to make a payment when contractually due. Impairment is defined as a reduction in the recoverable amount of a fixed asset or goodwill below its carrying amount.

At SNBL, the risk of past due or impaired exposures is considered minimal. As of 31 March 2023, SNBL did not record neither past-due exposures nor non-performing exposures.

In principle, specific provisions are made against loans and advances when, in the opinion of the Management Committee, recovery in full is doubtful. A general provision would be made to cover bad debts that were not separately identified at the balance sheet date, but were known to be present in client receivables. Specific and general statistical provisions would be deducted from loans and advances. Loans and advances and suspended interest would be written off in part or in whole when there would be no realistic prospect of recovery.

In addition, to monitor the quality of the exposures, an impairment model which allocates the assets under scope across the 3 stages (from Performing to Impaired) under the Standardized Approach has been put in place by the Risk Management and Fund Compliance Department. This model is updated on a regular basis in order to reflect the current risk faced by the Bank, is reviewed at least once year and presented to the Credit Committee

Institutions shall disclose the information referred to in points (c) and (e) of Article 442 CRR by following the instructions provided below in this Annex to complete template EU CR1 which is presented in Annex XV to this Implementing Regulation.

No exposures as of 31 March 2023.

		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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
010	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
020	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
							///////////////EMPTY/////////////									
190	*Other financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-		-	-
200	*Non-financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-		-	-
210	*Households*	-	-	-	-	-	-	-	-	-	-	-	-		-	-
220	***Total***	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

5.6.11 Credit quality of forborne exposures

Institutions shall disclose the information referred to in point (c) of Article 442 CRR by following the instructions provided below to complete template EU CQ1 which is presented in Annex XV to this Implementing Regulation.

No exposures as of 31 March 2023.

		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted	Of which impaired				
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	-	-	-	-	-	-	-	-
020	*Central banks*	-	-	-	-	-	-	-	-
					//////////EMPTY//////////				
070	*Households*	-	-	-	-	-	-	-	-
080	Debt Securities	-	-	-	-	-	-	-	-
090	Loan commitments given	-	-	-	-	-	-	-	-
100	***Total***	-	-	-	-	-	-	-	-

5.6.12 Credit quality of performing and non-performing exposures by past

Institutions shall disclose the information referred to in point (d) of Article 442 CRR by following the instructions provided below in this Annex to complete template EU CQ3 which is presented in Annex XV to this Implementing Regulation.

No exposures as of 31 March 2023.

		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-	-	-	-	-
010	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-
020	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-
						//////////EMPTY//////////							
190	*Other financial corporations*	-			-								-
200	*Non-financial corporations*	-			-								-
210	*Households*	-			-								-
220	***Total***	-	-	-	-	-	-	-	-	-	-	-	-

5.6.13 Collateral obtained by taking possession and execution processes

Institutions shall disclose the information referred to in point (c) of Article 442 CRR by following the instructions provided below in this Annex to complete template EU CQ7 which is presented in Annex XV to this Implementing Regulation.

No exposures as of 31 March 2023.

		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
010	Property, plant and equipment (PP&E)	-	-
		//////////EMPTY//////////	
070	*Other collateral*	-	-
080	***Total***	-	-

5.7 Credit risk mitigation effects

As described in the table below, the Bank did not apply any credit risk mitigation effects as at 31 March 2023.

Credit risk exposure & credit risk mitigation effects							31.03.2023
		Exposure before CCF and CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
Assets classes		On-balance sheet amount Euro	Off-balance sheet amount Euro	On-balance sheet amount Euro	Off-balance sheet amount Euro	RWA Euro	RWA density
1	Sovereigns and their central banks	57.266.240	0	57.266.240	0	0	0%
2	Non-central government public sector entities	9.325.801	0	9.325.801	0	0	0%
3	Multilateral development banks	65.308.130	0	65.308.130	0	0	0%
4	Banks	506.879.882	0	506.879.882	0	106.520.348	21%
	Of which : securities firms and other financial institutions		0	0	0	0	0%
5	Covered bonds		0	0	0	0	0%
6	Corporates	12.834.433	0	12.834.433	0	12.834.433	100%
	Of which : securities firms and other financial institutions		0	0	0	0	0%
	Of which : specialised lending		0	0	0	0	0%
7	Subordinated debt, equity and other capital		0	0	0	0	0%
8	Retail	13.747	0	13.747	0	10.310	75%
9	Real estate		0	0	0	0	0%
	Of which : general RRE		0	0	0	0	0%
	Of which : IPRRE		0	0	0	0	0%
	Of which : general CRE		0	0	0	0	0%
	Of which : IPCRE		0	0	0	0	0%
	Of which : land acquisition, development and construction		0	0	0	0	0%
10	Equity	29.100	0	29.100	0	72.750	250%
11	Other assets	14.244.704	0	14.244.704	0	18.055.708	127%
12	**Total**	**665.902.039**	**-**	**665.902.039**	**-**	**137.493.549**	**21%**

The exposures reported in the table hereafter are the exposures at default, namely the exposure in case of counterparty default for the various financial products as at 31 March 2023.

The main purpose of the following tables is to describe a breakdown of the credit risk exposures under Standardised approach by asset class and risk weight as defined by the EU regulation.

Credit risk exposure & credit risk mitigation effects									**31.03.2023**
		0%	**20%**	**50%**	**75%**	**100%**	**250%**	**Other**	**Total credit exposure amount (post-CCF & post-CRM) Euro**
1	Sovereigns and their central banks	57.266.240	-	-		-		-	57.266.240
2	Non-central government public sector entities	9.325.801	-	-		-		-	9.325.801
3	Multilateral development banks	65.308.130	-	-		-		-	65.308.130
4	Banks		489.731.977	17.147.905	-	-		-	506.879.882
	Of which : securities firms and other financial institutions				-	-		-	-
6	Corporates		-	-	-	12.834.433		-	12.834.433
	Of which : securities firms and other financial institutions		-	-	-	-		-	-
	Of which : specialised lending		-	-	-	-		-	-
7	Subordinated debt, equity and other capital						29.100	-	29.100
8	Retail				13.747	-		-	13.747
11	Other assets	-	-			11.704.035	2.540.669	-	14.244.704

Exposure amounts and CCFs applied to off-balance sheet exposures, categorised based on risk bucket of converted exposures					
	Risk weight	**On-balance sheet exposure Euro**	**Off-balance sheet exposure (pre-CCF) Euro**	**Weighted average CCF**	**Exposure (post-CCF and post-CRM) Euro**
1	Less than 40%	621.632.149	0	-	621.632.148,99
2	40 - 70%	17.147.905	0	-	17.147.905
3	75%	13.747	0	-	13.747
4	85%	-	0	-	-
5	90 - 100%	24.538.469	0	-	24.538.469
6	105 - 130%	-	0	-	-
7	150%	-	0	-	-
8	250%	2.569.769	0	-	2.569.769
9	400%	-	0	-	-
10	1250%	-	0	-	-
11	**Total exposures**	**665.902.039**	**0**	**-**	**665.902.039**

5.8 Counterparty credit risk

5.8.1 Counterparty credit risk management

Counterparty credit risk ('CCR') arises for derivatives and SFTs. It is calculated in both the trading and non-trading books, and is the risk that a counterparty may default before settlement of the transaction.
Two approaches may be used under CRD IV to calculate exposure values for CCR: SA CRR and IMM. Exposure values calculated under these approaches are used to determine RWAs. SNBL uses the SA CCR simplified approach since June 2021 following adoption of CRR II.

Analysis of CCR exposure by approach							**31.03.2023 Euro**
	Notional	Replacement cost/current market value	Potential future credit exposure	EEPE	Multiplier	EAD post CRM	RWAs
Mark to market							
Original exposure	1.814.724.625					33.145.712	21.078.540
Standardised approach							
IMM (for derivatives and SFTs)							
Of which securities financing transactions							
Of which derivatives and long settlement transactions							
Of which from contractual cross-product netting							
Financial collateral simple method (for SFTs)							
Financial collateral comprehensive method (for SFTs)							
VaR for SFTs							
Total	**1.814.724.625**	**-**	**-**	**-**	**-**	**33.145.712**	**21.078.540**

5.8.2 Credit value adjustment

Credit valuation adjustment ('CVA') risk is the risk of adverse moves in the CVAs taken for expected credit losses on derivative transactions. In the application of Article 439 (f) in the CRR, the following tables provides the exposure value and risk exposure amount of transactions subject to capital requirements for credit valuation adjustment. The standardised approach has been applied for all transactions.

CVA capital charge		31.03.2023 Euro
	Exposure value	RWAs
Total portfolios subject to the advanced method	-	-
(i) VaR component (including the 3× multiplier)	-	-
(ii) SVaR component (including the 3× multiplier)	-	-
All portfolios subject to the standardised method	33.145.712	21.078.540
Based on the original exposure method	-	-
Total subject to the CVA capital charge	**33.145.712**	**21.078.540**

	The standardised approach for CVA (SA-CVA)	-	31.03.2023 Euro
		SA-CVA RWA	**Number of counterparties**
1	Interest rate risk	-	-
2	Foreign exchange risk	3.701.048	34
3	Reference credit spread risk	-	-
4	Equity risk	-	-
5	Commodity risk	-	-
6	Counterparty credit spread risk	-	-
7	**Total (Sum of rows 1 to 6)**	**3.701.048**	**34**

	RWA flow statements of CVA risk exposures under SA-CVA	31.03.2023 Euro
1	Total RWA for CVA at previous quarter-end	3.793.676
2	Total RWA for CVA at end of reporting period	3.701.048

5.8.3 Impact of netting and collateral held on exposure value for derivatives and SFTs

In the application of Article 439 (e) in the CRR, the following tables present information on counterparty credit risk exposure and the impact of netting in derivatives transactions.
The table below provides the gross positive fair values before any impact of legally enforceable master netting agreements.

Impact of netting and collateral held on exposure values					31.03.2023 Euro
	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives	33.145.712	-	33.145.712	-	33.145.712
SFTs	-	-	-	-	-
Cross-product netting	-	-	-	-	-
Total	**33.145.712**		**33.145.712**		**33.145.712**

5.9 Market risk

Market risk is the risk that movements in market factors, such as foreign exchange rates, interest rates, credit spreads, equity prices and commodity prices, will reduce the income or the value of the portfolios.
The own funds requirement for the market risk is calculated in accordance with the standardized method principles.

As shown in the table below, SNBL has no trading book position and is not involved in short sales as at 31 March 2023. The portfolio of SNBL is mainly represented by long-term investments in debt securities (mainly fixed income securities issued by public sector entities and multilateral development banks rated “AAA” or equivalent as of the date of purchase of the investment by at least one major credit-rating agencies (Moody’s, S&P and Fitch)) for interest yield purpose.
The market risk arises from foreign exchange positions which are monitored on a daily basis. In this regard, the management’s policy is to minimize significant foreign exchange exposures.

Market risk under the standardised approach		**31.03.2023 Euro**
	RWAs	Capital requirements
Outright products		
Interest rate risk (general and specific)	-	-
Equity risk (general and specific)	-	-
Foreign exchange risk	547.219	43.778
Commodity risk	-	-
Options		
Simplified approach	-	-
Delta-plus method	-	-
Scenario approach	-	-
Securitisation (specific risk)	-	-
Total	**547.219**	**43.778**

5.10 Liquidity risk

In addition to the capital requirements, Basel III contains a quantitative (minimum) ratio for the management of liquidity risk.

Two liquidity standards, the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR), were introduced to achieve this objective. Both ratios reflect the minimum level of liquidity banks must provide to meet the liquidity risks they face from a regulatory perspective either short-term (LCR) or mid-term (NSFR).

5.10.1 Liquidity coverage ratio

As the main short-term liquidity reference indicator, the LCR requires SNBL to hold sufficient High Quality Liquid Assets (HQLA) to cover its total net cash outflows over 30 days. It was fully implemented in 2014 to comply with the CRR (Delegated Act based on art. 462 of the CRR). For the calculation of the LCR, SNBL follows the guidelines set by the European Commission.

$$\frac{\text{Stock of high quality liquid assets}}{\text{Total net cash outflows next 30 days}} \geq 100\%$$

SNBL aims at monitoring and mitigating its risks with qualitative and quantitative measures as well as the establishment of internal governance arrangements.

As required by the regulator, SNBL prepares an internal liquidity adequacy assessment process (‘ILAAP’) document, in order to ensure that:

- Liquidity resources are adequate, both as to the amount and quality;
- There is no significant risk that liabilities cannot be met as they fall due;
- A prudent structural funding profile is maintained;
- Adequate liquidity resources continue to be maintained; and
- The operating entity’s liquidity risk framework is adequate and robust.

The main objectives of this document are to:

- Demonstrate that all material liquidity and funding risks are accurately monitored;
- Validate the operating entity's risk tolerance/appetite; and
- Acceptably remote and vulnerabilities have been assessed through the use of severe stress scenarios.

Liquidity risk		Euro
	31.03.2023	31.03.2022
Stock of HQLA	127.819.524	115.003.749
Net Cash Outflows	68.207.610	78.852.756
LCR ratio	187,40%	145,85%
Regulatory limit	100%	
Internal limits		
Risk Appetit	> 120%	
Risk tolerance	110% - 120%	
Risk capacity	< 110%	

The LCR increased from 145.85% as at 31 March 2022 to 187.40% as at 31 March 2023.

EU LIQ1 disclosed averages of month-end observations over the twelve months preceding the end of each quarter:

		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
EU 1a	**Quarter ending on (DD Month YYY)**	**3/31/2023**	**12/31/2022**	**9/30/2022**	**6/30/2022**	**3/31/2023**	**12/31/2022**	**9/30/2022**	**6/30/2022**
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					111,251,909	112,254,863	112,828,967	111,854,947
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	-	-	-	-	-	-	-	-
3	*Stable deposits*	-	-	-	-	-	-	-	-
4	*Less stable deposits*	-	-	-	-	-	-	-	-
5	Unsecured wholesale funding	-	-	-	-	-	-	-	-
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	333,564,326	358,653,556	373,853,631	388,508,628	83,391,082	89,663,389	93,463,408	97,127,157
7	*Non-operational deposits (all counterparties)*	86,809,412	90,965,979	78,948,096	74,307,896	86,809,412	90,965,979	78,948,096	74,307,896
8	*Unsecured debt*	-	-	-	-	-	-	-	-

9	*Secured wholesale funding*				-	-	-	-	-
10	Additional requirements	-	-	-	-	-	-	-	-
11	*Outflows related to derivative exposures and other collateral requirements*	25,519,779	24,961,178	24,150,734	22,418,659	25,519,779	24,961,178	24,150,734	22,418,659
12	*Outflows related to loss of funding on debt products*	95,099,444	97,990,736	103,317,767	107,121,898	95,099,444	97,990,736	103,317,767	107,121,898
13	*Credit and liquidity facilities*	-	-	-	-	-	-	-	-
14	Other contractual funding obligations	2,610,292	3,250,447	3,342,227	3,448,566	2,610,292	3,250,447	3,342,227	3,397,947
15	Other contingent funding obligations	-	-	-	-	-	-	-	-
16	TOTAL CASH OUTFLOWS					293,430,009	306,831,728	303,222,231	304,373,557
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	516,261,839	539,559,200	540,983,138	552,285,307	516,261,839	539,559,200	540,983,138	552,285,307
19	Other cash inflows	-	-	-	-	-	-	-	-
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	516,261,839	539,559,200	540,983,138	552,285,307	516,261,839	539,559,200	540,983,138	552,285,307
EU-20a	*Fully exempt inflows*	-	-	-	-	-	-	-	-
EU-20b	*Inflows subject to 90% cap*	-	-	-	-	-	-	-	-
EU-20c	*Inflows subject to 75% cap*	516,261,839	539,559,200	540,983,138	552,285,307	516,261,839	539,559,200	540,983,138	552,285,307
TOTAL ADJUSTED VALUE									
EU-21	LIQUIDITY BUFFER					111,251,909	112,254,863	112,828,967	111,854,947
22	TOTAL NET CASH OUTFLOWS					73,357,502	76,707,932	75,805,558	76,093,389
23	LIQUIDITY COVERAGE RATIO					154.78%	149.56%	151.30%	149.33%

5.10.2 Net stable funding ratio

The NSFR, reflecting the longer-term liquidity position of an institution, requires the available amount of stable funding to exceed the required amount of stable funding over a one-year period of extended stress.
The rules regarding the liquidity reporting have been set out in Regulation (EU) No 575/2013 (CRR).

Net Stable funding		**Euro**
	31.03.2023	31.03.2022
Total Available Stable Funding	385.925.494	441.734.988
Total Required Stable Funding	253.405.149	308.486.314
NSFR	**152.30%**	**143.19%**

The NSFR increased from 143.19% as at 31 March 2022 to 152.30% as at 31 March 2023.

5.11 Interest rate risk exposures in the banking book

Interest rate risk in the banking book ('IRRBB') is the potential adverse impact of changes in interest rates on earnings and capital.

SNBL applies the CSSF circular 08/338, as amended, regarding the implementation of a stress test in order to assess the interest rate risk arising from non-trading book activities.

The purpose of the stress test on interest rate is to assess a variation of the economic value of the wealth assuming an increase or a decrease by 200 points of all interest rates.

The stress-test scenario is applied internally on a monthly basis.

The results of the stress tests done during the financial year ended 31 March 2023 are as follows:

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	-6.833.346	-7.600.301	256.485	321.233
2	Parallel down	3.649.818	4.354.088	-823.516	-655.579
3	Steepener	936.694	1.016.499		
4	Flattener	-927.779	-787.756		
5	Short rates up	-2.805.502	-3.045.869		
6	Short rates down	1.469.072	1.597.189		

The Bank decided to allocate an amount EUR 8.000.000 as Internal Capital Allocation.

5.12 Operational risk

As indicated in the tables below, the basic indicator approach is applied to calculate the capital requirement for operational risk (31 March 2023: EUR 50.318.003).

Operational risk				31.03.2023 Euro
	BI and its subcomponent	31-03-22	31-03-21	31-03-20
1	Interest, lease and dividend component	181.280	282.961	1.168.044
1a	Interest and lease income	842.154	1.100.766	7.692.322
1b	Interest and lease expense	-660.875	-817.805	-6.524.278
1c	Interest earning assets	0	0	0
1d	Dividend income	0	0	0
2	Services component	21.321.165	21.002.203	24.254.003
2a	Fee and commission income	21.452.752	21.493.537	24.697.857
2b	Fee and commission expense	-421.117	-391.850	-401.734
2c	Other operating income	289.530	532.127	276.159
2d	Other operating expense	-670.668	-631.611	-318.278
3	Financial component	4.108.452	3.844.010	4.346.687
3a	Net P&L on the trading book	4.108.452	3.844.010	4.346.687
3b	Net P&L on the banking book	0	0	0
4	BI	25.610.896	25.129.174	29.768.735
5	Business indicator component (BIC)	3.841.634	3.769.376	4.465.310
Disclosure on the BI :				
6a	BI gross of excluded divested activities	Not applicable		
6b	Reduction in BI due to excluded divested activities	Not applicable		

Minimum required operational risk capital		31.03.2023 Euro
1	Business indicator component (BIC)	4.025.440
2	Internal loss multiplier (ILM)	1
3	Minimum required operational risk capital (ORC)	4.025.440
4	Operational risk RWA	50.318.003

As defined in the EU 575/2013 regulation Part Three Title III Chapter 2 the calculation of the basic indicator is based on the arithmetic average over three years of the sum on the net interest income and net non-interest income and is based on the accounting figures from the financial reporting based on IAS standards (FINREP).

In addition, in order to manage SNBL's residual operational risk, SNBL has set up an overall organizational process that includes senior managers at the head of each department, policies and procedures applicable within each department and a data processing system among others aimed at ensuring proper segregation of duties.

5.13 Concentration Risk

The main assets concentration, which SNBL is exposed to, is managed within the credit risk category both for the own fund investments and the interbank dealing activity. Credit limits are regularly reviewed by the Risk management function and the Parent Company's Risk Management department to ensure adequate diversification of borrowing banks.

In respect of SNBL's business concentration on a limited number of clients, a detailed analysis by client of Funds' administration / custodian bank commissions received is performed every quarter by the Bank Accounting department.

5.14 Unencumbered assets information

The EBA specified the disclosure of information on asset encumbrance under Article 443 CRR with the EBA guidelines on the disclosure of encumbered and unencumbered assets on 26 June 2014.

An asset is encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralize or credit enhance any transaction from which it cannot be freely withdrawn. The level of encumbered assets shows the Bank's ability to provide liquidity based on the current balance sheet and the Bank is required to monitor report and disclose asset encumbrance.

Given the Bank's activities, SNBL has a limit level of encumbered assets as described below:

Table 11 : Asset encumbrance	-	-	**31.03.2023 Euro**
	Encumbered assets	**Unencumbered assets**	**Total**
Loans on demand	4.081.168	527.148.318	531.229.485
Equity instruments	-	29.100	29.100
Debt securities	-	86.023.354	86.023.354
Loans and advances other than loans on demand	-	1.160.162	1.160.162
Other assets	-	27.155.629	27.155.629

The primary source of encumbrance is the reserve amount at the Banque Centrale du Luxembourg.

5.15 Indicators of global systemic importance

Not applicable as SNBL is currently not identified as G-SIIs in accordance with article 131 of Directive 2013/36/EU.

6 Remuneration

Ref: Art 450 of the CRR

The Board of Directors has implemented a Remuneration Policy. The objectives of the Remuneration Policy are (i) to lay down the principles governing the remuneration of the SNBL's staff and (ii) to ensure that the Remuneration complies with applicable laws and regulations.

The Policy is in line with the SNBL's business strategy, objectives, long term interests and its values, its sustained growth, as well as the objectives of the SNBL's Code of Conduct. The Remuneration Policy also incorporates measures to avoid and prevent potential conflicts of interest.

The Policy promotes a sound and effective risk management and does not encourage risk-taking that exceeds the level of tolerated risk by SNBL.

Significant remuneration decisions taken by the Board of Directors or the Management Committee, which might affect SNBL's risk profile, are subject to the approval of its sole shareholder SMBC Nikko Securities Inc[2]. Other Staff members are not authorized to take significant remuneration decisions.

This Policy is subject to regular (at least once a year) central and independent review. As per the provisions of Article 450 of the CRR the following information is provided:

The Board of Directors is responsible for preparing significant remuneration decisions, in compliance with the Policy such decisions are also subject to the approval of the sole shareholder of SNBL. Based on the proportionality principle and in light of the regulatory guidance provided, SNBL has not set up a remuneration committee. During the Period the content of the Remuneration Policy has been reviewed.

The total compensation employees receive has two elements: a fixed element, the base salary, and a discretionary variable element. The fixed component of the Employees' remuneration generally includes the monthly salary, 13th month salary, and all other remuneration stipulated in the Collective Bargaining Agreement for bank employees. The fixed element may also include specific benefits (including a complementary pension plan). The initial fixed remuneration is set following criteria such as the Employee's job description, skills and knowledge.

The Board of Directors or the Management Committee determines the variable remuneration by taking into account a combination of the performance of the Employee, the business unit concerned and of the overall results of SNBL.

When assessing the individual performance of an Employee, quantitative and qualitative criteria are taken into account on an equal basis. **Quantitative criteria** shall consist, without using specific qualitative metrics, in criteria which include his/her compliance with SNBL's Code of Conduct, policies and procedures as well the standards which govern the relation with Clients, his/her job description, his/her service seniority, skills and knowledge. Quantitative criteria shall be completed by **qualitative criteria** aiming at assessing the degree of achievement of the quantitative criteria established under the form of an evaluation scale.

[2] replaced by SMBC EU after May 2023

Performance evaluation of employee also takes into account the compliance with regulatory requirements and internal procedures, fair treatment of clients and their satisfaction.

The variable remuneration is not a contractual right and is paid at the discretion of the Board of Directors.

SNBL fulfils the criteria defined by the CSSF Circular 22/797 for the application of the principles of proportionality due to its size (balance sheet, total assets, number of employees), its internal organization, nature, scope and complexity of its activity (low to moderate risk inherent to its activities, types of clients and products). As a consequence, SNBL waived the below requirements as laid down in letters n), o) and p) of point 4-1 and in point 4-2 appearing in point (2) of section 12 of the CRD III Circulars as follows:

- Requirement to pay out a part of the variable remuneration in instruments and the related instruments retention obligation;
- Requirement to pay out a part of the variable remuneration through a deferred scheme and the related ex-post risk adjustment obligations; and
- Requirement to set up a Remuneration Committee.

The variable component of the Employees' Remuneration is a cash payment capped at a maximum value of 100% of the yearly fixed remuneration in line with applicable regulation. Such ratio was not reached or exceeded during the Period by any employee.

Remuneration by business area during the Period (in EUR)

Business area *	Number of beneficiaries in Full Time Equivalent	Fixed remuneration	Variable remuneration	Total remuneration
Services to investment funds: Global Custody, Securities and Pricing, Fund Accounting and Financial Reporting, Money Forex.	52,30	4.217.777	349.700	4.567.477
Support and Control Functions:	28,45	2.704.839	241.704	2.946.544
Total	**80,75**	**6.922.616**	**591.404**	**7.514.021**

* are excluded the members of the Authorized Management

Based on the internal assessment, SNBL has identified those categories of staff whose professional activities have a material impact on the risk profile of SNBL ("Material Risk Takers").

6.1 Remuneration of Material Risk Takers during the Period (in EUR)

Number of beneficiaries in Full Time Equivalent	Fixed remuneration	Variable remuneration (cash only)	Total remuneration
13,65	2.123.808	352.398	2.476.207

Variable remuneration refers to awards granted for the Period.

7 Other key elements of internal governance arrangements

The internal control arrangements of an institution must be adapted to its organisation and to the nature, scale and complexity of its activities and relating risks and comply with the principles of the "three-lines-of-defence" model.

- First line: Front office units, responsible for managing risks within the established set of risk appetite framework ("RAF") targets and limits.
- Second line: Risk Management and Fund Compliance department and the Compliance Function, responsible for the maintenance and development of the risk management and controls framework.
- Third line: Internal Audit function, providing an independent review of the risk management practices and internal control framework.

7.1 Levels of controls

SNBL internal control environment is based on the implementation of the following controls:

- day-to-day controls carried out by the operating staff;
- ongoing critical controls carried out by the staff in charge of the administrative processing of transactions;
- controls performed by the management; and
- controls carried out by internal control functions;

The day-to-day business of SNBL is run by the Management Committee.

The Management Committee determines and monitors in cooperation with the concerned department managers (i.e. Heads of business and administrative functions, the necessary human resources and trainings of SNBL employees in such a way as to enable them to carry out their responsibilities in an adequate and permanent manner.

7.2 The other committees and the corporate handbook

In addition to the previous mentioned control structures, SNBL has implemented among others the following committees to make the control environment more efficient:

- Risk Committee;
- Credit Committee;
- Compliance Committee;
- New Product Committee;
- Business Continuity Committee;
- IT Committee.

8 ISAE 3402 reporting

Since 2003, SNBL has engaged an accounting and auditing firm (Mazars from 2021) to produce a service auditor’s combined ISAE 3402/SOC 1 Type 2 report under International Standard on Assurance Engagements (ISAE) 3402 and Attestation Standard AT-C Section 320 covering the period from 1 January to 31 December. ISAE 3402 and SOC 1 are internationally recognized assurance/attestation standards developed by the International Federation of Accountants (IFAC) and The American Institute of Certified Public Accountants (AICPA) respectively and are used as the standard for auditors to examine a service organization's controls related to their user entities' internal control over financial reporting.

The examination report covers an examination of the description of the system, the design of controls and the operating effectiveness of controls over a period of time.

The latest ISAE 3402/SOC 1 Report covered the period from 1 January 2022 to 31 December 2022 and no significant exceptions in the control objectives were reported by Mazars.

Disclaimer

Certain of the statements contained herein may be partial information and involve a certain degree of risk and uncertainty that could cause actual results or performance to differ materially from those expressed or implied in such statements. Actual results or performance may differ materially from those contained in such statements due to general economic conditions, market conditions, changes in laws and regulations, general competitive factors and other factors not specified here.