

Remuneration Policy



Contents

1. INTRODUCTION	3
1.1 CONTEXT, PURPOSE AND SCOPE OF APPLICATION	3
1.2 GENERAL PRINCIPLES	3
2. RISK ANALYSIS AND DEFINITION OF THE IDENTIFIED STAFF	4
2.1 APPROACH	4
2.2 ANDBANK LUXEMBOURG'S ORGANIZATION AND ACTIVITIES	5
2.3 RISKS RELATED TO THE BANK'S ACTIVITIES AND RELATED SAFEGUARDS	6
2.4 IDENTIFIED STAFF	7
The identified staff will sign a document refraining from concluding personal hedging strategies or insurances for the purpose of undermining the risk alignment.	8
2.5 RELEVANT PERSONS	8
2.6 RESORT TO THE PROPORTIONALITY PRINCIPLE "AMONG INSTITUTIONS"	9
3. REMUNERATION STRUCTURE AND BONUS PAY-OUT MODALITIES	9
3.1 STRUCTURE OF THE REMUNERATION PACKAGES	9
3.2 VARIABLE REMUNERATION PRINCIPLES AND UPPER LIMITS	10
3.3 DEFERRAL AND INSTRUMENT-LINKED PAY OUT PROVISIONS	12
3.4 SPECIFIC PAY OUT PROVISIONS	12
4. PERFORMANCE ASSESSMENT	14
4.1 Company performance criteria	14
4.2 Department performance criteria	15
4.3 Individual performance criteria	15
5. GOVERNANCE	15
5.1 BOARD OF DIRECTORS	15
5.2 NOMINATION & REMUNERATION COMMITTEE	15
5.3 EXECUTIVE MANAGEMENT	16
5.4 CONTROL FUNCTIONS	16
6. DISCLOSURE	17
6.2 EXTERNAL DISCLOSURE	17
7. APPENDICES	17

1. INTRODUCTION

1.1 CONTEXT, PURPOSE AND SCOPE OF APPLICATION

This Remuneration Policy, hereafter “the Policy”, defines and describes the remuneration principles and practices set out by Andbank Luxembourg SA, hereafter “AL” or “the Bank”.

The general principles and provisions set out by the Policy shall prevail on all existing principles and rules set by other documents and apply to all employees of the Bank in Luxembourg.

The Policy is approved by the Board of Directors and becomes effective immediately as from its approval. The general provisions of the Policy apply and are made available to all the employees of the Bank.

1.2 GENERAL PRINCIPLES

The Policy’s conducting principles reflect Andbank Group’s business strategy, objectives, values and interests.

They are based on the following pillars:

- **Sound and effective risk management**

The Policy and related practices aim at protecting the interests of the Bank’s customers, employees and shareholders as well as the Bank’s financial sustainability in a long term perspective. In this context, AL has established, implemented and maintains a Policy which is consistent with and promotes sound and effective risk management and which does not induce excessive risk-taking.

- **Avoidance of conflicts of interest**

The Policy incorporates measures to avoid conflicts of interests, as set out by the Bank’s Conflicts of Interests Policy.

- **Competitive and attractive remuneration**

To ensure that client’s satisfaction and protection remain at the heart of its philosophy, AL wishes to attract, retain and motivate highly qualified professionals in their respective domains. In this light, AL offers remuneration packages that, while in line with market practices, do remain competitive attractive.

- **Alignment between performance and remuneration**

Variable remunerations, while being part of the standard compensation packages offered by the Bank, are linked to effective performance and are subject to strict assessment rules that aim at preventing excessive risk-taking behaviours. The ultimate objective consists in protecting the long term interests of the different stakeholders, i.e. the customers, the shareholders, the employees and the Bank itself. In this context, the Bank does not reward failure.

- **Compliance with the regulatory requirements on remuneration policies and practices in the financial sector**

This Policy complies with the various regulatory texts issued by the European and Luxembourg authorities:

- CRD III EU Directive 2010/76 on capital requirements for the trading book and for re-securitizations and the supervisory review of remuneration policies (November 24, 2010);
- EBA Guidelines on sound remuneration policies under Articles 74(3) and 76(2) of Directive 2013/36/EU.
- Law of 5 April 1993 on the Financial Sector as amended by the law of 23 July 2015 (hereinafter “the Law”);
- Circular CSSF 11/505 relating to the application of the principle of proportionality when establishing and applying remuneration policies (March 11, 2011);
- CRD IV EU Directive 2013/36 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (June 26, 2013);
- EU Regulation N°575/2013 on disclosure requirements (June 26, 2013);
- Circular CSSF 14/585 transposing the European Securities Markets Authority's (ESMA) on remuneration policies and practices (MiFID) - Addition of Annex V to Circular CSSF 07/307 (February 25, 2014);
- Circular CSSF 17/658 on the adoption of the EBA Guidelines on sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU and disclosures under Article 450 of Regulation (EU) No 575/2013 (EBA/GL/2015/22) and repeal of Circular CSSF 10/496.
- Commission Delegated Regulation EU 604/2014 on the identification of categories of staff whose professional activities have a material impact on an institution's risk profile (March 4, 2014).
- Circular CSSF 14/594 relating to the transposition of the EBA guidelines on the applicable national discount rate for variable remuneration (October 30, 2014);
- MIFID II Directive 2014/65/EU on Markets in Financial Instruments (MiFID II)

2. RISK ANALYSIS AND DEFINITION OF THE IDENTIFIED STAFF

2.1 APPROACH

In order to establish the institution's risk profile and, ultimately, to determine its Identified Staff (hereafter “IS”), AL performed a review of its activities and analysed a certain number of elements related to the entity's size, internal organization, risk profile, nature, scope and complexity of activities, etc.

This risk analysis has been carried out by the Bank's Senior Management, with the support of the Bank's control functions, in accordance with the regulatory requirements. This analysis has also been reviewed by the Nomination and Remuneration Committee.

More precisely, the list of IS has been determined according to the analysis of the following dimensions:

- AL's profile (structure, organization, activities)
- Risks related to AL's activities and related safeguards
- Staff members' profiles (based on qualitative and quantitative criteria as defined by the Commission Delegated Regulation EU 604/2014)

2.2 ANDBANK LUXEMBOURG'S ORGANIZATION AND ACTIVITIES

AL offers mainly private banking and asset management services.

Private banking is the group's core business and where it develops the broad of its business activity. In this respect, the bank's governance shall ensure that the bank has sound arrangements to comply with all applicable regulations in general and especially with the more specific regulations for private wealth management, such as in particular anti-money laundering and anti-terrorist financing as well as MiFID rules. Likewise, compliance with the high standards of quality in private wealth management services defined by ICMA shall be ensured.

In its private banking relationship with customers, Andbank Luxembourg provides discretionary portfolio management, investment advice and also simple transmission and reception of orders/execution of order services. Additionally, it also carries out its own asset and liability management and provides custody services. The bank will pursue that all these activities are properly organised and formally separated, if necessary, to provide the best services to customers and avoid any potential conflict of interest.

The Bank is currently organized as follows:

The bank has set up an internal governance structure based on the "three-lines-of-defence" model.

The first "line-of-defence" is the appropriate organisation of the business units' activities. Andbank Luxembourg organisation ensures that it has in place effective processes to identify, measure, assess, monitor, mitigate and report on the risks assumed by Andbank Luxembourg.

Andbank Luxembourg has also developed a thorough Internal Control framework, widely known as a second "line-of-defence", in order to ensure effective and efficient operations, adequate control of risks, prudent conduct of business, reliability of financial information and compliance with laws and regulations.

There is also a proper segregation of duties between the Business and the Risk Management departments, with separate lines of reporting and accountability.

Finally, the Internal Audit function, which provides an independent review and a critical valuation of the previous two lines, will be the third "line-of-defence".

In assessing the effectiveness of the Internal Control within Andbank Luxembourg, the Board of Directors shall be able to rely on the work of the internal control functions, namely Risk Management, Compliance and Internal Audit, which will also be coordinated by the Authorised Manager responsible for Internal Control.

It is also worth mentioning that the Andbank group's control framework has to comply with the specific regulatory requirements of each jurisdiction. In this respect, Andbank Luxembourg shall comply with the CSSF rules, which require institutions to have a robust central administration in Luxembourg. This comprises the management, execution and control functions. These functions should enable the institution to manage and control all of its activities.

2.3 RISKS RELATED TO THE BANK'S ACTIVITIES AND RELATED SAFEGUARDS

Andbank aims to maintain its current strong levels of solvency and prudent approach to risk. Consequently, the group wants to align the risks incurred with the long term strategy and objectives of the bank. In order to achieve these aims the group is promoting an internal risk and control culture and has developed prudent risk policies.

Andbank also acknowledges that risk management is not exclusive of the risk specialists or control functions. Business units, under the oversight of the management structure, are also responsible for managing risks on a daily basis and should take into account the group's risks tolerance defined within its policies, procedures and controls.

The risk management set up should enable the bank to have enough and quality information in order to make sound risk decisions. Risks have to be assessed both individually and on an aggregate or portfolio basis. In order to avoid unexpected losses, the bank will perform stress test scenarios to measure potential risk exposures in unlikely but possible future developments.

At a strategic level, the risk management objectives are to:

- Provide the managing directors with all relevant risk related information (through technical analysis on risk exposure) to enable it to set the bank's risk tolerance/appetite level
- Comply with the group's risk policy.
- Ensure each key risk faces is identified and properly managed by the relevant units in Andbank.
- Evaluate how any material risks identified could affect the institution or group's ability to manage its risk profile and deploy funding and capital under normal and adverse circumstances.
- Establish and maintain internal limits consistent with its risk tolerance/appetite and commensurate with its sound operation, financial strength and strategic goals.
- Ensure that breaches of the limits are escalated and addressed with appropriate follow up.
- Ensure that transactions with related parties are reviewed and the risks, actual or potential, are identified and adequately assessed.

Andbank Luxembourg activities are subject to the Risk Policy approved by the group and subsequently by the Risk Committee and the Board. Risk exposures and their performance have to be elevated and reported to the Board and the global function on a regular basis and at least quarterly.

Besides, the Internal Capital Adequacy Assessment Process (ICAAP), essential part of the Pillar II assessment of the risks incurred by financial institutions, will be explained and reported to the Board yearly following the end of the financial year.

That being said, since Andbank Luxembourg core business is private banking its risk appetite is low. Risks are mainly concentrated in credit and counterparty risks. In order to identify, assess, analyse, grant and monitor these risks, the bank

has set up a Credit Department and a Risk Management Department. The latter also monitors the Market and Operational Risks of Andbank Luxembourg, as well as compliance with the group's policies and limits.

Both the Credit and Risk Management Departments report on its daily operations to the AM in charge of Internal Control, monthly to the Risk Management Follow-Up Committee and quarterly to the Risk Committee.

In terms of reporting and formal approvals of new policies and procedures, the Credit and Risk Management Departments have to submit their proposals to the Risk Committee and subsequently to the Board.

Types of risks identified:

- Liquidity risk: A liquidity risk is the risk that the bank may not be able to meet its payment commitments at a given moment, including those caused by the maturing of deposits, the disposal of credit lines conceded or the requirements of guarantees in operations with collateral, among others.
- Market risk: Market risk is understood as meaning the potential loss to which the portfolio of the bank is exposed as a consequence of changes in market conditions, such as asset prices, the interest rate, and the volatility and liquidity of the market.
- Credit Risk: Credit risk is the risk arising from transactions that give rise to actual, contingent or potential claims against any counterparty, borrower or obligor. Three kinds of Credit Risk are distinguished: default risk, country risk and settlement risk.
- Operational risk: Operational risk is the risk arising from inadequate process design in terms of procedures, controls or IT applications, deficiencies/errors in the transaction/trade value chain (product development, origination, processing, execution, servicing) as well as inappropriate business practices.

2.4 IDENTIFIED STAFF

The Bank has performed a detailed analysis in order to identify its members of staff whose professional activities have a material impact on the Bank's risk profile, referred to as the "Identified Staff".

This analysis of the identified staff has been performed by the HR department, in collaboration with the Risk Management and the Compliance departments, with the oversight of Senior Management and the Remuneration and Nomination Committee.

The Board of Directors has the ultimate responsibility for the identification process.

The Board of Directors in its supervisory function should:

- a. approve the identification process policy as part of the remuneration policy;
- b. be involved in the design of the self-assessment;
- c. ensure that the assessment for the identification of staff is properly made in accordance with Directive 2013/36/EU, Commission Delegated Regulation (EU) No 604/2014 and these guidelines;
- d. oversee the identification process on an ongoing basis;
- e. approve any material exemptions from or changes to the adopted policy and carefully consider and monitor their effect;
- f. approve or oversee any exclusion of staff in accordance with Article 4(2) of Commission Delegated Regulation (EU) No 604/2014 where the institutions deem that the qualitative criteria defined in Commission Delegated Regulation (EU) No 604/2014 are not met by the staff, as they in fact do not have a material impact on the institutions' risk profile;

The information contained in this document is for internal use and ownership Andbank group. It is prohibited to copy, reproduce or distribute, partial or total, without the express permission of the creator of the document.

g. periodically review the approved policy and, if needed, amend it.

More precisely, the Bank has updated the list of Identified Staff that had already been drawn -on the basis of the analysis of job functions and responsibilities as prescribed by mainly the EBA Guidelines on Remuneration Policies and Practices and the law of 5 April 1993 on the Financial Sector as amended by the Law of 23 July 2015 on the identification of categories of staff whose professional activities have a material impact on an institution's risk profile.

The Identified Staff are identified following the criteria of Regulation (EU) 604/2014 in article 3 (qualitative) and article 4 (quantitative).

The identified staff will sign a document refraining from concluding personal hedging strategies or insurances for the purpose of undermining the risk alignment.

2.5 RELEVANT PERSONS

In addition, as per Circular CSSF 14/585 transposing the European Securities Markets Authority's (ESMA) guidelines on remuneration policies and practices (MiFID), the Bank has identified the list of the so-called Relevant Persons, i.e. *“persons who can have a significant influence on the service provided or corporate behaviour of the firm, including persons who are client-facing front-office staff, sales force staff, and/or other staff indirectly involved in the provision of investment and/or ancillary services whose remuneration may create inappropriate incentives to act against the best interests of their clients. This includes persons who oversee the sales force (such as line managers) who may be incentivised to pressurise sales staff, or financial analysts whose literature may be used by sales staff to induce clients to make investment decisions. Persons involved in complaints handling, claims processing, client retention and in product design and development are other examples of ‘relevant persons’. Relevant persons also include tied agents of the firm”*.

It is important to add that the Bank has adopted and maintains measures enabling to effectively identify where the Relevant Persons might fail to act in the best interests of their client and to take remedial action. In addition, organisational measures adopted in the context of the launch of new products or services appropriately take into account the remuneration policies and practices and the risks that these products or services may pose in terms of conduct of business and conflicts of interests.

Finally, when it comes down to the performance assessment model of the Relevant Persons, AL takes great care in defining an appropriate balance between the weighting of pure quantitative criteria (such as the volumes sold of a specific product, the number of transactions, the AuM's intake, etc.) and that of qualitative criteria (such as the review of the suitability of instruments, the compliance with internal procedures or the level of client satisfaction), in order to ensure that the performance assessment model incites in no way Relevant Persons to act against the best interests of their clients.

The table below provides information on the current list of Relevant Persons

Persons who can have a material impact on the service provided and/or corporate behaviour of the Bank	Private Banking /Investment Desk
Client-facing / front office staff	Private Banking Department/Investment Desk
Other staff indirectly involved in the provision of investment and / or ancillary services	Private Banking Department/Investment Desk

2.6 RESORT TO THE PROPORTIONALITY PRINCIPLE “AMONG INSTITUTIONS”

In the framework of this Policy, and in the light of the risk analysis performed by the control functions, AL resorts to the proportionality principle “among institutions”.

This decision is motivated by the analysis of the EBA Guidelines 2015/22 Part 4 (articles 75 to 77) that will be updated on an annual basis, based on the review and analysis from the control functions. The results of the proportionality analyses will be reported to the Nomination and Remuneration Committee.

In this context of the EBA Guidelines on sound remuneration policies and the CSSF Circular 11/505, AL neutralizes the following requirement:

- 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.

3. REMUNERATION STRUCTURE AND BONUS PAY-OUT MODALITIES

3.1 STRUCTURE OF THE REMUNERATION PACKAGES

The Bank has structured its remuneration packages around a fixed component and a variable component:

- The fixed remuneration, which includes the annual base salary and the fringe benefits and which is determined on the basis of the role of the staff member, including responsibility, job complexity and local market conditions. The Bank is also subject to terms defined under the Collective Bargaining agreement for Bank employees. The remuneration package will be composed as follows:
 - Annual base salary is paid monthly in 13 instalments to all the employees.
 - Other elements such as fidelity premium for employees under Collective Bargaining Agreement.
 - Fringe benefits depending on the status of the employees:
 - Employees under a fixed-term contract will only have lunch vouchers.
 - Employees under a permanent contract will have the following fringe benefits:
 - Lunch vouchers;
 - Pension scheme in the terms of the contract signed on 1 January 2010 with “Axa Assurances Vie Luxembourg”; This pension scheme is aligned with the financial strategy, values of the Bank and the long term interests of the Entity.
 - Insurance scheme established by the Bank based on the terms of the contract signed on 9 November 2012 with “DKV Luxembourg”;
 - Life and accidents insurance.

It is also to be noted that the Bank may offer additional fringe benefits to some employees depending on their category:

- Senior Management and Senior Private Bankers may be offered parking place; company car; scholarship costs and accommodation costs.
- Heads of Departments may be offered parking place and company car.

- The rest of the employees may be offered a parking place. Parking places will be offered in accordance with the Parking Policy in place from time to time.

These benefits will be offered depending on the category of the employees and their placement will be decided by the Executive Management depending on the needs from time to time.

- The variable remuneration, which is determined on performance at individual, department and Group levels through both qualitative and quantitative criteria at individual level, enabling the alignment of the employees' interests with the Bank's. The allocation of variable compensation components will also take into account all types of current and future risks.

The total compensation linked to severances or redemption of previous employment contracts must be in line with the long-term interests of the Bank.

Fixed and variable components of total remuneration are appropriately balanced and the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component, in accordance with Article 38-6 f) of the Luxembourg Law of 23 July 2015 transposing CRD IV (Directive 2013/36/UE)

3.2 VARIABLE REMUNERATION PRINCIPLES AND UPPER LIMITS

- **Principle**

The variable or performance-based remuneration is designed to motivate and reward a sustainable and risk adjusted performance (e.g. high performers who strengthen long-term customer relationships, and generate income and shareholder value). Also, performance based remuneration is awarded in a manner which promotes sound risk management and does not induce excessive risk taking.

The total volume of variable remuneration will not limit the capacity of Andbank to reinforce its financial base.

Variable remuneration awards consider both a group component and an individual component. This seeks to reward the contribution of all employees to the financial results of the Bank and the achievements in the implementation of its strategy. Not only is financial success taken into account in the process, but also the conduct towards staff members and clients as part of carrying out business activities.

Both financial and non-financial factors shall be taken into consideration when determining the individual's variable remuneration, i.e. compliance with the Group's core values, internal guidelines and procedures, including customer and investor related guidelines. A discretionary assessment is always made to ensure that other factors – including factors which are not directly measurable – are considered.

The performance is assessed in context of divisional financial and non-financial (quantitative and qualitative) targets. The financial targets are subject to appropriate risk adjustment. For the infrastructure functions, the performance assessment is based on the achievement of cost and control targets. At the level of the individual, managers must fully appreciate both the absolute and relative risk-taking activities of individuals to ensure that variable remuneration allocations are balanced and risk-taking is not inappropriately incentivized. The factors and metrics to be considered include, but are not limited to, divisional risk-adjusted financial and non-financial performance, culture and behavioral considerations, disciplinary sanctions, and individual performance. Managers of Material Risk Takers must document the factors and risk metrics

considered when making Individual variable compensation decisions, and demonstrate how these factors influenced the Individual variable compensation decision.

Moreover, the assessment of individual performance is taking into consideration both qualitative and quantitative criteria, depending on the job position.

The discretionary bonus is not a contractual obligation and Andbank reserves the right to withhold incentives.

Variable remuneration will not be paid out in instruments or via methods whose aim is to circumvent the applicable regulatory requirements and restrictions.

The Human Resources function directs the entire remuneration process, engaging with the governing bodies, control functions and other teams responsible for verifying the Banks's earnings and financial data.

The Compliance departments carry out an annual assessment of the remuneration policy and its compliance with the regulatory framework. Risk Management function ascertains whether the incentives provided by the remuneration system take adequate account of the Bank's risks, capital and liquidity situation, liaising with the Nomination and Remuneration Committee as appropriate. Both functions review the identification of Identified Staff and the metrics adopted, and will be involved in the review and updates of the remuneration systems and policy to ensure these are in line with the regulations in force. Compliance and Risk Management, in consultation with other departments as appropriate, will check whether or not any compliance breaches have been committed and supply such information to the relevant line manager and to the human resources functions so as to support the annual performance assessment and the decision on the variable remuneration component.

- **Considerations for specific populations**

- Non-Executive Directors

No variable remuneration is granted to Non-Executive directors. The fixed remuneration granted to Non-Executive Directors for the exercise of their mandates is decided by Board of Directors and the Ordinary General Meeting of the Bank.

- Senior Management

Senior Management has both fixed and variable remuneration, based on the role in the organization. The fixed and variable remuneration granted to Executive Directors for the exercise of their mandates is proposed by the nomination and Remuneration Committee and decided and approved by Board of Directors.

- Control Functions

The balance of fixed and variable remuneration of staff members in control function is weighted in favour of fixed remuneration. The variable and fixed remuneration granted to Control functions is proposed by the Nomination and Remuneration Committee and approved by the Board of Directors.

The remuneration of the control functions will be never linked to the performance of the business areas they control. Variable compensation to control functions will be paid out upon achievement of the objectives linked to their functions.

- Identified Staff:

The variable remuneration granted to the Identified Staff is subject to the criteria and restrictions set out in this policy. The variable remuneration granted to other identified is proposed by the Nomination and Remuneration Committee and approved by the Board of Directors.

- Relevant Person

The variable remuneration granted to the Relevant Persons is subject to the criteria and restrictions set out in this policy.

- **Upper limits of variable remuneration**

It is also to be noted that, as a general principle, and as per the CRD IV requirements, the Bank does not pay any variable component exceeding 100 % of the fixed component to any of its employee. On an exceptional basis, AL may apply a higher maximum level of the ratio between the fixed and variable components which would in no case exceed 200 % of the fixed component for the identified staff as per the CRD IV requirements. In this case, a detailed recommendation describing the reasons for, and the scope of, the approval sought (incl. the number of staff affected, their functions and the expected impact on the requirement to maintain a sound capital base) will be submitted by the Board of Directors to the Bank's shareholders in general meeting. Copies of both the recommendation of the Board of Directors to the shareholders and the shareholders' decision will be provided to the CSSF.

Regarding the proportion of the variable remuneration, the following guidelines apply to the Bank's Identified Staff:

	Maximum Variable remuneration in % of the annual fixed remuneration
Non-Executive Board Members	0%
Senior Management	100%
Control Functions	10%
Other Identified Staff	100%

In accordance with the CSSF circular 15/622, the CSSF has to be informed on an annual basis of any approval by Andbank's shareholders of a higher maximum level of the ratio between the fixed and variable components of remuneration exceeding 100%. Andbank Luxembourg will not exceed 100% bonus for any of its employees.

3.3 DEFERRAL AND INSTRUMENT-LINKED PAY OUT PROVISIONS

As described in section 2.6, the Bank resorts to the principle of proportionality amongst institutions and, as mentioned earlier, AL neutralizes 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.

3.4 SPECIFIC PAY OUT PROVISIONS

- Malus clause (Ex post risk adjustment)

Variable remuneration is awarded to Identified Staff based on their performance and on the premise that he/she has been fully compliant with the regulatory framework and internal procedures of AL.

In case of inappropriate behaviour of the employee, such as harassment or failure to comply with the Code of Ethics and Standards of Conduct of AL or in any case a clear misalignment with the values of the group, the nomination and remuneration committee may consider a partial or total reduction of the bonus paid to the employee.

Malus event must be defined as fraud, lack of capital, regulatory issues or liquidity or solvency breaches.

Given the nature of Andbank Luxembourg business, applied pay-out structures, the period for applying malus is set in three years.

- Clawback

In certain circumstances as follows, the Board of Directors can decide that an employee will pay back the variable remuneration received:

- In case of established fraud or misleading information;
- Misbehaviour or serious error, such as breach of Andbank's policies.

Given the nature of Andbank Luxembourg business, applied pay-out structures, the period for applying clawback is set in three years.

- Sign up bonus

"Welcome bonuses" are granted in the context of recruiting of new employees will remain extraordinary and can be offered only during the first year of employment.

- Retention plan (loyalty scheme)

Employees might be awarded with an amount payable after 3 years, if they stay at the company and no malus event, as detailed above, has occurred. Retention bonuses will always be considered as variable remuneration for the purposes of calculating the upper limits of variable remuneration described in section 4.2 of this Policy.

- Guaranteed bonus

Guaranteed bonuses are not allowed.

- Severance payments

Severance payments must reflect performance achieved over time and must not reward failure or misconduct. Severance pay will not be awarded where there is an obvious failure which allows for the immediate cancellation of the contract or the dismissal of the employee, or when there is a voluntary resignation.

Severance payments will be paid in the event the management of the Bank considers that the risk of losing potential court proceedings is high and will not offer severance payments that enter in conflict with the Luxembourgish Labour Law.

Severance payments for the identified staff are payable in accordance with relevant local legislation and applicable collective agreements. The overall policy and agreements on severance pay are determined by HR and relevant control functions (Compliance and Risk Management). Severance pay will constitute an appropriate compensation for early termination by the Group, will be decided upon consideration of the individual's responsibility and decision making powers and it will be taken into account that it must not constitute a reward for failure. Normally, severance pay is linked to seniority, as employees will earn entitlement to severance pay throughout their years of service. Most employees are solely entitled to severance pay pursuant to legislation or the applicable Collective Bargaining Agreement. The amount of severance payments will be calculated taking into account Arts. 151 and 153 of EBA Guidelines.

Severance payments for the identified staff will be first assessed by the Risk Management and Compliance, and then authorized by the Board of Directors upon assessment of the Nomination and Remuneration Committee.

For severance payments granted, documentary evidence will be retained on the reasons for the severance payment, the criteria used to determine the amount and confirmation that the severance is linked to the performance achieved over time and that it does not reward failure or misconduct.

- Warrants

Warrants are to be considered as a bonus and are applicable only for Senior Management. A blocked period of 6 months applies and the warrants can't be transferred to any other third party.

The Circular Letter L.I.R. n°104/2) dated 29/11/17 applies and warrants must be granted respecting some conditions:

- the participants to the warrant plan must be “cadres supérieurs” based on Luxembourg Labour Law;
- a maximum of 50% of the participant's annual gross remuneration can be paid in warrants; and*
- the price of the warrants cannot exceed 60% of the underlying basis value.

*The Circular Letter clearly indicates that the 50% limit should be considered based on the annual remuneration of the year during which warrants are granted to an employee. Should the 50% limit not be met, a regularisation of taxes will occur at the level of the employee, via the tax return or annual tax adjustment.

Andbank must report the plan to the Tax Authorities when the income is put at the disposal of the employee (i.e. when the taxable event occurs).

4. PERFORMANCE ASSESSMENT

The decision of providing a variable performance-based remuneration to any employee of AL will be based on the performance assessment results. The assessment of performance will be done on a yearly basis taking into consideration a multiyear perspective and the Bank will consider the following three levels of objectives criteria:

- 4.1) Company
- 4.2) Department
- 4.3) Individual

Within these levels, the individual objectives must be a combination of both qualitative and quantitative elements relevant to the role.

4.1 Company performance criteria

The bonus pool will be based primarily on an assessment of Andbank's overall results (i.e. elaboration of the financial statements of the entity based on the group's financial statements) along with several other important indicators.

At the Company level, the management will consider more quantitative performance measures to ensure that at a basic level there are sufficient funds to allocate a bonus and to determine the level of this bonus pool.

Company/Group Assessment Criteria could comprise:

- Profit before tax compared with the budget
- Cost trend (i.e. maintenance of cost control and operational efficiencies)
- Performance against the business plan and achievement of strategic objectives
- Compliance with internal business procedures
- Satisfactory audits and reports from regulators

The Board of Directors will determine the funds to be allocated to the bonus pool based on a review of the elements listed above, as well as a review of the external economic and market environment.

The control functions will be involved in the process to ensure that risk, capital and liquidity limits are not exceeded with regards to the level of bonus pool selected.

The information contained in this document is for internal use and ownership Andbank group. It is prohibited to copy, reproduce or distribute, partial or total, without the express permission of the creator of the document.

4.2 Department performance criteria

Andbank Luxembourg will also assess the milestones achieved of the objectives related to each department, which shall be defined by avoiding inappropriate incentives;

4.3 Individual performance criteria

At the beginning of the year, all individuals will agree on the performance criteria and objectives with their line managers for the year. The objectives must reflect the business strategy and risk profile of Andbank.

The assessment of the Identified Staff performance shall be effected over a multi-year framework in order to ensure that the assessment is made in view of the long term performance of the individual and that the payment is made over the business cycle of the undertaking.

Where it is appropriate, poor performance in the non-financial variables overrides good performance in terms of profit generation, i.e in the case of unethical or non-compliant behaviour, the individual performance will be impacted and the variable remuneration will not be allocated (i.e 3.4 Specific pay out provisions - Malus clause – ex post risk adjustment mechanism).

All the aspects related to the evaluation of the employees of the Bank are detailed in the Evaluation Guide and the Evaluation Form attached in Appendix to the present policy. This Evaluation Guide and Evaluation Form will be available to all the employees through the internal applications of the Entity (i.e. Gestor Documental).

5. GOVERNANCE

5.1 BOARD OF DIRECTORS

The Board of Directors is responsible for the design of the Policy principles and for the monitoring of the Policy's implementation, maintenance and review.

The Board of Directors also ensures to take into account all the adequate inputs provided by all competent control functions (i.e. risk management, compliance, HR, etc.).

In addition, the Board of Directors is assisted in its tasks by the Nomination & Remuneration Committee, set up as a specialized Committee of the Board.

Finally, the Board of Directors ensures that the implementation of the Policy is reviewed on an annual basis at a minimum. Such central and independent reviews will assess whether the remuneration system (i) operates as intended and (ii) is compliant with the regulatory requirements. The independent internal audit review will be conducted by Internal Audit or an external audit firm.

5.2 NOMINATION & REMUNERATION COMMITTEE

The role of the Nomination & Remuneration Committee, as a specialized committee of the Board, is to assist and advise the Board in all analyses and decisions related to nomination and remuneration that have an impact on risk and risk management. The Nomination & Remuneration Committee will also oversee the total remuneration of staff responsible for

control functions. The Committee will moreover review the appointment of external remuneration consultants that the supervisory function may decide to engage for advice or support.

The Nomination & Remuneration Committee is constituted in a way that enables it to exercise competent and independent judgment on the remuneration policies and practices and the incentives created for managing risks.

The Nomination & Remuneration Committee will be formed by at least two members of the Board of Directors without executive functions within the Bank. The Chairman and the majority of members of this Committee should qualify as independent. If employee representation on the management body is provided for by national law, it must include one or more employee representatives. Where there are not a sufficient number of qualified independent members, the Bank should implement other measures within the remuneration policy to limit conflicts of interest in decisions on remuneration basis. The secretary of the Nomination & Remuneration committee will be the Head of the Human Resources Department.

5.3 EXECUTIVE MANAGEMENT

Notwithstanding the fact that the overall responsibility for the Policy remains in the hands of the Board of Directors, it is important to note the active role of the authorised management which ensures the operational implementation of the Policy and takes appropriate measures to ensure that it is applied properly.

5.4 CONTROL FUNCTIONS

As mentioned earlier, control functions (Risk Management, Compliance and Internal Audit) are closely associated and responsible of the design, draft, update and follow up of the Policy. Risk and Compliance functions should provide effective input in accordance with their roles into the setting of bonus pools, performance criteria and remuneration awards where those functions have concerns regarding the impact on staff behaviour and the riskiness of the business undertaken.

Risk Management role

The risk management function should assist in and inform on the definition of suitable risk-adjusted performance measures (including ex post adjustments), as well as in assessing how the variable remuneration structure affects the risk profile and culture of the institution. The risk management function should validate and assess risk adjustment data as well as be invited to attend the meetings of the remuneration committee on this matter.

Moreover, the risk committee should work closely with the remuneration committee and ensure that the remuneration policy is consistent with and promotes sound and effective risk management.

Compliance role

The compliance function should analyse how the remuneration policy affects the institution's compliance with legislation, regulations, internal policies and risk culture and should report all identified compliance risks and issues of non-compliance to the management body, both in its management and supervisory functions. The findings of the compliance function should be taken into account by the supervisory function during the approval, review procedures and oversight of the remuneration policy.

Internal Audit role

The internal audit function should carry out an independent review of the design, implementation and effects of the institution's remuneration policies on its risk profile and the way these effects are managed

Staff members are not allowed to use personal hedging or insurance strategies involving the variable component of their remuneration or other aspects which could alter or otherwise distort the fundamental alignment of the compensation mechanisms with the company's risk. The control functions will carry out annual checks on the declaration of identified staff not to use personal hedging or insurance strategies. Remuneration cannot under any circumstances be paid in forms, instruments or means that seek to avoid the regulatory provisions.

Human Resources will be responsible upon request of providing to the other control functions accurate data in order to ensure the correct implementation of this policy.

6. DISCLOSURE

6.1 INTERNAL DISCLOSURE

The general principles of the Remuneration Policy are made available to all employees. This Policy will be available in the "Gestor Documental" on the intranet.

6.2 EXTERNAL DISCLOSURE

In addition, the Bank complies with the external disclosure provisions defined by the regulatory texts, especially CRR 575/2013 (Art 450 on Remuneration Policy).

Information as required on CRR 575/2013 will be disclosed in the website of the Entity every year.

Without prejudice to Article 96 of Directive 2013/36/EU, the Bank makes available the information on how it complies with the requirements of Articles 92 to 95 of Directive 2013/36/EU together with the disclosures required by Article 450 of Regulation (EU) 575/2013, and ensures that the disclosures are easily accessible.

7. APPENDICES

1. Evaluation Guide
2. Evaluation Form