2020

ANNUAL REPORT

Mitsubishi UFJ Investor Services & Banking (Luxembourg) S.A.
A member of MUFG, a global financial group

MUFG

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MESSAGE FROM MANAGEMENT

Mitsubishi UFJ Investor Services & Banking (Luxembourg) S.A. (MIBL) is a bank with a universal banking license located in Luxembourg, and a member of «MUFG Investor Services» which is a global brand of Mitsubishi UFJ Financial Group (MUFG).

The Bank has been focusing on Global Custody services as well as Fund Administration services since the establishment. And we have enhanced banking services since 2015 according to the expansion plan of the MUFG Investor Services.

By cooperating with MUFG Investor Services network, the Bank will continue enhancing our services for both investor services products and banking products, in order to meet client expectations.

Yoshinobu Hirota
Chief Executive officer

May 1, 2021

CORPORATE SOCIAL RESPONSIBILITY (CSR)

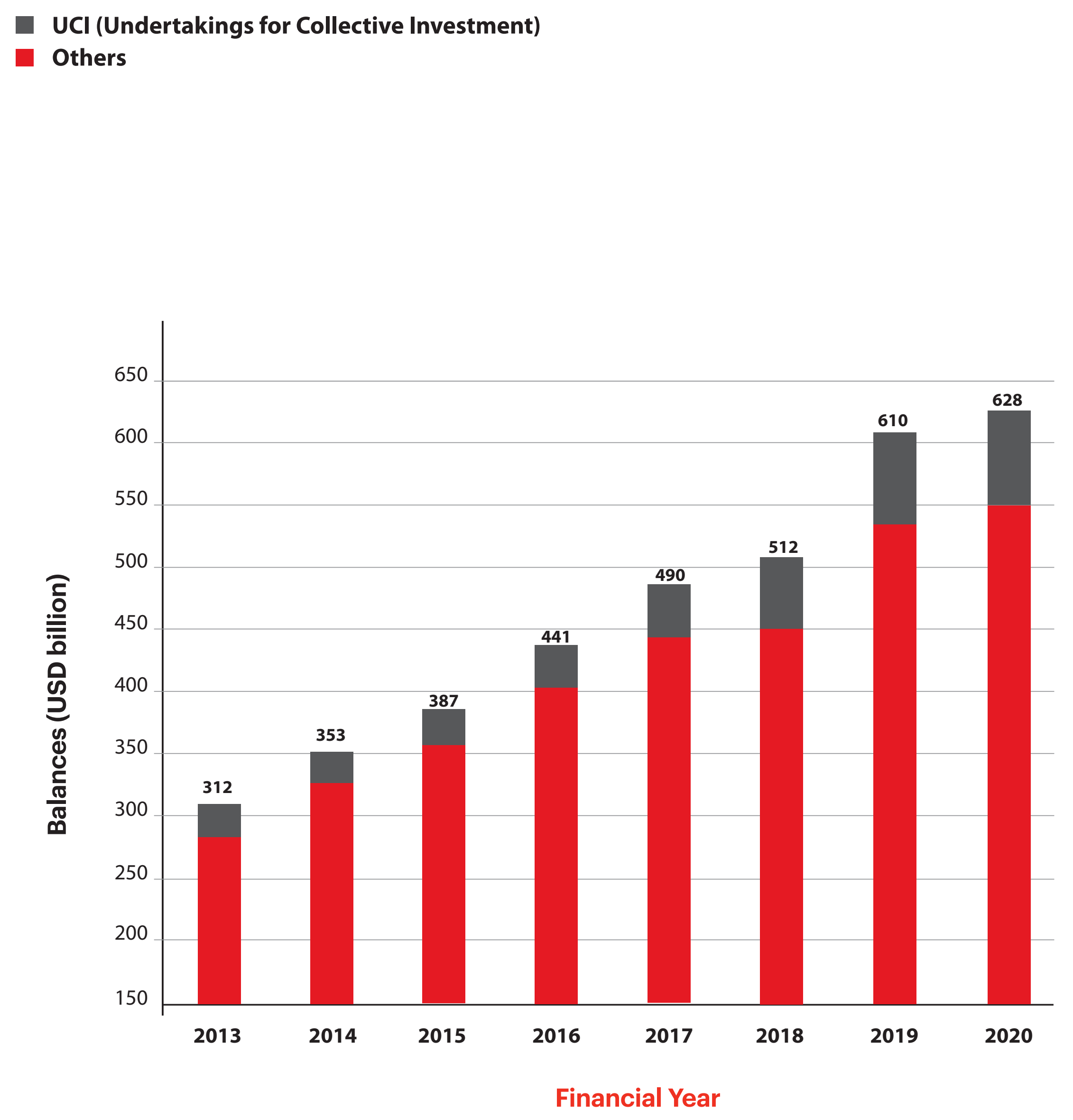
Mitsubishi UFJ Investor Services & Banking (Luxembourg) S.A. (MIBL), as a financial institution established under the laws of the Grand Duchy of Luxembourg, is regularly involved in host country initiatives that embrace the realization of a sustainable society. Our efforts also extend to the campaign for the use of public transportation, to the promotion of saving energy, and the advancement of recycling in order to reinforce our responsibility towards the environment.

PERFORMANCE HIGHLIGHT

In the Custody business, the assets under custody reached the amount of USD 628billion as of December 31, 2020. As for the Fund Administration business, the Net Asset Value calculations were USD 18.7billion as of December 31, 2020. 2 new funds (including sub-funds) were launched during the year 2020, while 16 funds have been liquidated.

As for other business, such as Dublin branch, Bank Account Services, Fund Order Desk and Fiduciary Services, their revenue was USD 3.5 million which is USD 0.3 million more than that as of 2019. The increase was mainly due to the increase of funds numbers for depository services handled by the Dublin Branch.

Custody Assets of MIBL

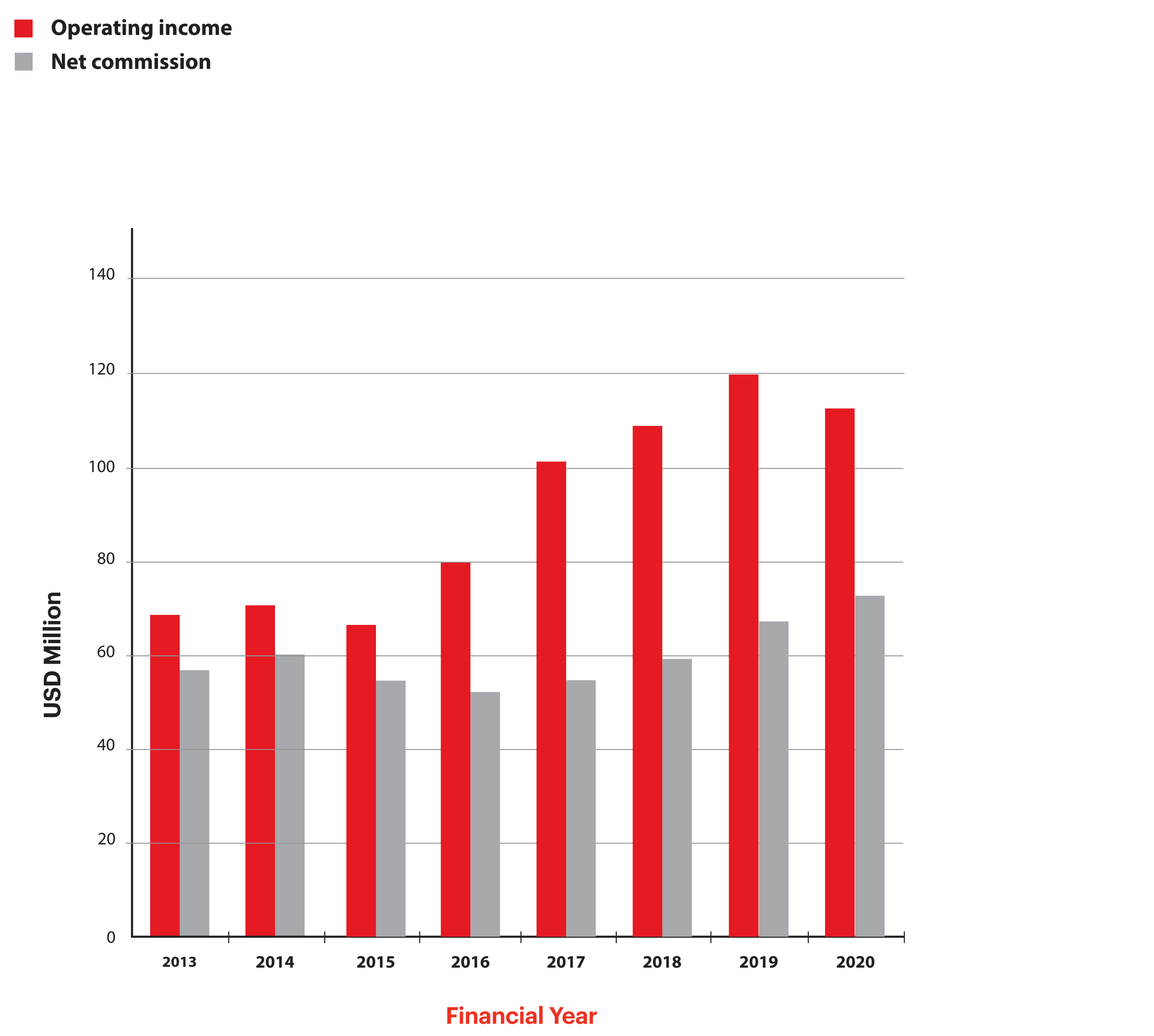


FINANCIAL HIGHLIGHT

For the year ended December 31, 2020, the Bank reported an operating income of USD 112.767 thousand, as compared to USD 120.157 thousand for the previous fiscal year. The decrease of USD 7.390 thousand is mainly due to the net interest income decreased due to low interest rates environment under the COVID-19 crisis. General administrative expenses have increased by USD 6.199 thousand to USD 56.732 thousand in 2020.

Net operating profit before income taxes in 2020 decreased by USD 13.882 thousand to USD 52.456 thousand, as compared to USD 66.338 thousand as at December 2019.

Total Operating Income & Net Commission

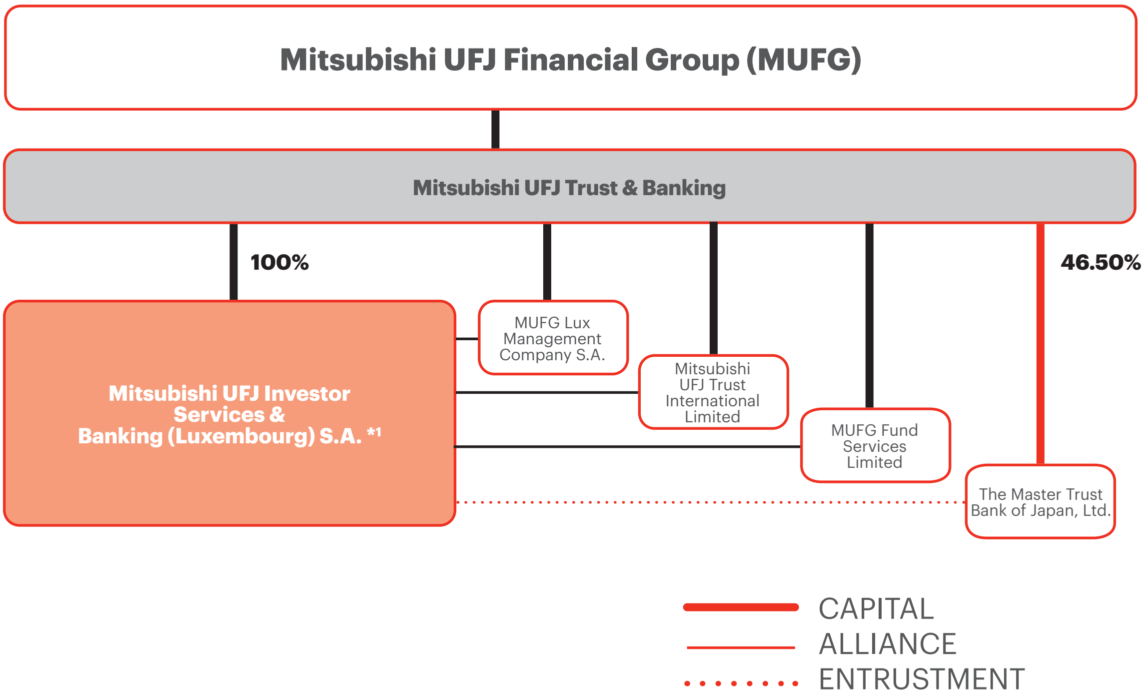


PROFILE

Mitsubishi UFJ Investor Services & Banking (Luxembourg) S.A. (MIBL) is a member of the MUFG Investor Services, which is a global brand of Mitsubishi UFJ Financial Group (MUFG), one of the largest financial groups worldwide.

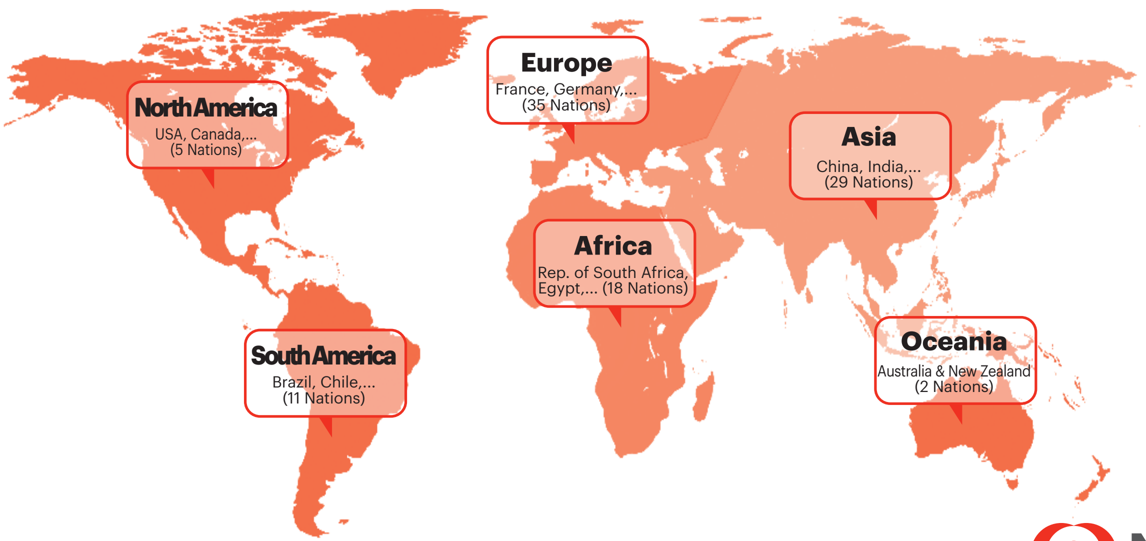
For more than 40 years, MIBL has been providing a wide range of services to institutional investors including:

1. Global Custody Services
2. Investment Funds Administration
3. Fiduciary and Trust Administration
4. Listing on the Stock Exchange
5. Other direct or indirect related services (Cash Management, Foreign Exchange, Bank Account service and Fund Order desk for funds etc.)



*1 Mitsubishi UFJ Investor Services & Banking (Luxembourg) S.A. provides Investor Services business to Mitsubishi UFJ Trust & Banking and has been identified as CSS Provider for Mitsubishi UFJ Trust & Banking.

MIBL Global Market Coverage



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BOARD OF DIRECTORS

CHAIRMAN

Eiji IHORI, Tokyo
(until March 25, 2020)
Senior Managing Executive Officer
Mitsubishi UFJ Trust and Banking Corporation
4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, JAPAN

Hiroshi NAKAZAWA, Tokyo
(from May 20, 2020)
General Manager, Investor Services Business Division
Mitsubishi UFJ Trust and Banking Corporation
4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, JAPAN

DIRECTORS

Ruth BÜLTMANN, Luxembourg
(until March 25, 2020)
Independent Director
Mitsubishi UFJ Investor Services & Banking (Luxembourg) S.A.
287-289, Route d'Arlon - L-1150 Luxembourg

Yoshinobu HIROTA, Luxembourg
(from March 13, 2020)
Chief Executive Officer
Mitsubishi UFJ Investor Services & Banking (Luxembourg) S.A.
287-289, Route d'Arlon - L-1150 Luxembourg

Teruaki KOBAYASHI, Luxembourg
(until March 25, 2020)
Deputy Chief Executive Officer
Mitsubishi UFJ Investor Services & Banking (Luxembourg) S.A.
287-289, Route d'Arlon - L-1150 Luxembourg

Michael LÖB, Luxembourg
(until March 25, 2020)
Independent Director
Mitsubishi UFJ Investor Services & Banking
(Luxembourg) S.A.
287-289, Route d'Arlon - L-1150 Luxembourg

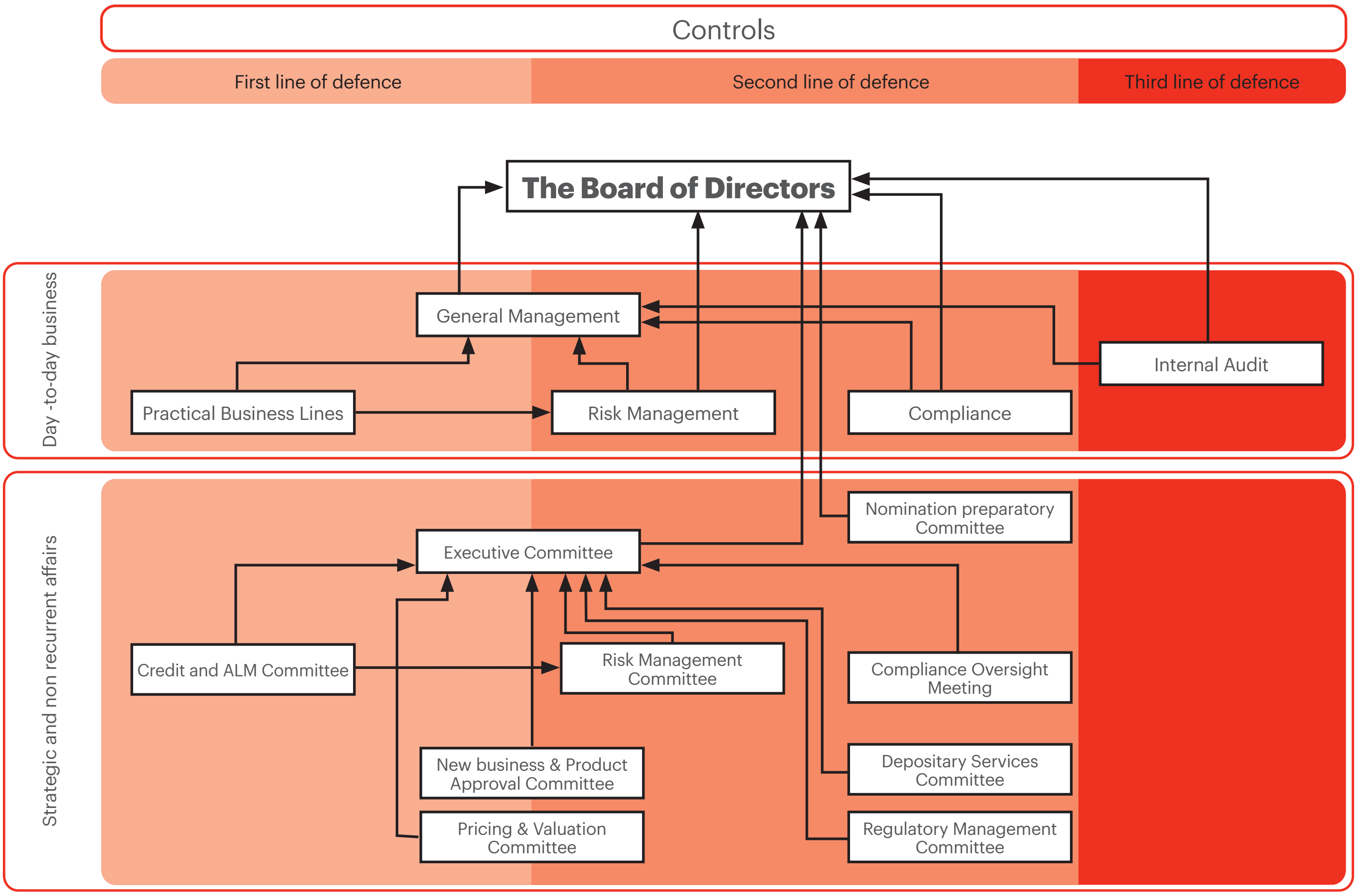
Jiro OMORI, Tokyo
(until May 20, 2020)
Executive Officer, Investor Services Business Division
Mitsubishi UFJ Trust and Banking Corporation
4-5, Marunouchi 1-chome, Chiyoda-ku,
Tokyo 100-8212, JAPAN
(Temporary Chairman from March 25, 2020 to May 20, 2020)

Mark PORTER, London
(*from September 29, 2017*)
CEO
MUFG Fund Services (UK) Limited
24 Lombard Street, London, EC3V 9AJ, UK
Independent Director
(from July 25, 2018)
Mitsubishi UFJ Investor Services & Banking
(Luxembourg) S.A.
287-289, Route d'Arlon - L-1150 Luxembourg

Sota SUZUKI, Luxembourg
(until March 13, 2020)
Chief Executive Officer
Mitsubishi UFJ Investor Services & Banking
(Luxembourg) S.A.
287-289, Route d'Arlon - L-1150 Luxembourg

Ray P. WINTERS, London
(from February 28, 2014)
Managing Director & CEO
Mitsubishi UFJ Trust International Limited,
24 Lombard Street, London EC3V 9AJ, UK

CORPORATE GOVERNANCE STRUCTURES



FREQUENCY OF THE MEETING

Board of Directors:	Quarterly
Executive Committee:	Monthly
Credit and ALM Committee:	Monthly
New business & Product Approval Committee:	Ad-hoc basis
Pricing & Valuation Committee:	Monthly
Risk Management Committee:	Monthly
Compliance Oversight Meeting:	Monthly
Depositary Services Committee:	Monthly
Nomination Preparatory Committee:	Ad-hoc basis
Regulatory Management Committee:	Monthly

CORPORATE GOVERNANCE STRUCTURES

The General Meeting of Shareholders is the highest decision-making body in the Bank. By adopting the articles of incorporation, the shareholders have agreed to transfer the most extensive administrative powers, including the power to delegate, to the Board of Directors, keeping for themselves only the powers reserved by law to the shareholders meeting.

The Board of Directors has in turn delegated the day-to-day management of the company to the General Management ("Authorized Management"), presently composed of one Chief Executive Officer and 2 Deputy Chief Executive Officers. General Management has organized the Bank into such business lines as is necessary to meet legal requirements and to accomplish the Bank's day-to-day objectives.

In order to further strengthen corporate governance and to improve active risk management, as is necessary for a sound organization, the Board of Directors decided in 2010 to reorganize the Bank's committee structure by more clearly defining committees' subjects to be treated, duties, and reporting lines, and by creating a management committee in charge of all strategic and non-recurrent affairs of the Bank, named the "Executive Committee."

The business of the Bank is subject to a three-level control system. The first line of defense occurs within the business lines themselves, which have primary responsibility for any action undertaken, and as a consequence, have been organized in such a manner that each action is carefully checked before being released.

The second line is formed by the support functions, including the Compliance and the Risk Control Functions.

The Risk Management Function comprises the Risk Management Department, the Risk Management Committee, which is overseeing Credit Risk Management, Market Risk Management, Operational Risk Management, Business Continuity Management and Information Security Management, the Credit and ALM Committee, which is overseeing Credit Management, Asset & Liability Management and Liquidity Risk Management and the New Business & Product Approval Committee, which is overseeing the approval of new business and new products. The regular Risk Management Report is delivered for approval to the Board of Directors each quarter.

The Compliance Function is subdivided into the Compliance Department, Regulatory Management Committee and the regular Compliance Oversight Meeting. It ensures the Bank's recognition of and adherence to all applicable laws and regulations, as well as to rules issued by other relevant entities. This function has the authority to contact at will, and reports directly to, the Board of Directors.

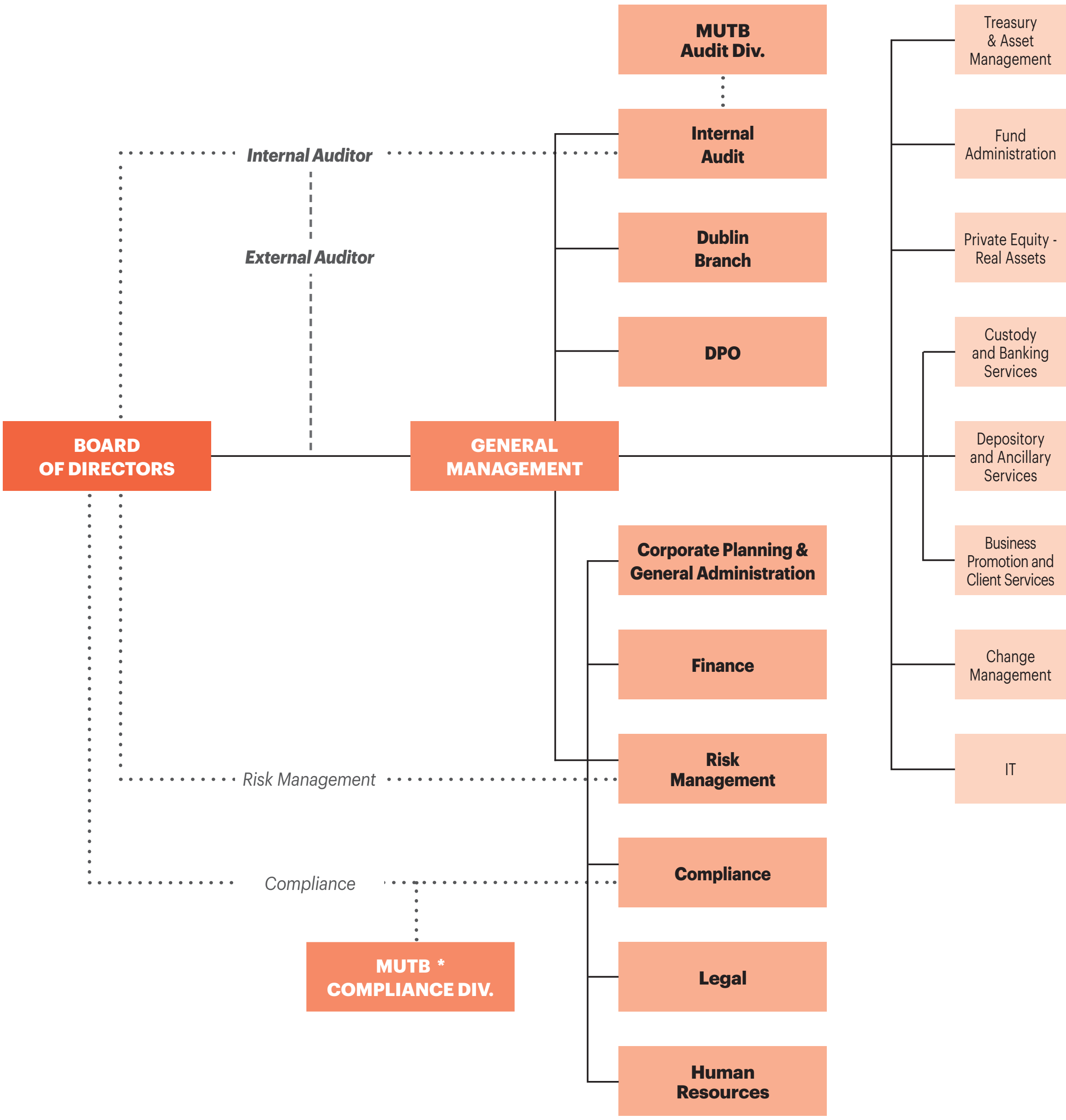
General Management and the Executive Committee are part of, and supervise, the first two levels of controls. They also supervise insofar as necessary and required the third level control.

The third-level consists of the Internal Audit Function, which in turns provides an independent, objective, and critical review of the first two lines of defense.

The third level of control, in cooperation with General Management and the Executive Committee, has to ensure the soundness and appropriateness of the Bank's activity. It has the authority to report directly, in case of need or if so required, to the Board of Directors and to regulatory authorities and external auditors, in addition to the Head Office.

ORGANIZATION CHART

Mitsubishi UFJ Investor Services & Banking (Luxembourg) S.A.



Mitsubishi UFJ Trust and Banking Corporation (Parent)

MANAGEMENT REPORT

December 31, 2020

Mitsubishi UFJ Investor Services & Banking (Luxembourg) S.A. (the "Bank") Financial Results 2020

For the year ended December 31, 2020, the Bank reported an operating income of USD 112.767 thousand, as compared to USD 120.157 thousand for the previous fiscal year. The decrease of USD 7.390 thousand or 6,15%, comes from the net interest income (-31,36%). The net commission income increased by 8,90%.
The general administrative expenses have increased by USD 6.199 thousand.

Net operating profit before income taxes in 2020 decreased by USD 13.882 thousand to USD 52.456 thousand, as compared to USD 66.338 thousand as at December 2019.

As of December 31, 2020, the total balance sheet amounted to USD 7.620,9 million versus USD 6.872,7 million as at December 31, 2019. The Liquidity Coverage Ratio (LCR) introduced by the regulation (EU) No 575/2013 of the European Parliament, was 334,35% in December 2020. The Solvency Ratio amounted to 36,26%. Both ratios are well above the statutory minimum requirements. The Return on Assets (ROA) ratio was 0,52% as at December 31, 2020.

The Board of Directors will propose, at the Ordinary Meeting of Shareholders, that the amount of USD 42.821.158,33 consisting of the result brought forward of USD 70.174,36, the available reserve for Net Worth Tax from the year 2015 of USD 3.348.440,00, and the net profit of the financial year ended December 31, 2020 of USD 39.402.543,97 will be allocated as follows:

Allocation to other reserve		
(Net Worth Tax 2021)	USD	11.874.000,00
Allocation to free reserve	USD	28.880.000,00
Allocation to legal reserve	USD	1.970.128,00
Dividends		
Class A Shares dividend	USD	0,00
Class B Shares dividend	USD	27.211,77
Result brought forward	USD	69.818,56
Total	**USD**	**42.821.158,33**

As of December 31, 2020, the Bank had not acquired any of its own shares.

Business Circumstances in 2020

The world economy in 2020 shrunk dramatically mainly due to the surge of the pandemic by COVID-19. Most countries imposed stringent lockdown measures in the first half of 2020, which lead contraction globally. Expectation for vaccine development and distribution however the recover from the damage would be gradual and global uncertainty remains.

All financial authorities have been maintaining the expansionary monetary measures in order to stimulate the economy. Federal Reserve Bank (FRB) announced to hold interests rate near zero for at least three years until U.S. gets back to maximum employment and 2% inflation. European Central Bank (ECB) recalibrated its monetary policy to increase the envelope of the pandemic emergency purchase programme and maintain low interest rate over the pandemic period. The Bank of Japan (BOJ) keeps expansionary monetary policy during 2020. These actions from central banks led to continuing low interest rate market in 2020.

While continued uncertainty risks remain, regarding the risk asset market it recovered from the plunge of COVID-19 depreciation mainly because the expansionary measures are ongoing globally.

Business Achievement in 2020

The Bank's profit decreased 20% compared to 2019 mainly due to the plunge of net interest income derived from the prolonged low interest rate environment while custody business is growing steadily.

In the Custody business, the assets under custody reached the amount of USD 628 billion as of December 31, 2020, which indicates an increase of 3% compared to December 31, 2019.

As for the Fund Administration business, the Net Asset Value calculations as of December 31, 2020 were USD 18.7 billion which is USD 0.1 billion more than that as of 2019. 2 new funds (including sub-funds) were launched during the year 2020, while 16 funds have been liquidated.

As for other business, Dublin branch, Bank Account Services, Fund order desk and Fiduciary Services, their revenue was USD 3.5 million which is USD 0.3 million more than that as of 2019. The increase was mainly due to the increase of Dublin branch business.

Risk Management (Risk Control Function)

In 2020, the core business strategy of the Bank remained further Japan-centred, with the vast majority of the Bank's clients still being located in Japan. However, the bank started and continues to increase its business toward non-Japanese clients. As Fund Administration and Custody, along with ancillary activities in the provision of hedging services for clients, remained the Bank's main business lines, the Bank continues to mitigate the risks associated with these activities.

Given this environment, the Management's major objective is, in addition to monitoring and controlling the Bank's business-related risks (e.g. credit, market, liquidity and operational risk), to foresee, prevent or mitigate these risks before they have an impact.

To accomplish these objectives, the Risk Management Department is continuously strengthening its current controls and strives to implement improved measures.

Some of the comprehensive risk categories that are of utmost relevance to the Bank are the following:

Credit Risk

The Risk Control Function is in charge of monitoring counterparty and credit risk on a daily basis through the monitoring of exposures towards the Bank's counterparties. A thorough risk management process is in place to monitor limit breaches, apply appropriate corrective measures when breaches occur, and escalate these events when necessary, to Management or to the Regulator.

Funding Liquidity Risk

The Treasury Department is responsible for controlling and managing funding operations, whereas Risk Control is in charge of monitoring on a daily basis compliance with internal standards for appropriate control and management of Funding Liquidity Risk. In particular, Risk Control monitors the daily development of the Liquidity Coverage Ratio (LCR: internal minimum level for the LCR is 120%, regulatory level is 100%). The regular calculation of the NSFR (internal minimum threshold 120%) and of the Leverage Ratio (internal minimum 3.5%) started in 2017.

Market Risk

As of December 31, 2020, the Bank's exposure to market risk was limited; there were no speculative positions, nor proprietary trading. In addition, the Bank assures a careful control over the FX Risk and Interest Rate Risk via the calculation of an assets and liabilities duration gap, from both the mark-to-market perspective, and an earnings point of view.

Operational Risk

Operational Risk is the risk category the Bank dedicates the most effort to. It can be defined as the risk of an inadequate or failed process. It is monitored on a regular basis and it was a major part of the Bank's Risk Management plans in 2018, 2019 and 2020. Important Operational Risks in the Bank are as follows:

<Operations Risk>

The Bank ensures a detailed focus on the effectiveness of its Operations Risk Management, by using the Operational Risk Self-Assessment (ORSA) and the Operational Risk Quality Assessment (ORQA) to increase the quality of the Operational Risk Management and other tools. In addition, the Bank incorporates the impacts of external changes (e.g. new regulations or added complexity to our business due to client requests) in the Bank's risk policies and procedures.

<Settlement Risk>

It is the risk of non-receipt of funds from counterparties, or an associated risk with settlements. As an example, internal system developments have significantly improved the performance of the Bank's automated intra-day cash reconciliation.

<Information Security>

The main objective of the Information Security Risk Management is to assess the Bank's risk exposure to the mishandling of its (confidential, client and personal) information and therefore ensure that its efforts to mitigate this risk are properly targeting potential vulnerabilities. The Bank has established various controls in lines with the applicable regulation, standards and best practices, trained its staff and is periodically testing the effectiveness of information security measures. Logical security tools and techniques are administered to restrict access to programs, data and other information resources based on the "need to know" principle. User rights per software platform are reviewed on a regular basis by the Head of Department. The Internal Audit function is ensuring that proper governance of Information Security is in place.

<Outsourcing Risk>

Outsourcing Risk is regularly discussed in the planned meetings of the Risk Management Committee in order to closely monitor this type of risk. Further, the bank performs due diligence visits to outsourced providers with a high residual risk. Additionally, RMD conducts every year a quantitative outsource risk inventory and risk analysis.

Risk Strategy

In compliance with the legal and regulatory mandates and for the purpose of protecting the institution and its reputation, the Bank's Board of Directors approves notably the Bank's risk strategy, including its risk appetite, risk tolerance and the guiding principles governing risk identification, measurement, reporting, treatment, and monitoring.

ICAAP/ILAAP and Business Recovery Plan

In line with regulatory rules and guidelines, the bank conducts Stress Tests in the major risk types (credit, market, operational, liquidity) for the yearly ICAAP/ILAAP Report and setup yearly a fully-fledged Business Recovery Plan according the Business Recovery and Resolution Directive (BRRD). Based on Reverse Stress Tests (extreme stress scenarios for the bank), the Recovery Plan allows the bank to take actions for a business recovery in case of a severe business or economic downturn which hits the bank severely and avoids bankruptcy and resolution of the bank. For this, recovery options are defined that the bank could use in order to restore its capital base, liquidity position or profitability avoiding a bankruptcy. Given the results of the ICAAP/ILAAP Stress Tests and the setup of the Business Recovery Plan, the bank is quite stable in particular in case of sudden economic downturns.

Business Plan for 2021

<Custody Services>

The Bank plans to change a sub custody and technology service provider. It enables us to not only save operational costs but enhance our service quality and competitiveness by implementation of 24 hours operation that benefits the convenience for clients. Also, the Bank will continuously focus on keeping and improving our service quality by both improving internal business and cooperating with the global MUFG Investor Services network, so that our services will be able to continue to meet, even exceed, the existing and potential clients expectations.

<Fund Services>

The Bank plans to integrate its operation to the group's standard platform managed by MUFG Fund Services ("MFS"). Based on this new strategy, the Bank will focus on oversight and monitoring activities while leveraging highly advanced technology and talents across the group's global locations. It will enable the Bank to be more competitive in the market where we foresee more opportunity; non-Japanese clients and alternative funds. This strategy requires downsizing of the Bank's operation. On March 15, 2021 the Bank reached an agreement by having signed a social plan between the Bank, staff delegation and the Unions regarding the termination of 16 employment contracts with certain terms and conditions.

Except for the above, there have been no other significant events in 2020, which would have a material impact on the annual accounts of the Bank as of December 31, 2020.

The Bank had no activities in the field of research and development during the year ended 31 December 2020.

Yoshinobu HIROTA
Chief Executive Officer
March 18, 2021

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REPORT OF THE REVISEUR D'ENTREPRISES AGRÉÉ

Report on the audit of the annual accounts

Opinion

We have audited the annual accounts of Mitsubishi UFJ Investor Services & Banking (Luxembourg) S.A. (the "Bank"), which comprise the balance sheet as at 31 December 2020, and the profit and loss account for the year then ended, and notes to the annual accounts, including a summary of significant accounting policies.

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of the Bank as at 31 December 2020, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Basis for Opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "*Commission de Surveillance du Secteur Financier*" ("CSSF"). Our responsibilities under the EU Regulation No 537/2014, the law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the «Responsibilities of the "*réviseur d'entreprises agréé*" for the audit of the annual accounts» section of our report. We are also independent of the Bank in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of the audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition - Commission receivable	
Why the matter was considered to be one of most significant in the audit	**How the matter was addressed in the audit**
We refer to Summary of significant accounting policies - Note 2.14 - Revenue Recognition and Note 21 on Commission Receivable of the annual accounts. Commission receivable amounted to USD 145.574.882 as of 31 December 2020. Commission receivable mainly derive from fund administration, fiduciary and global custody operations. The applicable rates per each type of commission depend on the underlying assets under custody and administration, agreements and services provided. The recognition process of commission receivable includes manual intervention and it is considered to be a key audit matter due to the materiality of the related amounts, combined with the volume of transactions that are recorded.	We held interviews with Finance and Billing department and obtained an understanding of the commission receivable recognition process. We reviewed the design and implementation of the internal controls surrounding commission receivable, and tested operating effectiveness of the relevant related controls. We developed expectations for the aggregate amounts per type of commission income and we compared the expectations to the amounts recorded by the Bank. For a sample of the different types of commissions: • we tested commission receivable by performing independent recalculation of the commissions. This also included the reconciliation of the fee terms to the underlying contracts and the underlying basis to external evidence; • we agreed the receipt of accrued commissions to payments subsequent year end.

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Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the management report but does not include the annual accounts and our report of the "*réviseur d'entreprises agréé*" thereon.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Board of Directors is responsible for assessing Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the "*réviseur d'entreprises agréé*" for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "*réviseur d'entreprises agréé*" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law dated 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law dated 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "*réviseur d'entreprises agréé*" to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "*réviseur d'entreprises agréé*". However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter.

Report on Other Legal and Regulatory Requirements

We have been appointed as *réviseur d'entreprises agréé* by the Board of Directors on 30 April 2020 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 1 year.

The management report is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

We confirm that the prohibited non-audit services referred to in the EU Regulation N° 537/2014 were not provided and that we remained independent of the Bank in conducting the audit.

Luxembourg, 19 March 2021

BDO Audit
Cabinet de révision agréé

represented by
Patrick Terazzi

BALANCE SHEET AND OFF BALANCE SHEET ITEMS

December 31, 2020 (in USD)

ASSETS

	Notes	2020	2019
Cash, balances with central banks and post office banks	31.1., 31.3.	**4.532.995.593**	**3.122.139.702**
Loans and advances to credit institutions	3, 15, 31.1., 31.3.	**3.037.512.831**	**3.708.799.645**
a) repayable on demand		*1.555.628.740*	*2.480.378.645*
b) other loans and advances		*1.481.884.091*	*1.228.421.000*
Loans and advances to customers	31.1., 31.3.	**7.934.281**	**670.745**
Shares and other variable-yield securities	4, 31.1., 31.3.	**3.033**	**2.783**
Fixed Assets	5	**4.710.734**	**3.551.365**
Other assets	6a	**6.000.367**	**365**
Prepayments and accrued income	6b, 15	**31.779.267**	**37.533.722**
TOTAL ASSETS	**7**	**7.620.936.106**	**6.872.698.327**

The accompanying notes form an integral part of the annual accounts.

LIABILITIES

	Notes	2020	2019
Amounts owed to credit institutions	15, 31.1.	**1.709.328.688**	**1.156.999.949**
a) repayable on demand		*1.709.328.688*	*1.156.999.949*
b) with agreed maturity dates		*0*	*0*
Amounts owed to customers	8, 15, 31.1.	**5.363.495.359**	**5.228.117.398**
a) repayable on demand		*5.363.495.359*	*5.228.117.398*
b) with agreed maturity dates		*0*	*0*
Other liabilities	9	**2.082.383**	**1.232.118**
Accruals and deferred income	10, 15	**57.840.142**	**29.941.563**
Provisions		**13.923.076**	**21.488.541**
a) provisions for taxation	*11*	*11.830.337*	*20.080.003*
b) other provisions	*12*	*2.092.739*	*1.408.538*
Subscribed capital	13	**187.117.966**	**187.117.966**
Reserves	14	**247.675.774**	**197.956.757**
Result brought forward	14	**70.174**	**988**
Profit for the financial year		**39.402.544**	**49.843.047**
TOTAL LIABILITIES	**16**	**7.620.936.106**	**6.872.698.327**

The accompanying notes form an integral part of the annual accounts.

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OFF BALANCE SHEET ITEMS

December 31, 2020 (in USD)

	Notes	2020	2019
Contingent liabilities	17, 31.1.	**580.391**	**528.585**
of which: *guarantees and assets pledged as collateral security*		580.391	528.585
FIDUCIARY OPERATIONS	**20**	**78.178.721.148**	**80.843.518.883**

PROFIT AND LOSS ACCOUNT

Year ended December 31, 2020 (expressed in USD)

	Notes	2020	2019
Interest receivable and similar income		**61.610.819**	**102.750.017**
of which: - Negative interest received on amounts owed to credit institutions and to customers		*12.160.020*	*9.159.885*
- Interest Gain from foreign currency swap		*25.573.309*	*45.637.424*
Interest payable and similar charges		**(28.557.337)**	**(54.594.603)**
of which: - Negative interest paid on loans and advances and on balances with credit institutions		*(24.493.537)*	*(18.415.271)*
- Interest Loss from foreign currency swap		*(127.727)*	*(511.746)*
Income from securities		**0**	**0**
Income from shares and other variable yield securities		*0*	*0*
Commission receivable	21	**145.574.882**	**135.532.835**
Commission payable		**(72.054.185)**	**(68.018.470)**
Net profit on financial operations		**4.668.204**	**3.671.743**
Other operating income	22	**1.924.254**	**1.439.792**
General administrative expenses		**(56.732.446)**	**(50.532.935)**
a) staff costs	*24, 25*	*(22.100.683)*	*(19.811.185)*
of which: - wages and salaries		*(18.041.424)*	*(16.226.776)*
- social security costs		*(2.606.334)*	*(2.550.297)*
of which: - social security costs relating to pensions		*(1.602.327)*	*(1.580.110)*
b) other administrative expenses	*26, 30*	*(34.631.763)*	*(30.721.750)*
Value adjustments in respect of tangible and intangible assets		**(1.684.655)**	**(1.515.702)**
Other operating charges	23	**(400.035)**	**(624.491)**
Tax on profit on ordinary activities	11, 27.1.	**(13.053.249)**	**(16.495.317)**
Profit on ordinary activities after tax		**41.296.252**	**51.612.869**
Other taxes not shown under the preceding items	27.2.	**(1.893.708)**	**(1.769.822)**
PROFIT FOR THE FINANCIAL YEAR		**39.402.544**	**49.843.047**

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NOTES TO THE ACCOUNTS

December 31, 2020

NOTE 1 - GENERAL

1.1. Corporate matters

Mitsubishi UFJ Investor Services & Banking (Luxembourg) S.A. (the "Bank") was incorporated in Luxembourg on April 11, 1974 as a *société anonyme*.

On April 1, 1996, the Parent Bank, The Bank of Tokyo, Ltd., merged with The Mitsubishi Bank, Limited to form The Bank of Tokyo-Mitsubishi Ltd., and Bank of Tokyo (Luxembourg) S.A. changed its name to Bank of Tokyo-Mitsubishi (Luxembourg) S.A..

On October 1, 2005, the indirect shareholder, Mitsubishi Tokyo Financial Group, Inc. (MTFG) merged with UFJ Holdings, Inc. (UFJ) and formed a new financial group, Mitsubishi UFJ Financial Group (MUFG).

On January 1, 2006, the Parent Bank, The Bank of Tokyo-Mitsubishi, Ltd. merged with UFJ Bank Limited to form The Bank of Tokyo-Mitsubishi UFJ Ltd., and Bank of Tokyo-Mitsubishi (Luxembourg) S.A. changed its name to Bank of Tokyo-Mitsubishi UFJ (Luxembourg) S.A..

On April 2, 2007, the Bank became a jointly capitalized subsidiary of Mitsubishi UFJ Trust and Banking Corporation by 70% and Bank of Tokyo-Mitsubishi UFJ Ltd. by 30%, which are under the same holding company Mitsubishi UFJ Financial Group (MUFG). Consequently, Bank of Tokyo-Mitsubishi UFJ (Luxembourg) S.A. changed its name to MITSUBISHI UFJ Global Custody S.A. (MUGC).

On April 28, 2008, MITSUBISHI UFJ Global Custody S.A., has issued 49.080 new shares and the capital of the Bank has been increased by USD 1.817.968,52. The total subscribed share capital is currently set at USD 37.117.968,52. The two major shareholders of the Bank hold 92,25% of the capital, Mitsubishi UFJ Trust and Banking Corporation by 63,72% and Bank of Tokyo-Mitsubishi UFJ Ltd. by 28,53%.

On August 7, 2014, MITSUBISHI UFJ Global Custody S.A. has established an external branch located at Ormonde House, 12-13 lower Lesson Street, Dublin 2, Ireland. Mitsubishi UFJ Global Custody S.A., Dublin Branch is registered as credit institution pursuant to UE Regulation, 1993, under the number 907648.

On May 1, 2016, MITSUBISHI UFJ Global Custody S.A. has changed its name to MITSUBISHI UFJ INVESTOR SERVICES & BANKING (LUXEMBOURG) S.A. (MIBL).

On May 31, 2017, Mitsubishi UFJ Trust and Banking Corporation obtained 100% of the voting shares of Mitsubishi UFJ Investor Services & Banking (Luxembourg) S.A..

The members of the Board of Directors are Senior Executives of Mitsubishi UFJ Trust and Banking Corporation Group and Independent Directors. The business policy and valuation principles, unless prescribed by the legal requirements existing in Luxembourg, are determined and monitored by the Board of Directors in accordance with those applied in Mitsubishi UFJ Financial Group.

1.2. Nature of business

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 all other operations, whether industrial or commercial or in real estate, which directly or indirectly relate to the main object described above.

More specifically, the Bank concentrates its activities on investment management services.

A significant volume of the Bank's transactions is concluded directly or indirectly with companies of Mitsubishi UFJ Financial Group.

1.3. Annual accounts

The Bank prepares its annual accounts in US Dollars (USD), the currency in which the capital is expressed. The Bank's accounting year coincides with the calendar year.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Bank prepares its annual accounts under the historical cost principle in accordance with the laws and regulations in force in the Grand-Duchy of Luxembourg and on the basis of accounting principles generally accepted in the banking sector in the Grand-Duchy of Luxembourg.

In observing these, the following significant accounting policies are applied.

2.1. The date of recording of transactions in the balance sheet

Assets and liabilities are stated in the balance sheet on the date the amounts concerned become cleared funds, that is, on their date of effective transfer.

2.2. Foreign currencies

The Bank maintains a multi-currency accounting system which records all transactions in the currency or currencies of the transaction, on the day on which the contract is concluded.

Assets and liabilities are converted into USD at the spot exchange rates applicable at the balance sheet date. Both realised and unrealised profits and losses arising on revaluation are accounted for in the profit and loss account for the year, except for those resulting from items specifically covered by a forward foreign exchange contract (swap and hedging forward foreign exchange contract) which are recorded at historical exchange rates.

Revenues and expenses in foreign currencies are translated into USD daily at the prevailing exchange rates.

At the year-end, all unsettled forward transactions are translated into USD at the forward rate prevailing on the Balance Sheet date for the remaining maturities.

Results on unsettled forward transactions linked to spot transactions and on swap transactions are accrued at the balance sheet date. In case of unrealised results on position covered by foreign exchange swap, these are neutralized at year end.

2.3. Financial instruments derivatives

The Bank's commitments deriving from the derivatives financial instruments such as interest rate swaps, forward rate agreements, financial futures and options are recorded on the transaction date among the off balance sheet items.

At the year-end, where necessary, a provision is set up in respect of individual unrealised losses resulting from the revaluation of the Bank's commitments at market value. There is no provision for unrealized losses on forward deals recorded for the year 2020 (2019: USD nil).

No provision is set up in those cases where a financial instrument clearly covers an asset or a liability and economic unity is established or where a financial instrument is hedged by a reverse transaction so that no open position exists.

2.4. Specific value adjustments in respect of doubtful and irrecoverable debts

It is the Bank's policy to establish specific value adjustments in respect of doubtful and irrecoverable debts, as deemed appropriate by the Board of Directors.

Value adjustments, if any, are deducted from the assets to which they relate.

2.5. Value adjustments for possible losses on bills, loans and advances and leasing transactions

The value adjustments for possible losses on loans and advances, if any, are deducted from the assets to which they relate.

2.6. Lump-sum provision for risk exposures

In accordance with the Luxembourg tax legislation, the Bank can establish a lump-sum provision for risk exposures, as defined in the legislation governing prudential supervision of banks. The purpose of the provision is to take account of risks which are likely to crystallise but which have not yet been identified as at the date of preparation of the annual accounts.

Pursuant to the Instructions issued by the *Directeur des Contributions* on December 16, 1997, this provision should be made before taxation and should not exceed 1,25% of the Bank's risk exposures.

The Bank has not constituted any provision as of December 31, 2020 (2019: USD 0).

2.7. Transferable securities

Transferable securities are recorded initially at their purchase price. The average cost method is used for initial recognition. Value adjustments, calculated as described in note 2.5. or arising from a diminution of value, are deducted from the account balance.

2.8. Tangible and intangible assets

Tangible and intangible assets are valued at purchase price. The value of tangible and intangible fixed assets with limited useful economic lives is reduced by value adjustments calculated to write off the value of such assets systematically over their useful economic lives as follows:

- Hardware equipment: 4 years;
- Software: 4 years and 5 years;
- Other intangible assets: 5 years;
- Other tangible assets: 10 years;
- Goodwill: 5 years.

2.11. Taxes

Taxes are accounted for on an accruals basis in the accounts of the year to which they relate. Provision for taxation corresponds to the difference between the estimated provisions created by the Bank and the advance payments for the financial years for which no final tax assessment notices have been received yet.

2.12. Prepayment and accrued income

This asset item includes expenditure incurred during the financial year but relating to a subsequent financial year.

2.13. Accruals and deferred income

This liability item includes income received during the financial year but relating to a subsequent financial year.

2.14. Provisions

Provisions are intended to cover losses or debts the nature of which is clearly defined and which, at the date of the balance sheet are either likely to be incurred or certain to be incurred but uncertain as to their amount or as to the date on which they will arise.

2.15. Revenue recognition

The Bank's main streams of revenue are comprised of interests and commissions income. The Bank earns fee and commission income from a wide range of services it provides to its customers.

Revenue is generally recognized when the related services are performed or recognized over the period that the services are provided.

NOTE 3 - LOANS AND ADVANCES TO CREDIT INSTITUTIONS

Loans and advances to credit institutions other than those repayable on demand, presented at their nominal value may be analysed according to their remaining maturity as follows:

	2020 USD	2019 USD
Not more than three months	606.285.500	541.421.000
More than three months but less than one year	875.598.591	687.000.000
	1.481.884.091	**1.228.421.000**

NOTE 4 - SHARES AND OTHER VARIABLE YIELD SECURITIES

Transferable securities shown under the item “Shares and other variable yield securities” consist entirely of unlisted securities for USD 3.033 (2019: USD 2.783).

NOTE 5 - MOVEMENTS IN FIXED ASSETS

The following movements have occurred in the Bank's fixed assets in the course of the financial year:

FIXED ASSETS:

	Gross value at the beginning of the financial year	Additions	Disposals
	USD	USD	USD
1. Tangible assets	**3.240.997**	**166.690**	**0**
a) Hardware	790.243	160.626	0
b) Other fixtures and fittings, flat furniture, equipment and vehicles	2.450.754	6.064	0
2. Intangible assets	**19.873.064**	**2.357.632**	**0**
a) Software	17.927.625	2.357.632	0
b) Goodwill acquired for valuable Consideration	1.945.439	0	0
Total Fixed Assets	**23.114.061**	**2.524.322**	**0**

Goodwill acquired for valuable consideration represents the value of the takeover of part of the client base of another institution

NOTE 6a - OTHER ASSETS

The Bank's prepayments and accrued income may be analysed as follows:

	2020	2019
	USD	USD
Other assets	6.000.367	365
	6.000.367	**365**

At December 31, 2020, the main item includes receivable related to the upcoming change of sub custody and technology provider. The amount was settled in January 2021.

Exchange difference	Gross value at the end of the financial year	Cumulative value adjustments	Net value at the end of the financial year
USD	USD	USD	USD
291.762	**3.699.449**	**2.952.787**	**746.662**
71.139	1.022.008	679.546	342.462
220.623	2.677.441	2.273.241	404.200
1.613.885	**23.844.581**	**19.880.509**	**3.964.072**
1.613.885	21.899.142	17.935.070	3.964.072
0	1.945.439	1.945.439	0
1.905.647	**27.544.030**	**22.833.296**	**4.710.734**

NOTE 6b - PREPAYMENTS AND ACCRUED INCOME

The Bank's prepayments and accrued income may be analysed as follows:

	2020	2019
	USD	USD
Accrued interest income	5.933.296	14.177.184
Accrued Interest income on swaps	1.612.214	1.713.597
Commission from the Management Company	858.421	183.794
Commission on fiduciary operations	1.512.122	1.566.075
Commission on global custody	14.654.292	12.792.274
Commission on investment funds	5.437.372	5.053.137
Other accrued income	364.437	543.439
Other Commissions	177.468	171.171
Other prepayments	363.811	324.052
Prepaid general expenses	387.854	572.304
Prepaid income taxes	818	751
VAT recoverable	477.162	435.944
	31.779.267	**37.533.722**

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NOTE 7 - FOREIGN CURRENCY ASSETS

At December 31, 2020, the aggregate amount of the Bank's assets denominated in foreign currencies, translated into USD, is USD 5.991.487.186 (2019: USD 5.141.994.595).

NOTE 8 - AMOUNTS OWED TO CUSTOMERS

As at December 31, 2020, there is no debts other than those repayable on demand owed to customers. (as at December 31, 2019 debts other than repayable on demand amounted to USD 0).

NOTE 9 - OTHER LIABILITIES

The Bank's other liabilities may be analysed as follows:

	2020 USD	2019 USD
Preferential creditors	678.795	649.292
Sundry creditors	1.403.588	582.826
	2.082.383	**1.232.118**

NOTE 10 - ACCRUALS AND DEFERRED INCOME

The Bank's accruals and deferred income may be analysed as follows:

	2020 USD	2019 USD
Accrued commission	9.248.976	8.943.522
Accrued general expenses	5.966.428	4.769.237
Accrued interest expenses	0	1.612.014
Deferred income related to commission	47.421	58.141
Other deferred income (*)	6.000.000	0
Neutralization of foreign exchange results on position covered by foreign exchange swap (note 2.2.)	36.126.293	14.380.755
Other accrued expenses	140.872	114.097
Other suspense receipt (**)	310.152	63.797
	57.840.142	**29.941.563**

(*) Other deferred income: In relation to the note 6a.

(**) Other suspense receipts: Transitory account for suspense receipts payable after the December 31, 2020 to the related beneficiary.

NOTE 11 - TAXATION - EXCHANGE DIFFERENCE: DEFERRED TAXATION

The Bank prepares its annual accounts in USD, currency in which its statutory capital is denominated.

In September 2018 the Tax Authorities authorized the Bank to use the USD tax functional currency in accordance with the Circular L.G.-A no 60 dated June 21, 2016.

Consequently the fiscal and commercial balance sheets are established in the same currency the USD.

As at December 31, 2020, there are no deferred tax.

NOTE 12 - OTHER PROVISIONS

The Bank's other provisions are made of provision for staff remuneration.

	2020 USD	2019 USD
Provision for staff remuneration	2.092.739	1.408.538
	2.092.739	**1.408.538**

NOTE 13 - SUBSCRIBED CAPITAL

As of December 31, 2020, the Bank's subscribed and fully paid up capital amounts to USD 187.117.966 for 5.002.575 shares of Class A and 49.080 shares of Class B.

NOTE 14 - MOVEMENTS IN RESERVES AND RESULT BROUGHT FORWARD

	Legal reserve USD	Other reserves USD	Result brought forward USD
Balance at January 1, 2020	7.395.745	190.561.012	988
Profit for the year ended December 31, 2019	0	0	49.843.047
Appropriation of profit			
- Dividends paid to shareholders	0	0	(54.844)
- Transfer to reserves for Net Worth Tax 2020	0	10.911.000	(10.911.000)
- Transfer from Reserve for Net Worth Tax 2014	0	(3.019.136)	3.019.136
- Allocation to Free reserve	0	39.335.000	(39.335.000)
- Allocation to Legal reserve	2.492.153	0	(2.492.153)
Balance at December 31, 2020	**9.887.898**	**237.787.876**	**70.174**

Under Luxembourg law, the Bank must appropriate to a legal reserve an amount equivalent to at least 5% of the annual net profit until such reserve is equal to 10% of the share capital. This appropriation is made in the following year. Distribution of the legal reserve is restricted.

Based on the Luxembourg tax law, the Bank has elected to get a tax credit for all or part of the net worth tax due for that year. This tax credit is however, limited to the amount of the corporate income tax due for the previous year before the imputation of any tax credits. In order to profit from this credit, the Bank must commit itself to post before the end of the subsequent year an amount equal to five times the net worth tax credit to a special reserve, which has to be maintained for a period of five years.

As of December 31, 2020, the special reserve for net worth tax is included in the Bank's other reserve for a total amount of USD 37.216.791 (2019: USD 29.324.927).

As resolved in the Annual General Meeting dated March 25, 2020, the Bank has allocated an amount of USD 10.911.000 to special reserve for Net Worth Tax 2020 and reversed the available special reserve for Net Worth Tax constituted in 2014 which amounted to USD 3.019.136.

The accumulated balance of special reserve for Net Worth Taxes states as follows as at December 31, 2020.

Years	2020 Reserve for Net Worth Tax USD
2016	3.348.440
2017	4.276.351
2018	8.700.000
2019	9.981.000
2020	10.911.000
Balance at December 31, 2020	**37.216.791**

NOTE 15 - RELATED PARTY BALANCES

As at December 31, 2020, the following balances with related parties are outstanding:

ASSETS

	2020 USD	2019 USD
Loans and advances to credit institutions	2.523.209.017	3.313.250.489
Prepayments and accrued income	18.411.677	25.391.063
	2.541.620.694	**3.338.641.552**

LIABILITIES

	2020 USD	2019 USD
Amounts owed to credit institutions	1.685.102.780	1.121.324.163
Amounts owed to customers	589.335.450	790.938.178
Accruals and deferred income	5.093.264	5.272.305
	2.279.531.494	**1.917.534.646**

The above transactions with related parties were made at conditions comparable with non-related counterparties.

At the request of the Bank, the CSSF has granted a total exemption for the exposures towards the group (Mitsubishi UFJ Financial Group) in the calculation of large exposure limits, in accordance with the Regulation (EU) No 575/2013 of June 26, 2013 (Part IV).

As at December 31, 2020, the amount towards the group falling under this exemption amounts to USD 2.585.897.973 and can be analysed as follows:

	2020 USD	2019 USD
Loans and advances to credit institutions	2.522.808.891	3.311.881.103
Prepayments and accrued income	5.944.840	14.190.435
Foreign exchange transactions (Market Risk method)	57.144.242	56.995.178
	2.585.897.973	**3.383.066.716**

NOTE 16 - FOREIGN CURRENCY LIABILITIES

At December 31, 2020, the aggregate amounts of liabilities denominated in foreign currencies translated into USD is USD 5.998.748.318 (2019: USD 5.161.213.531).

NOTE 17 - CONTINGENT LIABILITIES

The Bank's contingent liabilities may be analysed as follows:

	2020 USD	2019 USD
Counter-guarantees issued	580.391	528.585

As at the year-end, there were no related party balances.

NOTE 18 - COMMITMENTS

The Bank has entered into certain commitments which are not disclosed neither in the Balance Sheet nor in the Off Balance Sheet Items, but which are significant for the purposes of assessing the financial situation of the Bank. Details of such commitments are as follows:

	2020 USD	2019 USD
Commitments in respect of fixed rental payments contracted on buildings	4.216.945	5.226.846

As at the year-end, there are no related party balances.

NOTE 19 - OPERATIONS LINKED TO CURRENCY EXCHANGE RATES, INTEREST RATES AND OTHER MARKET RATES

The following types of forward transactions are outstanding as at December 31, 2020 and 2019:

Operations linked to currency exchange rates

- Forward exchange transactions (swaps, outrights).

Operations linked to the foreign currency exchange rates are made to a large extent for the purposes of covering the existing positions.

NOTE 20 - INVESTMENT MANAGEMENT SERVICES AND UNDERWRITING FUNCTIONS

Management and agency services provided by the Bank include:

- Custody and administration of transferable securities;
- Fiduciary representations;
- Agency functions;
- Portfolio management and advice.

NOTE 21 - COMMISSIONS RECEIVABLE

	2020 USD	**2019 USD**
Fees on Investment Funds	24.626.803	22.712.248
Fees on Global custody from Institutional customers	108.765.953	99.635.836
Fees on Fiduciary transactions	9.891.734	11.022.939
Fees on Services to Management Company	858.421	700.533
Other fees and commissions	1.431.971	1.461.279
	145.574.882	**135.532.835**

Commissions receivable consist of the following:

Fees on Investment Funds consist of fees and commissions charged to Investment Funds for custody services, central administration, depositary and other services. The fees are calculated on the basis of the value of net assets of the funds under administration.

Fees on Global custody from Institutional customers consist of fees and commissions charged to institutional customers for global custody services including securities trade management, settlement, corporate actions, income collection and proxy voting. The fees are calculated on the basis of the assets held under custody and the number of transactions.

Fees on Fiduciary transactions consist of fees and commissions earned on fiduciary assets including custody transactions, cash management and fiduciary notes issuance. The fees are calculated on the basis of the assets held under management and the number of transactions.

Fees on Services to Management Company include fees covering functional expenditures and fees for support services in accordance with the Service Level Agreement.

Other fees and commissions include various fees such as listing agent fees, guarantee fees, banking services fees and fund order desk services fees.
By application of Article 69(2) of the law of June 17, 1992, on the annual accounts of credit institutions sources of income have not been analysed by geographical region.

NOTE 22 - OTHER OPERATING INCOME

	2020 USD	2019 USD
Adjustment of Income taxes 2015-2018	88.772	0
Adjustment for commission previous years	1.168.278	663.382
Income from the adjustment of general expenses regarding previous years	532.488	478.260
Sub-Rental Fee received from the Management Company (Service level agreement)	84.638	78.621
Other operating income	50.078	219.529
	1.924.254	**1.439.792**

NOTE 23 - OTHER OPERATING CHARGES

	2020 USD	2019 USD
Charges from the adjustment of general expenses regarding revious years	87.248	170.811
Commission on previous years	244.112	325.550
Interest on previous years	2.765	106.282
Others operating losses	65.910	21.848
	400.035	**624.491**

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NOTE 24 - STAFF NUMBERS

The average number or persons employed during the financial year by the Bank is as follows:

	2020 Number	2019 Number
Senior management	28	30
Middle management	85	83
Employees	56	56
	169	**169**

NOTE 25 - MANAGEMENT REMUNERATION

The Bank has granted emoluments in respect of the financial year to the members of the managerial body of the Bank by reason of their responsibilities as follows:

	2020 USD	2019 USD
Senior management	4.877.002	5.606.190
Of which variable remuneration	*811.702*	*821.298*
Of which fix remuneration	*4.065.300*	*4.784.892*

During the financial year, no pension commitments to the members of the Board of Directors and General Management were made.

As at December 31, 2020 and 2019, the Bank did not grant any advances and credits to the members of the Board of Directors and General Management.

NOTE 26 - OTHER ADMINISTRATIVE EXPENSES

	2020 USD	2019 USD
Data charges	1.273.871	1.286.243
Maintenance	1.470.242	1.420.213
Membership fees	4.291.080	3.049.059
Professional fees	3.782.542	3.356.649
Rent and related expenses	1.279.480	1.207.833
Service contracts	6.402.064	5.099.944
Service fee	3.166.402	2.770.636
System cost	11.802.849	11.351.403
Telecommunication expenses	563.427	393.275
Travelling, moving, business trips	108.354	172.054
Other expenses	491.452	614.441
	34.631.763	**30.721.750**

The increase of the costs for Memberships is due to the increase of the fees paid to Single Resolution Funds during the year 2020 (Note 29).

NOTE 27 - TAX

27.1. Tax on profit on ordinary activities

	2020 USD	2019 USD
Corporate Income Tax	9.580.154	12.027.260
Municipal Business Tax	3.473.095	4.468.057
	13.053.249	**16.495.317**

27.2. Other taxes not shown under the preceding items

	2020 USD	2019 USD
VAT	1.825.735	1.710.089
Other taxes	67.973	59.733
	1.893.708	**1.769.822**

NOTE 28 - PARENT UNDERTAKING

As of December 31, 2020, the Bank is a jointly capitalized subsidiary of Mitsubishi UFJ Trust and Banking Corporation by 100%, which are under the holding company Mitsubishi UFJ Financial Group (MUFG), which is incorporated under the laws of Japan and whose registered office is in Tokyo.

The annual accounts of the Bank are included in the consolidated accounts of Mitsubishi UFJ Trust and Banking Corporation, with Registered Financial Institution number 33 at Kanto Local Finance Bureau Japan and registered address 4-5, Marunouchi 1-Chome, Chiyoda-Ku, Tokyo 100-8212, Japan.

The consolidated accounts of the holding company Mitsubishi UFJ Financial Group (MUFG) may be obtained from the head office at 7-1, Marunouchi 2-Chome, Chiyoda-Ku, Tokyo 100, Japan.

NOTE 29 - DEPOSIT GUARANTEE SCHEME

The law related to the resolution, reorganisation and winding-up measures of credit institutions and certain investment firms and on deposit guarantee and investor compensation schemes (the "Law"), transposing into Luxembourgish law the directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms and the directive 2014/49/EU related to deposit guarantee and investor compensation schemes, was passed on December 18, 2015.

The deposit guarantee scheme ("Fonds de garantie des dépôts Luxembourg" (FGDL)) and the investor compensation system ("Système d'indemnisation des investisseurs Luxembourg" (SIIL)) cover eligible deposits of each depositor up to an amount of EUR 100.000 and investments up to an amount of EUR 20.000. The Law also provides that deposits resulting from specific transactions or fulfilling a specific social or other purpose are covered for an amount above EUR 100.000 for a period of 12 months.

Credit institutions contribute on an annual basis to the Luxembourg banking resolution fund ("Fonds de resolution Luxembourg" (FRL)), respectively to the FGDL.

The funded amount of the FRL shall reach by the end of 2024 at least 1% of covered deposits, as defined in article 107(1) of the Law, of all authorized credit institutions in all participating Member States. This amount will be collected during the years 2015 to 2024.

The target level of funding of the FGDL is set at 0,8% of covered deposits, as defined in article 179(1) of the Law, of the relevant credit institutions and is to be reached by the end of 2018 through annual contributions. This amount will be collected during the years 2016 to 2018. When the level of 0,8% is reached, the Luxembourgish credit institutions are to continue to contribute for 8 additional years in order to constitute an additional safety buffer of 0.8% of covered deposits as defined in article 180(1) of the Law.

For the year end December 31, 2020, the Bank's annual contribution for FRL amounted to EUR 2.879.732 (USD 3.283.564). (2019 : EUR 1.924.193 / USD 2.144.032).

NOTE 30 - AUDIT FEES

Within the framework of the EU audit legislation and the mandatory audit firm rotation, the Bank has appointed BDO Audit S.A. starting from the fiscal year 2020.

The fees of the Auditor of the Bank are as follows (excluding VAT):

	2020 USD	2019 USD
Audit fees	257.225	273.905
Audit related fees	56.245	138.827
Tax fees	22.550	30.103
	336.020	**442.835**

The other audit related fees provided of the Auditor included the following Service:

- ISAE 3402 Report for the period from January 1, 2020 to December 31, 2020.

The tax fees in relation to the financial year included the following services:

- Preparation of tax returns;
- Preparation of VAT returns.

NOTE 31 - FINANCIAL INSTRUMENT DISCLOSURES

31.1. Primary non-trading financial instruments

As at December 31, 2020, the analysis of primary non-trading financial instruments (the Bank has no trading portfolio) by class and residual maturity is the following:

At carrying amount in USD	≤ 3 months USD	> 3 months ≤ 1 year USD	> 1 year ≤ 5 years USD	> 5 years USD	Total USD
FINANCIAL ASSETS					
Instrument class					
Balances with the BCL (including BCL reserve)	4.532.995.593	0	0	0	4.532.995.593
Loans and advances to credit institutions	2.161.914.240	875.598.591	0	0	3.037.512.831
Loans and advances to customers	7.934.281	0	0	0	7.934.281
Shares and other variable yield securities	0	0	0	3.033	3.033
Other Assets	6.000.000	0	0	0	6.000.000
Total Financial Assets	**6.708.844.114**	**875.598.591**	**0**	**3.033**	**7.584.445.738**
FINANCIAL LIABILITIES					
Instrument class					
Amounts owed to credit institutions	1.709.328.688	0	0	0	1.709.328.688
Amounts owed to customers	5.363.495.359	0	0	0	5.363.495.359
Total Financial Liabilities	**7.072.824.047**	**0**	**0**	**0**	**7.072.824.047**
Off-balance sheet items disclosed as contingencies Guarantees	580.391	0	0	0	580.391
Total Guarantees	**580.391**	**0**	**0**	**0**	**580.391**

As at December 31, 2019, the analysis of primary non-trading financial instruments (the Bank has no trading portfolio) by class and residual maturity is the following:

At carrying amount in USD	≤ 3 months USD	> 3 months ≤ 1 year USD	> 1 year ≤ 5 years USD	> 5 years USD	Total USD
FINANCIAL ASSETS					
Instrument class					
Balances with the BCL (including BCL reserve)	3.122.139.702	0	0	0	3.122.139.702
Loans and advances to credit institutions	3.021.799.645	687.000.000	0	0	3.708.799.645
Loans and advances to customers	670.745	0	0	0	670.745
Shares and other variable yield securities	0	0	0	2.783	2.783
Total Financial Assets	**6.144.610.092**	**687.000.000**	**0**	**2.783**	**6.831.612.875**
FINANCIAL LIABILITIES					
Instrument class					
Amounts owed to credit institutions	1.156.999.949	0	0	0	1.156.999.949
Amounts owed to customers	5.228.117.398	0	0	0	5.228.117.398
Total Financial Liabilities	**6.385.117.347**	**0**	**0**	**0**	**6.385.117.347**
Off-balance sheet items disclosed as contingencies Guarantees	528.585	0	0	0	528.585
Total Guarantees	**528.585**	**0**	**0**	**0**	**528.585**

31.2. Derivative non-trading financial instruments

As at December 31, 2020, the analysis of OTC derivative non-trading financial instruments (the Bank has no trading portfolio) by class and residual maturity is the following:

At notional payable amount in USD	≤ 3 months USD	> 3 months ≤ 1 year USD	> 1 year ≤ 5 years USD	> 5 years USD	Total USD	Fair value USD
FINANCIAL ASSETS						
Instrument class						
Foreign exchange transactions						
Forwards	4.826.443.660	5.041.174	0	0	4.831.484.834	19.024.454
Swaps	2.872.843.236	0	0	0	2.872.843.236	11.023.212
Total	**7.699.286.896**	**5.041.174**	**0**	**0**	**7.704.328.070**	**30.047.666**
FINANCIAL LIABILITIES						
Instrument class						
Foreign exchange transactions						
Forwards	4.766.463.318	5.073.276	0	0	4.771.536.594	18.983.782
Swaps	2.044.899.016	0	0	0	2.044.899.016	42.172.709
Total	**6.811.362.334**	**5.073.276**	**0**	**0**	**6.816.435.610**	**61.156.491**

These amounts include OTC derivative non-trading financial instruments with a trade date before December 31, 2020 and a value date after December 31, 2020.

As at December 31, 2019, the analysis of OTC derivative non-trading financial instruments (the Bank has no trading portfolio) by class and residual maturity is the following:

At notional payable amount in USD	≤ 3 months USD	> 3 months ≤ 1 year USD	> 1 year ≤ 5 years USD	> 5 years USD	Total USD	Fair value USD
FINANCIAL ASSETS						
Instrument class						
Foreign exchange transactions						
Forwards	3.932.042.624	5.842.135	0	0	3.937.884.759	26.049.631
Swaps	1.004.949.710	0	0	0	1.004.949.710	2.872.627
Total	**4.936.992.334**	**5.842.135**	**0**	**0**	**4.942.834.469**	**28.922.258**
FINANCIAL LIABILITIES						
Instrument class						
Foreign exchange transactions						
Forwards	3.952.576.741	5.799.199	0	0	3.958.375.940	26.036.732
Swaps	2.408.687.339	0	0	0	2.408.687.339	11.231.097
Total	**6.361.264.080**	**5.799.199**	**0**	**0**	**6.367.063.279**	**37.267.829**

These amounts include OTC derivative non-trading financial instruments with a trade date before December 31, 2019 and a value date after December 31, 2019.

31.3. Information on credit risk on primary non-trading financial instruments

As at December 31, 2020, the Bank is exposed to the following credit risk on primary non-trading financial instruments:

	2020 Carrying amount in USD	**2019 Carrying amount in USD**
FINANCIAL ASSETS By instrument class and geographic location		
Cash, balances with the BCL	**4.532.995.593**	**3.122.139.702**
Of which BCL minimum reserve	*74.074.339*	*61.322.494*
EU member countries	*4.532.995.593*	*3.122.139.702*
Loans and advances to credit institutions	**3.037.512.831**	**3.708.799.645**
EU member countries	*683.470.279*	*135.123.430*
North & Central America	*331.454.821*	*894.909.307*
Asia	*1.950.621.860*	*2.674.535.568*
Europe, non-EU member countries	*56.563.445*	*1.183.449*
Australia and New Zealand	*15.402.426*	*3.047.891*
Loans and advances to customers	**7.934.281**	**670.745**
EU member countries	*7.365.151*	*315.164*
North & Central America	*38.644*	*351.379*
Asia	*530.486*	*0*
Europe, non-EU member countries	*0*	*4.202*
Shares and other variable yield securities	**3.033**	**2.783**
EU member countries	*3.033*	*2.783*
Other Assets	**6.000.000**	**0**
EU member countries	*6.000.000*	*0*
Total	**7.584.445.738**	**6.831.612.875**

31.4. Information on derivative non-trading financial instruments

As at December 31, 2020, the Bank is exposed to the following credit risk on derivatives non-trading financial instruments:

	2020 Notional/payable amount in USD	2020 Risk equivalent amount in USD
FINANCIAL ASSETS		
By instrument class and geographic location		
Foreign exchange transactions		
Forwards		
EU member countries	*1.573.370.543*	*9.120.220*
America	*2.763.233.382*	*7.104.859*
Asia	*494.880.909*	*2.799.375*
Swaps		
EU member countries	*2.872.843.236*	*11.023.212*
Total	**7.704.328.070**	**30.047.666**

As at December 31, 2019, the Bank is exposed to the following credit risk on derivatives non-trading financial instruments:

	2019 Notional/payable amount in USD	2019 Risk equivalent amount in USD
FINANCIAL ASSETS		
By instrument class and geographic location		
Foreign exchange transactions		
Forwards		
EU member countries	*3.136.956.781*	*17.460.853*
America	*752.436.735*	*8.314.206*
Asia	*48.491.243*	*274.572*
Swaps		
EU member countries	*1.004.949.710*	*2.872.627*
Total	**4.942.834.469**	**28.922.258**

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NOTE 32 - SUBSEQUENT EVENTS

The Bank plans to change a sub custody and technology service provider. It enables us to not only save operational costs but enhance our service quality and competitiveness by implementation of 24 hours operation that benefits the convenience for clients. Also, the Bank will continuously focus on keeping and improving our service quality by both improving internal business and cooperating with the global MUFG Investor Services network, so that our services will be able to continue to meet, even exceed, the existing and potential clients' expectations.

The Bank will plan to integrate its operation to the group's standard platform managed by MUFG Fund Services ("MFS"). Based on this new strategy, the bank will focus on oversight and monitoring activities while leveraging highly advanced technology and talents across the group's global locations. It will enable the Bank to be more competitive in the market where we foresee more opportunity; non-Japanese clients and alternative funds. This strategy requires downsizing of the Bank's operation. On March 15, 2021 the Bank reached an agreement by having signed a social plan between the Bank, staff delegation and the Unions regarding the termination of 16 employment contracts with certain terms and conditions.

Except for the above, there have been no other significant events in 2021, that would require disclosure in the annual accounts of the Bank as of December 31, 2020.

APPENDIX 1 (non audited information)

IFRS Report

The financial statements of this section are based on International Financial Reporting Standards (IFRS) and the deviations allowed by the CSSF for the preparation of the regulatory financial reporting.

In order to fully comply with IFRS 9 the Bank classified its financial assets and liabilities as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of the business model for managing the financial assets instruments and also their contractual cash flow characteristics.

The carrying amounts of assets and liabilities are net of impairment loss. As at December 31, 2020, the Bank recorded a provision for impairment on financial assets for USD 299.379.

The bank does not use any Hedging instruments to manage exposures arising from particular risks under IFRS 9.

All figures are expressed in US Dollars.

Balance and off-balance sheet accounts (Prudential reporting - FINREP)

A. Assets	**2020 USD**	**2019 USD**
Cash balances at central banks	4.532.995.593	3.122.136.383
Other demand deposits	1.232.285.600	2.111.318.944
Financial assets held for trading - Derivatives	30.047.666	28.922.259
Financial assets at fair value through other comprehensive income - Equity instruments	3.033	2.783
Financial assets at amortised cost - Loans and Advances	1.818.795.430	1.612.091.866
Tangible assets - Property, Plant and Equipment	4.996.545	5.651.361
Other intangible assets	3.964.071	2.724.428
Current tax assets	818	751
Other assets	30.233.305	21.642.555
Total assets	**7.653.322.060**	**6.904.491.329**

B. Liabilities		
Financial liabilities held for trading - Derivatives	61.156.491	37.267.829
Financial liabilities measured at amortised cost - Deposits	7.072.824.047	6.386.729.362
Other financial liabilities	4.268.689	4.888.138
Current tax liabilities	11.830.337	20.080.003
Deferred tax liabilities	770.694	1.019.087
Other liabilities	25.885.847	16.589.449
Total Liabilities	**7.176.736.104**	**6.466.573.868**

C. Equity		
Paid up Capital	187.117.966	187.117.966
Retained earnings	6.460	-67.376
Revaluation reserves	0	0
Other reserves	247.675.774	197.956.757
Profit or loss attributable to owners of the parent	41.785.756	52.910.114
Total Equity	**476.585.956**	**437.917.461**

The principal elements of the Bank's off-balance sheet items are: (prudential reporting)

	2020 USD	**2019 USD**
Contingent liabilities and other off-balance sheet items:		
Financial Guarantees	580.391	528.585
Custody assets from collective investment	78.004.318.151	70.040.396.671
Custody assets from others	549.876.018.528	539.744.356.885
Fiduciary transactions	78.178.721.148	80.843.518.883

Profit and loss account (Prudential reporting - FINREP/IFRS)

STATEMENT OF PROFIT AND LOSS	31 December 2020 USD	31 December 2019 USD
Interest income	**59.998.604**	**101.036.420**
Financial assets held for trading	23.961.095	43.923.827
Financial assets at amortised cost	23.016.399	44.700.156
Other assets	861.090	3.252.553
Interest income on liabilities	12.160.020	9.159.885
(Interest expenses)	**28.563.036**	**54.604.586**
(Financial liabilities held for trading	124.603	511.746
(Financial liabilities measured at amortised cost)	3.938.720	35.677.209
(Other liabilities)	6.176	360
(Interest expense on assets)	24.493.537	18.415.271
Fee and commission income	**145.574.882**	**135.532.835**
(Fee and commission expenses)	**72.054.185**	**68.018.470**
Gains or (-) losses on financial assets and liabilities held for trading, net	**9.749.386**	**9.702.949**
Other operating income	**1.835.482**	**1.439.793**
(Other operating expenses)	**2.293.396**	**2.394.313**
TOTAL OPERATING INCOME, NET	**114.247.738**	**122.694.628**
(Administrative expenses)	**52.231.918**	**47.299.040**
(Staff expenses)	22.100.683	19.811.185
(Other administrative expenses)	30.131.236	27.487.855
(Cash contributions to resolution funds and deposit guarantee schemes)	**3.283.564**	**2.144.789**
(Depreciation)	**2.911.602**	**2.586.196**
(Property, Plant and Equipment)	1.548.354	1.336.662
(Other intangible assets)	1.363.248	1.249.534
(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss)	**299.379**	**240.084**
(Financial assets at amortised cost)	299.379	240.084
PROFIT OR (-) LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**55.521.274**	**70.424.519**
(Tax expense or (-) income related to profit or loss from continuing operations)	**13.735.518**	**17.514.404**
PROFIT OR (-) LOSS FOR THE YEAR	**41.785.756**	**52.910.114**

APPENDIX 2 (non audited information)

Basel III Disclosure

I. Introduction

This report has been created in compliance with E.U. Directive 2013/36/EU of June 26, 2013, and E.U. Regulation 575/2013 of the same date.

Basel III differentiates between three so-called pillars, which are expected to be mutually reinforcing:

- Pillar 1 is centred on the capital requirements related to the credit, market and operational risks that banks run;
- Under Pillar 2, banks are expected to produce their own assessment of capital adequacy, based on the risks that they face in their activities, including additional risk types such as market risk in the banking book. Pillar 2 also lays out the interaction between the banks' own assessments and the banking supervisors' response;
- Pillar 3 leverages the ability of market discipline to motivate prudent management by enhancing the degree of transparency in banks' public reporting. It sets out the public disclosures that banks must make that lend greater insight into the adequacy of their capitalization. The purpose of Pillar 3 is to complement the minimum capital requirements (Pillar 1) and the supervisory review process (Pillar 2).

Pillar 3 disclosures comprise of:

- Quantitative disclosures relating primarily to actual risk exposures
- Qualitative disclosures relating primarily to risk management practices

Additional qualitative disclosures are applied by enclosing a summary of the Remuneration Policy.

As at December 31, 2020, this disclosure Statement includes the measures required by the full adoption of the Basel III capital reforms. Basel III is a global regulatory standard on bank capital adequacy, stress testing and market liquidity risk, intended to strengthen bank capital requirements and introduces new regulatory requirements on bank liquidity and bank leverage.

Mitsubishi UFJ Investor Services & Banking (Luxembourg) S.A. (hereafter "MIBL" or "the Bank"), a member of Mitsubishi UFJ Financial Group (hereafter "MUFG"), whose Head Office (a financial holding company) is located in Japan, has undertaken to carry out the full disclosure required by the above mentioned regulations. Disclosure will be made on an annual basis.

The report may be obtained after the publication of the Annual Accounts, from the following address: Mitsubishi UFJ Investor Services & Banking (Luxembourg) S.A. 287-289, route d'Arlon, L-1150 Luxembourg.

II. Overview

Due to various changes in the global market and current trends in investment funds, it is constantly necessary to adapt the business model. As per client requests, new client services have been implemented which further broaden the scope of oversight and the importance of Risk Management at MIBL.

The Bank updates and implements in its policies, procedures, and processes, methods to identify, categorize, measure, monitor, and mitigate the risks linked to its business lines. The Bank remains risk averse and does not engage in proprietary trading for its own account.

III. Risk Classification

The Bank has identified the following risks present in its businesses and operations:

1. **Credit Risk**

   Credit Risk defined as the risk to incur losses due to a decline in, or a total loss of, the value of assets (including off-balance sheet assets) as a result of a counterparty failing to meet its obligations in accordance with agreed terms. Given the nature of MIBL business, credit risk is mainly defined by two sub-categories:

- **Counterparty (default) risk** covering: settlement risk, counterparty default on FX market exposure (generating replacement costs) or cash placements at risk due to counterparty default.
- **Country risk** - arising from uncertainties in economic, social, political or other external factors that could have an impact, such as a downgrade of the credit rating.

2. Concentration Risk

The risk of an accumulation of exposure(s) within or across different risk categories of an institution that have the potential to produce either losses large enough to threaten the institution's health and/or ability to maintain its operations, or to produce a material change in an institution's risk profile.

The Bank reports on monthly basis the analysis concerning the concentration risk during its Risk Management Committee. The analysis draws attention to the credit and market exposures that the Bank needs to face, sorting the exposures by counterparty, type, rating, and currency.

3. Market Risk

Market Risk defined as the risk of financial loss due to a decline in the value of assets, or the increase in the value of liabilities, including off-balance sheet items, as a result of fluctuations in market rates (FX rates, interest rates), prices, indices, and volatilities. The Bank has defined two general sub-categories of Market Risk, namely:

- **Interest Rate Risk** – arises as a result of changes in interest rates; both assets and liabilities may impact the profitability of the Bank;
- **Foreign Exchange Rate Risk** – defined as the risk of a loss following changes in the market foreign exchange rate on the Bank's transactions.
- **Credit Value Adjustment** – arises as the risk of decreasing mark to market value of the derivatives. The derivatives done in 2020 by the Bank were mainly FX Forwards and FX Swaps.

The Bank does not hold any proprietary positions.

4. Liquidity Risk

The Bank has identified two types of liquidity risk: market liquidity risk and funding liquidity risk.

- **Market Liquidity Risk** – defined as the risk of sustaining a loss due to the inability to trade required quantities at a reasonable price, caused, for instance, by market turmoil or a lack of trade volume in the market.
- **Funding Liquidity Risk** – defined as the risk of sustaining a loss due to the inability to obtain the necessary funds required for trading or settlement of obligations, or the need to acquire funds at disadvantageous terms, caused by deterioration in market conditions and/or in the Bank's financial standing.

5. Operational Risk

Operational Risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal process, people, and systems, or from external events. This includes:

- **Operations Risk** – defined as the risk of incurring losses caused by negligence of correct operational processing or by incidents or misconduct by officers or staff.
- **IT Risk** – defined as the risk of sustaining a loss due to IT system destruction, disruption, leakage, errors or similar events.
- **Outsourcing Risk** – defined as the risk of sustaining a loss due to a failure in delegated activities, because they were not carried out properly or not in accordance with contractual arrangements.

6. Compliance & Legal Risk

Compliance and Legal risks are defined as the risks of loss due to a failure to conduct the business in accordance with applicable laws, rules and standards or due to inappropriate or insufficient response to

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regulatory changes. It covers a variety of component risks such as litigations, sanctions, together with certain aspects of Operational Risks, across the complete range of the Bank's business activities.

7. Reputational Risk

The Bank defines reputation risk as the risk of sustaining a loss due to an impaired reputation, caused, for instance, by negative perceptions and rumours among the Bank's clients and in the general marketplace, or by an inadequate response of the Bank to events arisen within the course of the Bank's business activities. This affects the Bank's ability to establish new relationships or services or to continue existing servicing relationships.

8. Remuneration and Personnel Risk

Personnel risk is defined as the risk of loss due to high turnover of human resources, lack of training, lack of ethics and degradation of morale, as well as other similar behaviors. Remuneration risk is triggered by an inappropriate remuneration policy of the Bank, allowing abusive personnel compensations that are not tied to the financial results of the Bank or to the performance of its employees.

The Bank reviews the Remuneration Policy at least once a year to ensure that the principles, objectives, and methods of the policy are followed as they have been adopted. The Bank's Remuneration Policy adheres to the principles laid down in E.U. Directive 2013/36/EU, the Commission Delegated Regulations no. 604/2014 of March 4, 2014 and no. 527/2014 of March 12, 2014. The Board of Directors approved the last reviewed Remuneration Policy on January 27, 2021.

IV. The Strategies and Processes of Risk Management

1. One of the basic functions of the Bank's Risk Control is to monitor the risks linked to the Bank's activities and business strategies that are within the control of the Board of Directors, and to the greatest extent possible to predict, mitigate, and manage the risks of the Bank using a pre-defined standard or method whenever possible.
2. The major objective of comprehensive risk control is not only to maintain preventive measures against business risks, but also to include all departments in its analysis and thereby to improve operations through more efficient processes and systems. Other aims are to identify all potential risks the Bank may face, evaluate the scope and the appropriateness of the controls put in place to assess these risks, and determine an action plan to eliminate weaknesses.
3. The Risk Management Department utilizes and has documented detailed methods in the Bank's policies, procedures, written rules, and other documents in its efforts to monitor and manage the risks noted above. The departments where these risks are generated periodically review these written papers, and amend or abolish them in accordance with changes in the Bank's operating environment.

V. The Structure and Organization of the Risk Management Function

1. The Board of Directors and General Management

The Board of Directors is responsible for deciding and approving the basic framework and strategies of the Bank's internal risk control management, implemented throughout the Bank, and to confirm its implementation.

The Board of Directors determines the usefulness and efficiency of the risk controls in place using risk control reports delivered regularly, and judges if the controls comply with the approved limits and measures.

On behalf of the Board of Directors, General Management creates a risk verification and management framework, which remains independent from the Bank's profit-earning units, and allocates the skilled management resources required for carrying out the necessary controls and functions. For this purpose, General Management establishes policies, standards, and procedures for risk control and management.

In addition, General Management reviews risk control and management plans, organization structures, policies, and procedures so that the Bank's risk management framework evolves consistently with changes in the Bank's businesses, international markets, and "Best Practices" in Risk Management.

Employees are assigned to departments and tasks according to their professional experience and academic background. These assignments are approved by the General Management.

Chief Risk Officer

The Chief Risk Officer (hereafter "CRO") title is assigned to the director carrying out supervisory management of the Risk Management Department (hereafter the "RMD"), which is the department responsible for comprehensive Risk Management, encompassing all risk categories. The CRO is responsible for a complete assessment of MIBL's risks, and for managing these risks adequately. The CRO reports risk control and management methods and plans the Bank's overall risk status to the Board of Directors, General Management, and to the Risk Management Committee.

2. Risk Management Department (RMD)

The RMD is responsible for the selection and execution of an adequate risk management structure. On a daily basis, the department identifies, measures, controls, and monitors all risks within defined and controllable limits. These actions attenuate risks across MIBL's businesses, and thereby provide stability to earnings and risk awareness in the allocation of resources.

3. Risk Management Committee

The primary responsibility of the Risk Management Committee is to review, discuss, and approve the Bank's Risk Management activities. In particular, and in congruence with the Bank's businesses, the Committee discusses Financial Risk (Credit & Market Risk) and Operational Risk and puts forth policies to avoid losses due to these risks. Its members discuss quantitative, as well as qualitative, methods of managing the Bank's risks.

4. Credit and ALM Committee (For Credit Risk, Market Risk, and Liquidity Risk)

The primary responsibility of the Credit and ALM Committee is to establish an appropriate implementation and a functioning management structure for Credit Risk, Market Risk, and Liquidity Risk. On a monthly basis, its members monitor, and if necessary make decisions regarding, both MIBL clients' assets and the Bank's assets.

VI. The Scope and Nature of Risk Reporting and Measurement Systems

The Bank's process for control and managing its diverse categories of risk comprises several levels and phases. A non-exhaustive description of its methodology follows:

1. Detection of Risks

This step includes the identification of the characteristics of the Bank's individual risks, which include, but are not limited to, their type(s), location(s), source(s), and interdependency (ies).

2. Risk Assessment and Computation

This step includes a comprehensive evaluation of the source of risk, using both quantitative and non-numerical methods, at the transaction, portfolio, and overall structure levels of the individual risk.

3. Risk Control

Risk Control at MIBL involves the process of examining and updating approvals, limits, thresholds, operational processes (for example, standing instructions), escalation processes (and exceptional treatment rules), and risk attenuation methods (haircuts, collateral, netting calculations, ratings, etc.). These are contained and updated in MIBL policies, rules, procedures, and practices. MIBL's Head Office, E.U. regulations, CSSF circulars and regulations, and Luxembourg laws also act as inputs into MIBL's policies.

4. Risk Monitoring and Reporting

The Risk Management Department is in charge of updating the risk processes, monitoring of the risk status and exceptional treatment of individual risks, and reports to General Management and Risk Management Committee. The Committee reports to the Board of Directors on a quarterly basis.

VII. The Policies for Mitigating Risk and the Process for Monitoring Risks

1. Credit Risk Monitoring

The Bank is exposed to counterparty risk, as major component of credit risk, via: overdrafts, money market and foreign exchange market transactions. Potential losses are mitigated via the following methods:

- active follow-up of failed transactions
- active follow-up of overdrafts
- reconciliation of nostro accounts
- development of an active approach towards cash management.

The Pillar 1 capital requirement sufficiently covers the Credit Risk profile of the Bank.

Credit Exposure and Limit Monitoring

The Bank's credit risk monitoring framework allows RMD to verify on-demand the Bank's credit exposures and their impact on authorized credit limits. The RMD carries out verifications of the current credit exposure compared to the approved credit limit. The report indicates a "warning," e.g. a color signal, when the usage of the limit is above 80% of the total limit amount. In this event, the RMD transmits a message to the appropriate department to take remedial action as soon as possible. If the limit is breached, a report is forwarded to the General Management.

The Bank uses a banking system which allows an on-demand monitoring of credit limits. All transactions that would transgress the relevant credit limit put in place cannot be processed without the express authorization of the Risk Management Department. The control on credit limit breaches is made possible through the "Visa Control" system put in place by the Bank. In the event the RMD is requested to approve using Visa Control, an exhaustive analysis of the credit limit breach is carried out. The result of this analysis will be transmitted to General Management before releasing or rejecting the transaction.

Credit Limit by Counterparts

The Bank applies for limits to Mitsubishi UFJ Trust and Banking Corporation (hereafter "MUTB"), following the Managing Director's approval.

Credit Limit Control

The RMD controls the Bank's credit limits. Once the credit limit has been authorized by MUTB, the RMD forwards the approval to the General Management. All approved limits are set up in the Banking system. The RMD reviews these limits once a year, or more frequently as necessary (e.g., in case of breach).

Monitoring Credit Rating for Counterparts

The Bank verifies the credit ratings of all counterparts that have a deal or custody agreement with the Bank.

Credit Risk Stress Testing

The Bank put in place a Credit Risk Stress Test model, using macro-economic and financial market data (e.g. GDP, unemployment rates, interest rates, FX rates, exchange indices, bankruptcy indices etc.) to infer stress factors applied on the Probability of Defaults (PDs) and create a credit loss distribution.

For the stress test, hypothetical and historical scenarios (including concentration risk) are considered and applied on the banking credit portfolio: mild recession scenario occurring by assumption once in 10 years, the severe recession scenario occurring once in 50 years, the historical "9/11" event, the historical "Lehman bankruptcy".

Country Risk Monitoring

The RMD monitors the counterparts' country risk by checking country ratings using a Bloomberg Station.

Capital requirements

The Bank uses the Standardized Approach for Credit Risk, wherein each exposure is assigned to an exposure class as detailed in CSSF Circular 14/583. The application of risk weights is based on the exposure class to which the exposure is assigned and its credit quality.

The Credit Risk Pillar II is derived primarily from the transactions in cash placement, the overdrafts (occurred mainly by settlement failures) and FX Forwards (the latter are undertaken to mitigate client Foreign Exchange Risk at the request of the customer).

For 2020 Pillar II credit risk capital requirements the scenario with the maximum loss was considered, with an amount of USD 6,952,736.

2. Market Risk Monitoring

Interest Rate Risk in the Banking Book (IRRBB)

Interest Rate Risk may be defined as the risk of loss due to the "gap" (i.e. difference) between assets and liabilities on the Balance Sheet that are exposed to interest rate fluctuations. Interest rates are influenced by a variety of factors, such as politics, international news, and the general economic climate of countries.

The Bank's Interest Rate Risk exposure arises from the normal course of its banking activities, such as accepting deposits, placing funds with credit institutions. The objective of the Bank regarding Interest Rate Risk is to minimize potential losses by monitoring fixed rate interest positions. The Bank has just the risk of an opportunity cost for its gap (i.e. cash) placement (i.e. not being able to re-invest at higher interest rates should they occur during a previously contracted fixed-rate loan).

The Bank has adopted a full cover principle for all interest rate-related contracts. The maximum risk allowed is determined by the Authorized Management.

The Bank performs sensitivity analysis on its economic values taking into account positive and negative shifts on all interest rates (200bp parallel shift of yield curves) as defined by CSSF Circular 08/338 as amended by CSSF Circular 16/642. As specified within the CSSF circular 20/762 and as explained within the guidelines EBA/GL/2018/02, the Bank has also performed six additional stress test scenarios and reported the results. The aim of this analysis is to determine to which extent Interest Rate Risk is likely to result in a decline in the economic value of the institution. The Bank applies interest rate shocks to all its treasury flows taking into account the following parameters: residual maturity, contract rate, market rate, and nominal amount.

International changes, such as the trend toward the liberalization of interest rates in the developing world and large money movements into speculative funds in recent years, have added a higher variability to interest rates than they showed in previous years. This has caused Asset & Liability Management to take on a relative position of importance in the area of Risk Management.

For 2020 Pillar II market risk capital requirements, the IRRBB loss was considered, with an amount of USD 21,174,116.

Foreign Exchange Rate Risk

The Bank enters into foreign exchange positions as a result of opening FX trades on behalf of its clients. These trades are then hedged in the Interbank Market at the same time without taking on any market risk. Thus, Currency Risk is managed on a timely basis on spot and forward markets. The Bank's policy is to maintain a "full cover" of all transactions. The RMD carries out daily verifications to ensure that all of the Bank's positions are fully hedged.

Daily Control

In general, the total foreign exchange position of the Bank is equal to 0 (or "squared") at the end-of-business each day. A maximum net position of 500,000 USD is allowed at day's end when, due to client transactions, this amount could not be squared. As a matter of practice, the Bank seeks to have the entire FX position squared to the furthest extent possible.

As part of its daily controls, the RMD issues the "Forex Net Short Position Report" (showing the Bank's daily spot transactions).

As a matter of practice, and due to its risk-averse stance in its businesses, the Bank has virtually no other market risks, i.e. no stock prices risk, commodity price risk, or market liquidity risk.

The Bank has also put in place a FX Stress test that quantifies the potential losses that could be incurred by the Bank in case of significant variation of the FX rates and lack of hedging strategy. The FX stress test is defined using different scenarios where a depreciation of the USD is always assumed using different magnitudes with respect to other currencies.

3. Liquidity Risk Monitoring

The Bank's transactions are continuously monitored with respect to their adherence to its internal liquidity rules and to the current regulations in place.

Introduced by the regulation (EU) No 575/2013 of the European Parliament, the liquidity coverage requirement was gradually implemented starting with October 2015, with a first minimum requirement fixed at 60%. As from 1st of January 2018 the minimum requirement is 100%.

The Liquidity Coverage Ratio (LCR) ensures that banks have an adequate stock of unencumbered high-quality liquid assets (HQLA) that can be converted easily and immediately in private markets into cash to meet their liquidity needs for a 30 calendar day liquidity stress scenario.

During the year 2020, the Bank has reported to the CSSF the liquidity coverage ratio on a monthly basis. Pursuant to article 415 CRR IV, the Bank has reported the LCR per currency for liabilities exceeding 5% of the total liabilities, mainly in USD, EUR, GBP, JPY and

AUD. There is no minimum requirement for a ratio by currency.

During 2020, the Liquidity Coverage ratio was well above the minimum requirement.

LIQUIDITY COVERAGE RATIO (LCR) as of 31/12/2020 in USD

A. High Liquidity Assets	4.458.921.253
B. Inflows	1.821.672.592
C. Outflows	3.155.294.720
D. Capped Inflow (Max 75% Outflows)	2.366.471.040
E. Inflows for LCR (Minimum (B) or (D)	1.821.672.592
F. Net Cash Flow (C)-(E)	1.333.622.128
G. Liquidity Coverage Ratio (A)/(F)	334,35%
H. Minimum Requirement as of 31.12.2020	100,00%
I. Minimum Requirement met	OK

The Bank performs monthly stress-testing of its liquidity risk, simulating extreme market conditions in order to assure that high impact events are easily absorbed.

Asset & Liability Gap Placement Monitoring

MIBL's Funding Liquidity GAP is verified on a daily basis using an automated tool. The Funding Liquidity Report, issued by the tool, is sent to General Management and submitted to a "Four-Eyes" verification on a daily basis. In the daily computation of the GAP, a certain amount of "core cash" is considered to remain on clients' accounts for a longer, more stable period of time.

The amount of core cash at MIBL has increased to 2916 million USD, based on the augmentation in customer cash accounts seen particularly since the pandemic crisis. GAP placement limits have been set by the General Management and approved by the MUTB Head Office as follows:

Time Period	Limits
- < 3 month	1458 Million USD (Minimum)
- > 3 months	1458 Million USD (Maximum)

Term placements have a maximum maturity of 1 year, showing and limiting the risk taken by the Bank over the time. The Credit and ALM Committee monitors on a monthly basis that the Bank complies with the Gap Placement Policy.

4. Prudential ratios

As introduced by the requirements of Directive 2013/36/EU / Regulation EU No 575/2013), the Bank calculates and monitors the prudential ratios.

Besides the LCR presented above, the Bank ensures that Net Stable Funding Ratio (NSFR) and Leverage Ratio (LR) are being monitored as per December 31, 2020 as follows:

NET STABLE FUNDING RATIO (NSFR) as of 31/12/2020 in USD

A. Available Amount of Stable Funding	3.068.096.969
B. Required Amount of Stable funding	680.482.015
C. Net Stable Funding Ratio (A)/(B)	450,87%
H. Minimum Requirement	100,00%
I. Minimum Requirement met	OK

LEVERAGE RATIO (LR) as of 31/12/2020 in USD

A. Tier 1 Capital	429.018.160
B. Total Leverage Ration Exposure	7.730.664.724
C. Leverage Ratio (A)/(B)	5,55%
D. Minimum Requirement	3,00%
E. Minimum Requirement met	OK

5. Operational Risk Monitoring

The Bank has defined Operational risk as the risk of loss resulting from inadequate or failed processes or systems, human factors or due to external events that are neither market nor credit-related. Operational risk is inherent in MIBL's activities and can manifest itself in various ways, including fraudulent acts, business interruptions, in appropriate behavior of employees, failure to comply with applicable laws and regulations or failure of vendors to perform in accordance with their arrangements. These events could result in financial losses, litigation and regulatory fines, as well as other damage to the bank. The goal is to keep operational risk at appropriate levels, in light of MIBL's financial strength, the characteristics of its businesses, the markets in which it operates, and the competitive and regulatory environment to which it is subject.

The Operational Risks of each business line are identified, measured, and controlled. When remedial or preventive measures are necessary to attenuate risks, the RMD in collaboration with General Management, conceives of and implements an action plan.

As part of group-wide management, the Bank collects, measures, and analyzes loss data, if any, which includes financial losses, derived from operational error events.

"Operational mishandling" refers to errors identified as being caused by negligence in processing and/or disrespect of the Bank's internal rules and procedures, or normal commercial customs and practices.

Starting with September 2018, MIBL has adopted a new nomenclature while reviewing the Accident Management Procedure. Incidents and Accidents defined as:

- Incidents: Internal errors that could be avoided for example by controls in place, internal procedures, 4-eyes-check principles, and system automation.
- Accidents: External errors that are less predictable and by nature out of control of the Bank. Controls on outsourcing contractors are however being reinforced.

Have been replaced by Accident Internal Responsibility (IR) and Accident External Responsibility (ER):

- Accidents with IR: Internal errors that could be avoided for example by controls in place, internal procedures, 4-eyes-check principles, and system automation.
- Accidents with ER: External errors that are less predictable and by nature out of control of the Bank. Controls on outsourcing contractors are however being reinforced.

The Bank maintains a historical table on accidents that occur during the year.

The below-listed cases are taken into consideration:

- wrongful acts,
- cash accidents,
- operational errors,
- accidents in the course of business activities,
- system inconsistencies ("bugs") and disturbances ("shut-downs"),
- violations of relevant laws,
- complaints,
- lawsuits, and
- accidents not related to business activities.

MIBL uses these reports to recommend and implement improvements in collaboration with its parent company. The aim of the improvements is to prevent recurrence of analogous or related cases and to create awareness amongst the Staff of Operational Risk issues. All accidents are promptly reported upon discovery, and follow-up measures are carried out as appropriate.

The Bank's RMD applies two qualitative risk assessment tools: the Operational Risk Self Assessment (ORSA) and the Operational Risk Quality Assessment (ORQA) as preventive measures for reducing Operational Risk.

These measures combined with the Operational Risk reporting and statistics on incidents management allow a better management of the mitigation related to potential operational risks. The mitigation of operational risks is based as well on three lines of defence: the first line being under the responsibility of the business and operations units, the second with the RMD and the third with the Internal Audit.

As the Bank considers Operational Risk as one of the most important risks it is currently exposed to, stress tests are performed quarterly using the Operational Risk Loss Simulation (ORLS) model. The model is built on the experience gained from the accident reports and is designed to create severity classes in loss intervals and assigning likelihoods for the loss ranges (Insurance Mathematics). Based on this model, the Bank calculated a Pillar II requirement for Operational Risk (including outsourcing and safekeeping risks) of USD 19,814,550.

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VIII. Equity Investments Held

As of December 31, 2020, the Bank no longer holds any participation recorded under "shares in affiliated undertakings".

IX. Regulatory Capital Requirements

As required by E.U. Directive 2013/36/EU and E.U. Regulation 575/2013, the Bank maintains eligible own funds at least equal to the amount of its overall capital requirements. The minimum required ratio is 10.5%. The Capital Ratio amounted to 36.26% (the end of year profits were not added to the Bank own funds). The Bank applies the Simplified Standardized Approach for the Credit Risk and the Basic Indicator Approach for the Operational Risk.

This ratio is calculated and communicated to the CSSF on a quarterly basis.

All items included in the calculation of the credit risk are extracted from the accounting records of the bank.

The ratio (expressed in percentage terms) is calculated using the following formula:

- the numerator consists of eligible capital ("own funds") of the Bank,
- the denominator is composed of assets, risk-adjusted by means of percentage weightings that express the degree of credit risk and the capital requirement for Operational Risk.

The details of the capital adequacy ratio calculation as at December 31, 2020 are presented below:

A) Own Funds for solvency	**2020 USD**
Paid up Capital instrument	187.117.966,00
of which Common Stock (Class A Shares)	*185.299.997,00*
of which Preferred Stock (Class B Shares)	*1.817.969,00*
Other reserves	247.675.774,00
Profit or loss attributable to owners of the parent	41.785.756,00
(-) Part of interim or year-end profit not eligible	- 41.785.756,00
Previous year retained earnings	6.460,00
(-) Intangible assets	- 3.964.071,00
(-) Amount deducted from Tier 1 Capital *(Fair value of shares in affiliated undertaking recorded as Equity instruments under IFRS)*	-
Total Own Funds	**430.836.129,00**
Total prudential Own Funds	**430.836.129,00**
Total own funds for the Capital ratio	**430.836.129,00**
of which Common Equity Tier 1	*429.018.160,00*
of which Tier 1 Own Funds	*429.018.160,00*
*of which Tier 2 Own Funds **	*1.817.969,00*

** Tier 2 capital instruments correspond to Class B shares*

B) Risk Exposure Amounts	**2020 USD**
Risk Weighted exposure amounts for Credit Risk	970.097.370
Risk Exposure amount for Operational Risk	217.981.364
Total Risk Weighted Exposure Amount	**1.188.078.734**

> Capital Requirements for Credit Risk

Capital requirements for Credit Risk are decomposed as follows:

Counterparty Breakdown	Exposure value before conversion Factor	Capital Requirement	% of Total Capital Requirement
Cash & Central Bank	4.532.995.594	0	0
Institution	3.108.085.559	70.769.328	91,18%
Corporate	50.386.161	4.030.897	5,19%
Others & Equity	39.197.410	2.818.680	3,63%
Total	7.730.664.724	77.618.905	100,00%

In accordance with E.U. Regulation 575/2013 of June 26, 2013, exposures to credit institutions for which a credit assessment by a nominated ECAI is available shall be assigned that risk weight given by the nominated ECAI according to article 120 of the Regulation. Exposures to institutions for which a credit assessment by a nominated ECAI[1] is not available shall be risk-weighted in accordance with article 121 of the Regulation.

As an example, pursuant to article 120 of E.U. Regulation 575/2013, risk weights for exposures with a residual maturity of more than three months at institutions rated by a nominated ECAI are allotted risk weights according to the table below.

Credit Quality Step	Risk Weight
1	20%
2	50%
3	50%
4	100%
5	100%
6	150%

CEBS GL07 provides mapping from the Credit Quality Steps above to ECAI ratings. For example, for long-term credit assessments, for Moody's, CEBS GL07 indicates:

Credit Quality Step	Moody's Rating
1	Aaa to Aa3
2	A1 to A3
3	Baa1 to Baa3
4	Ba1 to Ba3
5	B1 to B3
6	Caa1 and below

1 "ECAI" is an acronym for External Credit Assessment Institution.

> Capital Requirements for Operational Risk

The capital requirements for Operational Risk calculated in accordance with the Basic Indicator Approach are presented as follows:

	USD 2020	USD 2019	USD 2018
Net interest income	31.435.568,85	46.431.833,78	40.530.200,79
Net fee & commission income	73.520.697,70	67.514.364,84	58.730.355,09
Net foreign exchange trading result	9.749.385,56	9.702.948,63	6.087.616,32
Dividend	-	-	92,00
Realized gain on financial assets	-	-	- 93,48
Other operating income	1.835.481,73	1.439.792,78	1.791.938,45
Total gross result	**116.541.133,85**	**125.088.940,03**	**107.140.109,17**

Average over 3 years	116.256.727	
Capital Requirement (Basic Indicator Approach 15%)	17.438.509	

Solvency ratio

Total Capital Ratio

Own funds for Capital ratio	=	430.836.129,00	**36,26%**
Total Risk Exposure Amount		1.188.078.734	

Tier 1 Capital Ratio

Tier 1 Own Funds	=	429.018.160,00	**36,11%**
Total Risk Exposure Amount		1.188.078.734	

CET 1 Capital Ratio

Common Equity Tier 1	=	429.018.160,00	**36,11%**
Total Risk Exposure Amount		1.188.078.734	

During the financial year 2020, the Bank held regulatory capital well above the required minimum standards.

<u>MREL ratio</u>

On June 26th 2020 in accordance with article 46 of the 2015 Law and the Commission Delegated Regulation (EU) 2016/450, the CSSF Resolution Board adopted the decision on the "Minimum Requirement for Own Funds and Eligible Liabilities" (MREL) for Mitsubishi UFJ Investor Services and Banking (Luxembourg) S.A. In this respect, since September 07th 2020 the Bank is required to comply with a binding MREL – expressed as a percentage of Total Liabilities and Own Funds ("TOLF") fixed at 1,64% of TOLF. As of December 31st 2020, the Bank achieved a MREL ratio of 5,76%

X. Other Disclosure Requirements

> Determination of Value Adjustments and Provisions

It is the Bank's policy to assess exposures on an individual basis and to establish specific value adjustments with respect to doubtful and irrecoverable debts. As at December 31, 2018, the Bank was not exposed to doubtful and irrecoverable debts and there was no need to establish specific value adjustments.

> Credit Risk Exposure

Quantitative information on credit risk exposure by class and residual maturity and geographic location is given in the "Financial Instrument Disclosures" of the annual accounts, Notes 29.2 and 29.3.

Stress tests are computed quarterly as of 31st March, 30th of June, 30th September and 31st of December of each year. The outcomes at 31st of December are calculated and reported to the Luxembourg regulator (CSSF) in the ICAAP/ILAAP[2] Report, based on the Bank's individual status as a credit institution established in Luxembourg, and not on a consolidated basis. The Bank is not subject to CSSF control on a consolidated basis.

As a result of the December 2020 stress tests, the worst case scenario result was USD 6.952.736.

> Interest Rate Risk Exposure

The Bank's potential exposure on a Mark to Market basis for Interest Rate Risk is low. Due to the short term maturities of assets and liabilities, a change of interest rates would mainly impact the Bank's short-term future earnings (EaR).

The Bank has implemented a stress test on interest rates in order to comply with the provisions of the CSSF Circular 08/338 as amended by CSSF circular 20/762. The stress test aims at quantifying the variation of the value of an institution's wealth when interest rates change.

Requirements to Calculate and Report the Stress Tests on Interest Rates

The interest rate scenarios applied are an increase and a decrease of 200 basis points on all interest rates to which the Bank is exposed. The transactions utilized in the stress scenarios include, but are not limited to, customer cash deposits and OTC derivative contracts written on the client's request. The Bank applies the interest rate shocks to the stated transactions taking into account the following parameters: residual maturity, contract rate, market rate, and nominal amount.

Stress tests are computed on a quarterly basis as at the 31st of March, the 30th of June, the 30th of September and as at the 31st of December of each year. The outcomes are calculated and reported to the Luxembourg regulator, the CSSF, based on the Bank's individual status as a credit institution established in Luxembourg, and not on a consolidated basis. The Bank is not subject to CSSF control on a consolidated basis.

The interest rate risk stress test consists on the parallel shift (increase or decrease) of interest rate by 200 bps and also on the six additional scenarios defined by CSSF circular 20/762. The six additional scenarios have been defined within the guidelines as:

- **Scenario 1: parallel shock up**
- **Scenario 2: parallel shock down**
- **Scenario 3: steepener shock (short rates down and long rates up)**
- **Scenario 4: flattener shock (short rates up and long rates down)**
- **Scenario 5: short rates shock up**
- **Scenario 6: short rates shock down**

As a result of the December 2020 stress tests, the worst case (short rates shock results on a potential loss of USD 21.174.116.

2 ICAAP/ILAAP – Internal Capital Adequacy Assessment Process / Internal Liquidity Adequacy Assessment Process

Internal Capital and Liquidity Adequacy Assessment

The Bank has created the risk surveillance and reporting framework described in sections V and VI of this disclosure. This framework has been created to permit the Bank to accurately evaluate its internal capital in terms of its current and future businesses.

The Board of Directors, General management, the CRO, and the Risk Management Committee receive regular reports and updates on the Bank's risk profile, its numerical values, and capital needs in order to ensure:

- sufficient capital is held against the Bank's various risks, also under economic downturn scenarios
- qualitative judgment as well as quantitative measurements are used based on stress test scenarios and simulation models as part of the foundation of the Bank's capital estimation system, and
- prospective capital requirements based on the Bank's risk profile and strategic plans are adequately monitored and planned for.

Derivative Non-Trading Financial Instruments

As at December 31, 2020, the analysis of OTC derivative non-trading financial instruments (the Bank has no proprietary trading portfolio) by class, residual maturity, and geographic location is given in the "Financial Instrument Disclosures" of the annual accounts, Notes 29.2 to 29.4.

Remuneration policy

The Bank's Remuneration Policy creates the framework for an effective mitigation of remuneration risks, as it will discourage actions and financial transactions that surpass the risk tolerance of the Bank. The Bank's remuneration policy is congruent with the objectives and values of the Bank. The policy is detailing how the Bank avoids variable (alternatively fixed) compensation packages that are not tied to the financial results of the Bank, nor tied to the performance of its employees. The Bank ensures that the fixed and variable components of total remuneration are appropriately balanced. The fixed component represents a sufficiently high proportion of the total remuneration and allows a flexible policy on the variable remuneration components.

The Bank reviews the Remuneration Policy at least once a year to ensure that the principles, objectives, and methods of the policy are followed as they have been adopted. The Bank's Remuneration Policy adheres to the principles laid down in E.U. Directive 2013/36/EU, the Commission Delegated Regulations no. 604/2014 of March 4, 2014 and no. 527/2014 of March 12, 2014. The Bank's Board of Directors approved the last reviewed Remuneration Policy on January 27, 2021.

In addition to the elements noted above, the remuneration policy is providing at a minimum, details regarding the scope (institutions concerned by the policy), governance, and the ratio between fixed and variable compensation for the different employees.

Furthermore, in accordance with Circular 17/658, the Bank reports the number of persons with high remuneration packages following the compensation ranges defined in the Circular. For 2020 the Bank has reported 47 high rank employees with linked higher remuneration packages, outside the in force remuneration convention.

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