MIRABAUD

PILLAR III

MIRABAUD & Cie (Europe) SA

2023

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1 Introduction

1.1 General Information

Mirabaud & Cie (Europe) S.A. (herein referred to as “MCEU” or “the Bank”) is a regulated Credit Institution headquartered in Luxembourg. The Bank operates in Europe through its branches in United Kingdom, France and Spain. The core business of the Bank is wealth management services for individuals, families and entrepreneurs. It includes discretionary management, advisory services and wealth planning.

1.2 Regulatory Background

The Basel Committee on Banking Supervision reforms (Basel III) strengthens micro prudential regulation and supervision, and adds a macro prudential overlay that includes capital buffers. The Capital framework consists of three Pillars:

- Pillar 1 determining the minimum capital requirements of firms to cover credit, market, and operational risk;
- Pillar 2 requiring firms to assess whether they should hold additional capital in respect of any risks not covered by Pillar 1; and
- Pillar 3 requiring firms to publicly disclose information relating to their risks, capital adequacy, and policies for managing risk with the aim of promoting market discipline.

The Basel III reforms reinforce the capacity of credit institutions to absorb economic and financial shocks.

The Pillar III Report has been drafted in accordance with the Part Eight of the Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (also referred to as the ‘Capital Requirements Regulation’ or the ‘CRR’).

The Bank also referred to the following publications for the realization of the present report:

- the Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (also referred to as the ‘Capital Requirements Directive IV’ or the ‘CRD IV’);
- the European Banking Authority in its ‘Final Report on the Guidelines on Disclosure Requirements under Part Eight of Regulation (EU) No 2019/876’ (herein referred to as the ‘EBA Guidelines 2016/11’) ;
- the CSSF Circular 23/830 on the clarification on the public disclosure framework applicable to credit institutions and CRR investment firms (Pillar 3).

1.3 Mirabaud Pillar III Report

In the present document the Bank discloses the application of the Basel III framework as at 31 December 2022.

In accordance with the Art. 436 and 433 of the CRR, the Bank published its Pillar III Report on a solo basis, including its different branches, and on an annual basis relying on the financial statements as of 31 December 2022. As per article 434 of the same Regulation, this report is available on the Bank’s website.

The Board of Directors and the Executive Committee reviewed and approved the present report.

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2 Key Metrics

		a	b	c	d	e
		31.12.2022	30.09.2022	30.06.2022	31.03.2022	31.12.2021
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	29,414,705	28,853,846	29,142,625	30,027,704	27,786,719
2	Tier 1 capital	29,414,705	28,853,846	29,142,625	30,027,704	27,786,719
3	Total capital	29,414,705	28,853,846	29,142,625	30,027,704	27,786,719
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount	149,079,054	131,528,775	119,578,862	118,704,700	105,867,030
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	19.73%	21.94%	24.37%	25.30%	26.25%
6	Tier 1 ratio (%)	19.73%	21.94%	24.37%	25.30%	26.25%
7	Total capital ratio (%)	19.73%	21.94%	24.37%	25.30%	26.25%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1.50%	1.50%	1.50%	1.50%	1.50%
EU 7b	of which: to be made up of CET1 capital (percentage points)	0.84%	0.84%	0.84%	0.84%	0.84%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	1.13%	1.13%	1.13%	1.13%	1.13%
EU 7d	Total SREP own funds requirements (%)	9.50%	9.50%	9.50%	9.50%	9.50%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	N.A.	N.A.	N.A.	N.A.	N.A.
9	Institution specific countercyclical capital buffer (%)	0.02%	0.01%	0.16%	0.15%	0.14%
EU 9a	Systemic risk buffer (%)	N.A.	N.A.	N.A.	N.A.	N.A.
10	Global Systemically Important Institution buffer (%)	N.A.	N.A.	N.A.	N.A.	N.A.
EU 10a	Other Systemically Important Institution buffer	N.A.	N.A.	N.A.	N.A.	N.A.
11	Combined buffer requirement (%)	2.52%	2.51%	2.66%	2.65%	2.64%
EU 11a	Overall capital requirements (%)	12.02%	12.01%	12.16%	12.15%	12.14%
12	CET1 available after meeting the total SREP own funds requirements (%)	10.23%	12.44%	14.87%	15.80%	16.75%
	Leverage ratio					
13	Total exposure measure	528,469,701	663,684,252	631,422,026	692,032,103	635,063,418
14	Leverage ratio (%)	5.57%	4.35%	4.62%	4.34%	4.38%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0%	0%	0%	0%	0%
EU 14b	of which: to be made up of CET1 capital (percentage points)	0%	0%	0%	0%	0%
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%	3.00%	3.00%	3.00%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d	Leverage ratio buffer requirement (%)	0%	0%	0%	0%	0%
EU 14e	Overall leverage ratio requirements (%)	3.00%	3.00%	3.00%	3.00%	3.00%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	239,405,094	380,593,779	369,573,718	388,271,040	348,928,945
EU 16a	Cash outflows - Total weighted value	172,421,759	257,433,078	243,119,199	262,494,871	235,313,920
EU 16b	Cash inflows - Total weighted value	40,225,975	49,137,968	53,361,034	49,800,905	42,819,647
16	Total net cash outflows (adjusted value)	132,195,784	208,295,110	189,758,165	212,693,966	192,494,273
17	Liquidity coverage ratio (%)	181.10%	182.72%	194.76%	182.55%	181.27%
	Net Stable Funding Ratio					
18	Total available stable funding	284,320,055	361,366,165	359,618,055	398,458,656	376,065,904
19	Total required stable funding	132,228,776	131,936,603	123,147,633	172,406,460	161,068,775
20	NSFR ratio (%)	215.02%	274.00%	292.00%	231.12%	233.00%

Table 1 – EU KM1 - Key metrics

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3 Risk Management

3.1 Activities of the Bank

The object of the Bank is to carry out all banking and financial activities, on its own behalf or that of others, and in particular:

- Private banking services: discretionary management, advisory services custody and execution services;
- Lombard loans;
- Insurance brokerage
- Provision of credit cards through two service providers.

The activities expose the Bank to the following risks:

- Solvency Risk
- Liquidity Risk
- Credit Risk
- Market Risk
- Interest Rate Risk
- Concentration Risk
- Operational Risk
- Conduct Risk
- Other risks:
    - Audit Risk
    - Strategic and Business Risk
    - ESG and environmental Risk

The Pillar III report covers all risks faced by the Bank throughout its activities.

3.1 Risk Management Framework

The Risk Framework is designed to ensure that the risks are properly identified, measured and assessed. The overall risk appetite of the Bank is to focus on its main activity and avoid risks. Hence, the assessment of the risks is translated through a continuous monitoring and reporting to governing bodies.

The Framework states quantifiable and qualitative limits to allow a continuous follow-up of the risk levels per type of risks. In addition, early warning indicators have been set-up to allow the Bank to proactively take necessary measures and avoid any breach.

3.2 Risk Governance

The Bank’s organizational structure delivers a system of governance proportionate to the nature, scale and complexity of risks from business activities. MCEU has its own set of policies and procedures on Governance, Risk Management and related matters. However, the Bank is also subject to the Group’s Policies and Guiding Principles.

As defined in the Circular CSSF 12/552 (as amended), the Bank has set up an organization structure which includes a clear risk governance structure including clearly segregated responsibilities between organizational units and based on three independent lines of defense.

The first line of defense consists of the business units that take or acquire risks under a predefined policy and limits and carry out controls. The Head of the Business Lines are accountable for:

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- Effective management of the risk within their business unit.
- Ensuring alignment between the approved Risk Appetite and planning, compensation, and decision-making processes within the business unit.
- Embedding the Risk Appetite Statement and risk limits into their activities to embed prudent risk taking into the institution's risk culture and day to day management of risk.
- Actively monitoring the adherence to approved risk limits.

MCEU's risk management framework aims to ensure the prudent management of risks across our operations. Our risk appetite statement and policies address all the above risks.

The Risk Management assists the Executive Committee to ensure that the activities are in line with the appetite of the Bank and to avoid any internal or external event that could generate any unwanted financial event. Hence, the the Risk Management is reponsible for:

- Developing an appropriate Risk Appetite for the Bank that meets the needs of the institution, of the group and aligns with supervisory expectations.
- Actively monitoring the Bank's risk profile relative to its Risk Appetite, strategy, business and capital plans, risk capacity, as well as compensation programs.
- Establishing a process for reporting on risk and on alignment of Risk Appetite Framework ("RAF") and risk profile with the institution's risk culture.
- Ensuring the integrity of risk indicators, methodologies and MIS that are used to monitor the financial institution's risk profile relative to its risk appetite.
- Establishing and approving, in collaboration with the CFO, appropriate risk limits for business lines that are prudent and consistent with the Bank's Risk Appetite Statement ("RAS").
- Independently monitoring business lines and MCEU's aggregate risk profile to ensure they remain consistent with the institution's Risk Appetite.
- Ensuring that compliance with risk limits is closely monitored and escalated promptly to the board and CEO any material risk limit breach that places the financial institution at risk of exceeding its RAF.

The third line of defense provides an independent, objective and critical review of the first two lines of defense. The Internal Audit function constitutes within the organization of the Bank an independent and permanent function. It assists governing bodies by performing critical assessments of the adequacy and effectiveness of the central administration, internal governance and business and risk management as a whole. Hence, audit department controls the activities and related risks to protect the organization and reputation.

The Board of Directors of MCEU is responsible for:

- Approving the Bank's RAF and RAS, developed in collaboration with the Management Committee (hereafter referred as "MC"), Chief Risk Officer (hereafter referred as "CRO") and Chief Financial Officer (hereafter referred as "CFO"), and ensuring it remains consistent with the institution's short- and long-term strategy, business and capital plans, risk capacity as well as compensation programs. The Board of Directors (hereafter referred as "BoD") ensures also that the RAF and RAS of MCEU are consistent with the ones at Mirabaud group level.
- Annually validating the business plans and ensuring that those ones are in line with the approved Risk Appetite and incentives/disincentives are included in the compensation programs to facilitate adherence to risk appetite.
- Regularly reviewing and monitoring the risk profile and risk exposures, based on the Risk Management Department reports against the agreed levels.
- Ensuring, based on the information reported by the heads of these departments, the internal and external audit reports, or any other information channel, that efficient mechanisms are in place and that adequate resources and expertise are dedicated to risk management, to finance department as well as internal audit in order to provide independent assurances to the board and senior management that they are operating within the approved RAF.
- Ensuring that risk management is supported by adequate and robust Information Technology (hereafter referred as "IT") and Management Information System (hereafter referred as "MIS")

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to enable identification, measurement, assessment and reporting of risk in a timely and accurate manner. To this goal, the information provided during the committees (Executive Committee or 2nd Line Committee) on the operational or IT incidents could be used as well as any other information on data quality issues or errors in the reports identified.

The Management Committee of MCEU is responsible for:

- Establishing an appropriate Risk Appetite for the financial institution (in collaboration with the CRO and CFO) which is consistent with the institution's short- and long-term strategy, business and capital plans, risk capacity, as well as compensation programs, and aligns with supervisory expectations.
- Ensuring, in conjunction with the CRO and CFO and based on information provided by them and by the heads of business lines, that the Risk Appetite is appropriately translated into risk limits for business lines and legal entities and that business lines and legal entities incorporate the Risk Appetite into their strategic and financial planning, decision-making processes, compensation decisions and more largely in the Bank's risk culture.
- Ensuring, based on information provided by the CRO during the Committees or through the risk reports, that business lines have appropriate processes in place to effectively identify, measure, monitor and report on the risk profile relative to established risk limits on a continual basis, and that mitigation actions are taken in case of breach.
- Dedicating sufficient resources and expertise to risk management, finance department, internal audit, and IT infrastructure to help provide effective oversight of adherence to the RAF.

In addition, the Bank is assisted by the Mirabaud Group (herein referred to as the "Group") and mainly its sister company Mirabaud & Cie SA (herein referred to as "MCSA") providing additional resources to ensure adequate controls and monitoring of risks.

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4 Solvency Risk

4.1 Capital Adequacy Assessment Process

As per the provisions set out in CSSF Regulation 15-02 and CSSF circular 07/301 as amended, credit institutions and investment firms shall have in place an Internal Capital Adequacy Assessment Process (“ICAAP”). They require identifying and assessing risks, maintaining sufficient capital to face risks and applying appropriate risk-management techniques to ensure adequate capitalization on an ongoing basis.

The ICAAP presents a summary and conclusions of the Bank’s Capital adequacy to face the risks arising from MCEU activities and the adequacy to face period of stresses. Consistent projections and scenarios established the analysis.

To evaluate its capacity to sustain risks, the Bank adopted an “augmented Pillar I” methodology as defined in the amended CSSF Circular 07/301. With this approach, the internal Capital requirement is at least higher than the prudential requirements. The risks partially or not covered by regulatory requirements are subject to a distinct evaluation. Requirements factors are added to the calculated Pillar I requirement for material risks.

The ICAAP’s realization has been conducted through the following steps:

- Identification of risks;
- Quantification of risks;
- Stress-Tests and analysis;
- Capital adequacy;
- Conclusion.

The ICAAP is integrally presented to the Board of Directors at least annually. Any updates or modifications during the year are presented to the Board of Directors and the Executive Committee.

The stress tests determined in the ICAAP are used as indicators allowing the Executive Committee to be informed at any time of the adequacy of the Capital of MCEU.

The methodology is in line with MCEU’s size and activities’ complexity. Hence, the internal Capital requirements is the sum of the calculated internal requirements by risk type. MCEU determines for each material risk a sustainable Capital requirement. The Bank proceeds to a conservative approach by summing all the Capital requirements by risk type. Indeed, the occurrence probability of losses in all type of risks at the same time is very low.

4.1.1 Internal Overall Capital requirements

Based on the individual analysis of risks the Bank concludes that an additional Pillar II requirement of EUR 4 322 113 or 2.9% of total Risk Weighted Assets is adequate to cover the incurred risks.
The CSSF imposes a 1.50% SREP buffer (P2R) being lower than the Internal Pillar II needs calculated of 2.9%. Hence, the calculation of the internal overall capital requirement (IOCR) does not consider P2R.

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Capital requirement	
P1R	8.00%
P2R	1.50%
CCB	2.50%
CcyB	0.02%
TSCR	9.50%
OCR	**12.02%**
P2N	2.90%
IP2R	2.90%
ITSCR	10.90%
IOCR	**13.42%**
Solvency ratio	**19.73%**
Respect of OCR	**OK**
Respect of IOCR	**OK**

Table 2 – Overall Capital Adequacy

To conclude, the Governing Bodies recognize that the available own funds of the Bank are in adequacy with the activities and risks of MCEU. Current levels will allow the Bank to realize its strategic and commercial objectives in the coming years.

4.1.2 Overall Capital requirements

As of 31.12.2022, MCEU must keep a Total SREP minimum Capital of 9.50% and an overall Capital requirement of 12.02%, including a 2.5% capital conservation buffer and a 0.02% Countercyclical capital buffer. Additionally, the local regulator (CSSF) imposes a Pillar 2 guidance. The Pillar 2 guidance has been determined following the SREP analysis conducted by the CSSF and based on MCEU's personal current situation. This additional cushion does not represent a regulatory limit. However, it is in the Board's strategy to maintain an overall Capital Requirements above requirements and guidance.

Regulatory perspective	Requirement
Pillar 1 Capital Requirements	8.00%
Pillar 2 Capital Requirements	1.50%
Capital Conservation Buffer	2.50%
Countercyclical Buffer	0.02%
Pillar 2 Guidance	2.00%
Total SREP Capital Requirements	9.50%
Overall Capital Requirements	**14.02%**

Table 3 – Capital Requirements as of 31.12.2022

The calculations of the Countercyclical Capital Buffer are presented in the below tables. They have been computed in line with the Delegated act (UE) 2015/1555 of 28 May 2015. It is the weighted average of the Bank's exposure per buffers by countries.

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		a
1	Total risk exposure amount	149,079,054
2	Institution specific countercyclical capital buffer rate	0.02%
3	Institution specific countercyclical capital buffer requirement	29,816

Table 4 – EU CCyB2 - Amount of institution-specific countercyclical capital buffer

		a	b	c	d	e	f	g	h	i	j	k	l	m
		General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own fund requirements				Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
		Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
010	**Breakdown by country:**													
	Luxembourg	129,878,380	0	0	0	0	129,878,380	29,816	0	0	29,816	372,698	3.54%	0.05%
020	Total	129,878,380	0	0	0	0	129,878,380	29,816	0	0	29,816	372,698	3.54%	

Table 5 – EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

As of 31.12.2022, MCEU reported EUR 29.4M own funds composed exclusively of eligible Tier1 Capital.

		(a)	(b)
		Amounts	**Source based on letters of the balance sheet**
	Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	41,681,704	**(a) + (b)**
2	Retained earnings	- 11,420,250	**(c)**
3	Accumulated other comprehensive income (and other reserves)	209,621	**(d)**
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	30,471,075	**(a) + (b) + (c) + (d)**
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	- 150,815	
8	Intangible assets (net of related tax liability) (negative amount)	- *123,399*	**(f)**
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	- 7,595	
EU-25a	Losses for the current financial year (negative amount)	- *774,561*	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	- 1,056,370	
29	**Common Equity Tier 1 (CET1) capital**	29,414,705	
	Additional Tier 1 (AT1) capital: instruments		
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	-	
	Additional Tier 1 (AT1) capital: regulatory adjustments		
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	-	
44	**Additional Tier 1 (AT1) capital**	-	
45	**Tier 1 capital (T1 = CET1 + AT1)**	29,414,705	
	Tier 2 (T2) capital: instruments		
51	**Tier 2 (T2) capital before regulatory adjustments**	-	
	Tier 2 (T2) capital: regulatory adjustments		
57	**Total regulatory adjustments to Tier 2 (T2) capital**	-	
58	**Tier 2 (T2) capital**	-	
59	**Total capital (TC = T1 + T2)**	*29,414,705*	

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60	**Total risk exposure amount**	*149,079,054*	
Capital ratios and requirements including buffers			
61	Common Equity Tier 1	19.73%	
62	Tier 1	19.73%	
63	Total capital	19.73%	
64	Institution CET1 overall capital requirements	7.86%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical capital buffer requirement	0.02%	
67	of which: systemic risk buffer requirement	0.00%	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	0.00%	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	0.84%	
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	10.23%	

Table 6 – EU CC1 - Composition of regulatory own funds

4.1.3 Risk-Weighted Exposure Amount

MCEU calculates the risk weighted exposure amounts (“RWA”) in line with CRR II, regulation 575/2015. Due to the activities of the Bank, the Balance Sheet is mostly exposed to Credit Risk through the lending activities. Hence, most of the RWAs arise from the loan exposures. The Bank uses the financial collateral Comprehensive Method (Article 224) to calculate the adjusted value of collateral and determine the final RWA after the credit risk mitigation process.

		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		31.12.2022	31.12.2021	31.12.2022
1	Credit risk (excluding CCR)	77,251,876.41	35,577,176.34	6,180,150.11
2	Of which the standardised approach	77,251,876.41	35,577,176.34	6,180,150.11
6	Counterparty credit risk - CCR	308,348.41	2,222,437.99	24,667.87
EU 8b	Of which credit valuation adjustment - CVA	308,348.41	379,281.00	24,667.87
9	Of which other CCR	-	1,843,156.99	-
20	Position, foreign exchange and commodities risks (Market risk)	525,930.13	510,001.98	42,074.41
21	Of which the standardised approach	525,930.13	510,001.98	42,074.41
23	Operational risk	70,992,899.18	67,557,413.76	5,679,431.93
EU 23a	Of which basic indicator approach	70,992,899.18	67,557,413.76	5,679,431.93
29	**Total**	**149,079,054.12**	**105,867,030.07**	**11,926,324.33**

Table 7 – EU OV1 – Overview of total risk exposure amounts

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4.2 Leverage Ratio

The Leverage ratio assesses the ability of the Bank to meet its financial obligations by reporting Own funds to all Assets and off balance sheet's commitments. The 3% limit is restrictive since the implementation of CRR II in 2022.

The Bank reported a 5.57% Leverage ratio as of 31.12.2022. The Leverage ratio remained above 3% during 2022.

In parallel to the Capital increase, the Bank started deleveraging its Balance sheet by analyzing clients' cash deposits. Indeed, most of the Bank's funding represents clients' deposits. The Bank reached comfortable levels though the Capital increase. However, to avoid any deterioration of the ratio, the monitoring of the clients' cash deposits remains on a daily basis.

		CRR leverage ratio exposures	
		31.12.2022	31.12.2021
	On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	473,870,597	617,853,333
6	(Asset amounts deducted in determining Tier 1 capital)	-	- 192,870
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**473,870,597**	**617,853,333**
	Derivative exposures		
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	-	1,286,893
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	-	-
EU-9b	Exposure determined under Original Exposure Method	2,089,863	-
13	**Total derivatives exposures**	2,089,863	1,286,893
	Securities financing transaction (SFT) exposures		
18	**Total securities financing transaction exposures**	-	-
	Other off-balance sheet exposures		
20	(Adjustments for conversion to credit equivalent amounts)	52,509,242	15,923,192
22	**Off-balance sheet exposures**	52,509,242	15,923,192
	Excluded exposures		
EU-22k	(Total exempted exposures)	-	-
	Capital and total exposure measure		
23	**Tier 1 capital**	**29,414,705**	**27,786,719**
24	**Total exposure measure**	**528,469,701**	**635,063,418**
	Leverage ratio		
25	Leverage ratio	5.57%	4.38%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	5.57%	4.38%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	5.57%	4.38%
26	Regulatory minimum leverage ratio requirement (%)	3%	3%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0%	0%
EU-26b	of which: to be made up of CET1 capital (percentage points)	0%	0%
27	Leverage ratio buffer requirement (%)	0%	0%
EU-27a	Overall leverage ratio requirement (%)	3%	3%
	Choice on transitional arrangements and relevant exposures		
EU-27b	Choice on transitional arrangements for the definition of the capital measure	NA	NA
	Disclosure of mean values		
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	528,469,701	635,063,418
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	528,469,701	635,063,418

31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	5.57%	4.38%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	5.57%	4.38%

Table 8 – EU LR2 - LRCom: Leverage ratio common disclosure

4.3 Mitigation strategy and process

In addition to the Capital Assessment, the risk is mitigated with regular post and pre trade controls aiming at ensuring the respect of regulatory requirements

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5 Liquidity risk

Liquidity risk refers to the risk that Bank fails to meet its financial obligations. The risk is considered on a short and long-term basis in normal or crisis environment.

By virtue of its powers to define the Bank's risk appetite, the Board of Directors determines the tolerance to the liquidity risk. This tolerance is expressed in the form of limit values and ratios on the balance sheet which must enable the Bank to meet its liabilities to its clients and debtors. The Executive Committee proposes liquidity limits per currency and per period approved by the Board of Directors at least once a year. The Board of Directors assesses the adequacy of these limit values and ratios, verifies their compliance and reviews the results of the stress tests. To assist in its liquidity management, the Bank relies on the support document of the liquidity policy aligned with the Group's strategy with regard to:

- Liquidity risk and refinancing management;
- Reporting on the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR);
- Stress test (crisis scenario) and liquidity emergency plan.

The objective of liquidity risk management is to ensure that the Bank is able to meet its commitments at all times and on ongoing basis. The Bank has a conservative risk profile, given the reduced scope and the limited degree of risk of its operations. This makes it possible to have a situation for which the Bank is capable of meeting any massive liquidity outflow as at 31 December 2022 because the entirety of its balances is available on the correspondent banking accounts, the central bank, or invested in HQLA.

The Bank's strategy is to not take any risk on its liquidity.

5.1 Mitigation strategy and process

An internal policy governs the Liquidity Risk Management. The object of this internal policy is to determine:

- The roles and responsibilities in relation to managing liquidity risk;
- The operational framework for managing liquidity at the level of the Bank and of the Group, including the preparation of regulatory reports;
- The main measures for managing liquidity risk, and specifically the tolerance for liquidity risk, and the liquidity risk management strategy (identification, assessment, limitation, and monitoring of liquidity risk);
- The crisis scenarios and the emergency plan, including the processes for drawing up the scenarios and reviewing them.

The Treasury department, outsourced to Mirabaud & Cie SA, ensures the management of MCEU's liquidity. Additionally, the ALM Committee discusses and validates any important decisions that can have an impact on the liquidity profile.

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The Bank is very prudent in the management of its liquidity and aims to be able at any time to repay customer deposits with the following timeline:

- 30% of the customer deposits in 24 hours
- 50% in 10 days
- 75% in 30 days

Likewise, the Board of Directors has put in place the following Liquidity Risk Limits:

- Minimum Liquidity Coverage Ratio of 140%
- Maximum Loan to Deposit Ratio of 50%

To respect internal and external requirements the strategy of the Bank is to:

- Replace excess funding exclusively into High Quality Liquid Assets and place its euros into Central Banks;
- Only grant short term loans and financial guarantees;
- Invest its own portfolio into short term maturities;
- Monitor the evolution of the funding base on a daily basis.

The Stress tests and the Internal Liquidity Adequacy Assessment ("ILAAP") have proven the Adequacy of the Bank's liquidity to face potential crisis.

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5.2 Liquidity Coverage Ratio (LCR)

To improve the liquidity profile and the ability of Banks to face stress periods, the framework imposes the Bank to constitute its portfolios with highly liquid assets (“HQLA”) to cover any needs in a short period. The LCR focuses on a 30 days cash requirement period.

As detailed in the below table, the Bank reported as of Q4 2022 an average LCR of 202%.

EU 1a	Quarter ending on (DD Month YYY)	31.12.2022	30.09.2022	30.06.2022	31.03.2022	31.12.2022	30.09.2022	30.06.2022	31.03.2022
EU 1b	Number of data points used in the calculation of average	3	3	3	3	3	3	3	3
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA), after application of haircuts in line with Article 9 of regulation (EU) 2015/61					282,738,756	385,825,232	371,615,084	202,150,564
CASH - OUTFLOWS									
2	retail deposits and deposits from small business custom	161,511,850	214,235,657	219,714,950	132,683,690	32,302,370	42,847,131	43,942,990	26,536,738
3	*Stable deposits*	-	-	-	-	-	-	-	-
4	*Less stable deposits*	161,511,850	214,235,657	214,886,215	132,683,690	32,302,370	42,847,131	42,977,243	26,536,738
5	Unsecured wholesale funding	275,873,667	369,569,938	365,959,898	253,797,840	128,072,348	201,460,977	194,629,456	125,166,574
6	*Operational deposits (all counterparties) and deposits in n*	-	-	-	-	-	-	-	-
7	*Non-operational deposits (all counterparties)*	275,873,667	369,569,938	365,959,898	253,797,840	128,072,348	201,460,977	194,629,456	125,166,574
8	*Unsecured debt*	-	-	-	-	-	-	-	-
9	*Secured wholesale funding*					-	-	-	-
10	Additional requirements	112,459	370,905	203,015	7,000,000	112,459	370,905	203,015	6,480,000
11	*Outflows related to derivative exposures and other collater*	112,459	370,905	203,015	7,000,000	112,459	370,905	203,015	6,480,000
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	-	-	-	-	-	-	-	-
14	Other contractual funding obligations	18,048,230	16,578,625	18,264,359	19,834,973	16,659,681	15,340,974	17,023,670	18,128,063
15	Other contingent funding obligations	25,414,775	25,414,775	25,414,775	25,414,775	-	-	-	-
16	**TOTAL CASH OUTFLOWS**					**200,227,669**	**260,019,987**	**254,833,384**	**176,311,375**
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	73,920,797	80,278,824	85,048,827	69,598,737	48,943,854	53,729,293	56,647,185	47,179,315
19	Other cash inflows	68,897,444	71,819,485	90,484,852	69,283,100	8,075,564	8,118,568	8,074,370	8,258,255
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	**TOTAL CASH INFLOWS**	**142,818,241**	**152,098,309**	**175,533,679**	**138,881,837**	**57,019,418**	**61,847,862**	**64,721,554**	**55,437,569**
EU-20a	*Fully exempt inflows*	-	-	-	-	-	-	-	-
EU-20b	*Inflows subject to 90% cap*	-	-	-	-	-	-	-	-
EU-20c	*Inflows subject to 75% cap*	142,818,241	152,098,309	175,533,679	138,881,837	57,019,418	61,847,862	64,721,554	55,437,569
TOTAL ADJUSTED VALUE									
21	**LIQUIDITY BUFFER**					**282,738,756**	**385,825,232**	**371,615,084**	**202,150,564**
22	**TOTAL NET CASH OUTFLOWS**					**143,208,251**	**198,172,126**	**190,111,830**	**120,873,805**
23	**LIQUIDITY COVERAGE RATIO**					**202.72%**	**198.42%**	**200.08%**	**176.15%**

Table 9 – EU LIQ1 - Quantitative information of LCR

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5.3 Net stable Funding Ratio (NSFR)

The NSFR monitors the ability of MCEU to respond to long-term liquidity requirements by checking that the Bank has enough long-term sources of liquidity (> 1 year) to face medium/long term liabilities. Since June 2021, with the adoption of the CRD IV, the NSFR ratio became restrictive with a 100% limit.

The NSFR ratio is above the regulatory limit of 100%. The ratio was constant in 2022.

C 81.00			Unweighted value by residual maturity				
Ref BCBS NSFR		*(in currency amount)*	No maturity[1]	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
		Available stable funding (ASF) Items					
	1	Capital items and instruments	**29,696,514**	**-**	**-**	**-**	**29,696,514**
21a,24d, 25a	2	*Own funds*	29,696,514	-	-	-	29,696,514
21b,24d,25a	3	*Other capital instruments*		-	-	-	-
	4	Retail deposits		**159,708,454**	**-**	**-**	**143,737,608**
21c,22	5	*Stable deposits*		-	-	-	-
21c,23	6	*Less stable deposits*		159,708,454	-	-	143,737,608
	7	Wholesale funding:		**221,771,866**	**-**	**-**	**110,885,933**
21c,24b,25a	8	*Operational deposits*		-	-	-	-
21c,24acd,25a	9	*Other wholesale funding*		221,771,866	-	-	110,885,933
	11	Other liabilities:	**-**	**22,823,201**	**-**	**-**	**-**
19,20,25c	12	*NSFR derivative liabilities*	-				
25abd	13	*All other liabilities and capital instruments not included in the above categories*		22,823,201	-	-	-
	14	**Total available stable funding (ASF)**					**284,320,055**

C 80.00			Unweighted value by residual maturity				Weighted value
Ref BCBS NSFR		*(in currency amount)*	No maturity[1]	< 6 months	6 months to < 1yr	≥ 1yr	
		Required stable funding (RSF) Items					
36ab,37,39a, 40ab,42a,43a	**15**	Total high-quality liquid assets (HQLA)					**-**
	EU-15a	**Assets encumbered for a residual maturity of one year or more in a cover pool**		**-**	**-**	**-**	**-**

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40d	**16**	Deposits held at other financial institutions for operational purposes		-	-	-	-
	17	Performing loans and securities:		**189,972,793**	**-**	**-**	**94,635,442**
39b,40c,43c	**19**	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		22,127,386	-	-	2,212,738
36c,40e,41b, 42b,43a	**20**	*Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		167,845,407	-	-	92,422,703
36c,40e,41b, 43a	**21**	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		-	-	-	-
	26	Other assets:		**36,123,704**	**-**	**-**	**34,034,663**
36d,43c	**31**	*All other assets not included in the above categories*		36,123,704	-	-	34,034,663
46,47	**32**	Off-balance sheet items		**71,173,408**	**-**	**-**	**3,558,670**
	33	**Total RSF**					**132,228,775**

9	**34**	**Net Stable Funding Ratio (%)**	**215%**

Table 10 – EU LIQ2: Net Stable Funding Ratio

6 Credit Risk

Credit risk corresponds to the risk of default of a counterparty in a lending, deposit market or derivative transaction.

The Board of Directors determines the risk appetite and loss tolerance on the Credit risk. This tolerance is expressed in the form of limit values and ratios on the exposures of the Banks to losses in case of default from a counterparty.

The Bank's strategy is to limit credit risk.

The Bank is exposed to credit risk through its lending activity, exposure to financial counterparties for its daily operations and exposure to the investments of the Bank's own portfolio.

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6.1 Mitigation strategy and process

Loans to clients

The risk management and governing bodies are assisted by the Credit Committee for the analysis and granting process of loans to the Bank's customers.

To limit risks, MCEU has a strict lending policy, limiting the activity to Lombard Loans. The loans must at any time, provide sufficient collateral after internal haircuts calculations applied by type of securities and other market factors such as liquidity and concentration of assets. Finally, an escalation process allows a quick and proactive monitoring of any deteriorating collateral.

Financial Counterparties

To cover daily activities of clients, the Bank is exposed with financial counterparties. The Financial Counterparties Committee assists the Bank is determining strict limits per counterparties. The limits are set up according to the financial strength of the counterparties and to the requirements of MCEU depending on the volume of activities. The aim is to replace any excess liquidity in central Banks at any time. Daily controls allow the Bank to confirm the adequacy of the liquidity management and respect of limits.

Bank's Portfolio

The Bank places its excess liquidity into sovereign Bonds. The ALM Committee, prior any important decisions in the investment process from the Treasury Department assists the management through a validation process. The Committee aims at controlling the respect of Bank's policies, limits and impact on other activities.

The policy limits the Treasury Department to invest into Sovereign Bonds in top rated countries. As of 31.12.2022, the Bank was invested into US T-bills, UK T-bills and Swiss Government Bonds.

Finally, the Risk Appetite Statement includes conservative limits on ratios such as Loans to AUM, Non-performing loans, unauthorized exposures, exposure in risky countries based on economic data and loans insufficiently covered based on the internal policy.

6.2 Risk adequacy

The Key risk indicators remained within the limits validated by the Board and in line with the Bank's strategy.

7 Market Risk

The Market Risk is defined as Risk of losses from fluctuations in the value of assets following price changes.

Following the Board's strategy, the Bank has limiting market risks and is only exposed through clients operations and price fluctuations on its own portfolio. The Bank is not authorized to hold a trading book.

The Bank is exposed to market risk through:

- Foreign exchange open positions;
- Price variation in Bank's own portfolio.

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7.1 Mitigation strategy and process

The Risk Appetite Framework states clear limits for the Foreign exchange risk positions. It aims at limiting the exposure of the Bank and improve the effective management of the Bank’s treasury. The ALM Committee assists the Governing bodies and the Treasury Department in the decision making process.

Foreign exchange

The Bank has put in place limits controlled on EOD (“end of day”) basis and on a daily basis.

The Bank is mainly exposed to US Dollars, Pound Sterling, and Swiss Franc. As of 31.12.2022, the total reported exposure was EUR 552 833, representing 2% of the Bank’s Own Funds

Currency Risk Category	Currencies	EOD limits
Risk Categ 1	USD EUR GBP CAD JPY	500,000
Risk Categ 2	DKK SEK NOK AUD CNY AED PLN	200,000
Risk Categ 3	NZD HKD SGD ZAR TRY AED MXN	100,000

Table 11 – Foreign Exchange internal limits

Price variation

The own portfolio is governed by the Risk Management Policy and the risk management Framework. Additionally, the Country risk policy limits the scope of investment into top rated (internal rating based on multiple economic factors) sovereign countries. Additionally, the short-term investments aim at limiting the liquidity risk but also the market risk by avoiding sales before effective maturity of the securities.

7.2 Risk adequacy

The Key risk indicators, controls, and monitoring confirm that the risk and controls are in line with the Bank’s strategy.

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8 Interest Rate Risk

The risk represents the vulnerability of the Bank's financial situation to fluctuations in the yield curve.

The risk appetite is expressed in form of limits on potential losses or decreasing values of the Bank's Enterprise value with limits lower than the regulatory framework.

The Bank does not seek to take risks and expose itself to the Interest Rate Risk.

8.1 Mitigation strategy and process

The ALM committee assists the Governing Bodies to validate any important information that can have an impact on the Interest Rate Risk.

To limit the risk and align the strategy with the Board's decision, the balance sheet has been structured on a short-term basis. Hence, the Bank is not exposed to long-term interest rate variations. However, to evaluate the exposure to the interest-rate risk, MCEU measures the sensitivity of the economic value of its Capital (EVE) and the sensitivity of its net interest revenues to interest rate's fluctuations. The Bank operates as defined by CSSF circular 08/338 as amended. MCEU is exposed to three main currencies (EUR, USD, GBP), representing more than 5% of the Bank's Balance sheet.

The aim of the EVE scenarios is to apply an instantaneous choc on interest rates and affect the value of assets and liabilities. In line with the circular 08/338, the following 6 scenarios are analyzed:

Parallel Shock Down

Parallel Shock Up

Shock Rates Shock Down

Shock Rates Shock Up

Steepener yield curve

Flattener yield curve

The biggest impact results from the "Short Rates Shock Up" Curve scenario. The EVE would decline by EUR 1.1M. The impact is mostly due to the EUR 176M loans with a 3M fixing date. The loan impact accounts for EUR 0.6M of the Eve variation. Additionally, the USD T-bills and UK T-bills positions with a residual maturity of 3 months account for an EVE variation of EUR 0.2M and EUR 0.25M.

The tests indicates that an increase of 200 Bps of interest rates implies a negative impact on MCEU's own funds of 2.86% respecting the internal limit of 5%.

Scenario	Result in EUR
+200 Bp	-844,158
-200 Bp	863,396

Table 12 – IRRBB Stress-Test 31.12.2022

8.2 Risk adequacy

The Key risk indicators, controls, and monitoring confirm that the risk and controls are in line with the Bank's strategy.

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9 Concentration Risk

The Concentration Risk represents the level of risk in the Bank's exposure arising from concentration to a group of connected clients, sector or country.

The Board of Director is closely monitoring the concentration risk. Even though the risk can have a detrimental impact on the Credit risk or Liquidity Risk, MCEU classified the concentration risk independently to ensure a strong and effective monitoring in line with the defined strategy.

Due to the size and the activities of the Bank, the risk appetite is Medium.

9.1 Mitigation strategy and process

The Bank has determined internal indicators aiming at limiting the concentration risk and avoiding losses from important exposures.

The concentrated exposures can arise from the investments into the Bank's own portfolio, the residual collateral from risky countries, the deposits from important clients and the concentration of credit risk with financial counterparties and clients.

<u>Country risk</u>

The Country risk, associated with the Credit risk is governed by a policy. The Bank calculates on a quarterly basis an internal rating ranging from 1 to 7 to classify countries.

MCEU uses Financial, Economic and Political factors from external official sources to calculate the internal rating.

Following the rating, the Directive states limits and a provision process on exposures.

The Bank controls

- The country risk on Credit risks taking into account the country risk of each collateral on loans.
- The country risk exposure on the Bank's portfolio.

<u>Deposits from important clients</u>

The Risk Framework limits the deposit exposures to avoid important outflows or negative impact on the financial results. Despite the risk that MCEU is willing to assume, the strategy is to diversify and increase the client base.

<u>Concentration on loans and financial counterparties</u>

The Credit Policy and the Financial Counterparty Committee define the limits. The Bank limits exposures with minimal limits and strong collateral.

9.2 Risk adequacy

The Key risk indicators, controls, and monitoring confirm that the risk and controls are in line with the Bank's strategy.

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10 Operational Risk

Risk of loss arising from inadequacies or failures of internal procedures, persons, systems, or from external events, including legal risks. MCEU considers the operational risk as a major risk within its activities. However, MCEU seeks to avoid losses from operational risk events.

10.1 Mitigation strategy and process

The risk is governed by an Operational Risk policy and by a procedure promoting the management of Operational Risk Events within the Banks and all departments. The goal of the procedure is to sensitize all staff into the importance of escalating and analyzing any event (gain, loss, near miss).

The Bank implements an efficient process in order to keep the operational risk low, maintain moderate levels through the avoidance of any major control, and process deficiencies. On a regular basis, the operational incidents are reported and discussed with the Authorized Management. The incidents are analyzed and corrective actions have to be taken to prevent reoccurrence of incidents.

Risk Management controls aim to respect the Bank's low risk tolerance and avoid any future operational risk events. The Bank has implemented a list of Key risk indicators followed by the front line of defense and monitored by the second line of defense. In addition, a Group loss database is computed to perform conclusions and statistics on eventual recurring events or any potential threats. The two previous elements allow the Risk Management to prepare a Risk and Control Self-Assessment (RCSA).

10.2 Risk adequacy

The Key risk indicators, controls, and monitoring confirm that the risk and controls are in line with the Bank's strategy. However, the unpredictable nature of Operational risk oblige the Bank to continuously strengthen controls and to review the Risk Assessment.

11 Conduct Risk

Risk arising from AML or investment restrictions that could arise in losses from regulatory fines, claims or any other event. The Conduct risk can be materialized by operational risk events, legal risk and regulatory risk.

11.1 Mitigation strategy and process

The risk is managed through the AML policy, AML Risk Appetite Statement and the Mirabaud Suitability MiFID II policy. They ensure the adequate controls of the activities.

AML

One of the Bank's strategic goal is to have a prevention system for money laundering and the financing of terrorism; as well as a sound policy on the acceptance of customers based on a risk assessment approach. The Bank uses a form permanently adapted to the latest local and international regulations. In addition, the Bank has a software that serves for automatic detection of suspicious transactions, and which checks the database of customers, issuers and beneficiaries against international lists of persons.

MiFID II

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In accordance with the obligations set out in the Directive 2014/65/2014 on Markets in Financial Instruments ("MiFID II") and in the Commission Delegated Regulation (EU) 2017/5652, Mirabaud & Cie (Europe) S.A. and its branch offices, ensure that the suitability assessment is an integral part of its business processes and that the Clients (existing or prospective) understand the product and services being proposed and the associated risks

Investment services for wealth management clients is the core business of the Bank. The Wealth Management risks arise from the possibility to make any error in deciding, managing, executing or accounting the different customer operations/portfolios, irrespectively of the nature of the relation with the client (discretionary management mandate, advisory mandate or an RTO (Reception and Transmission of Orders) relation.

The Bank has in place an investment restrictions control tool (the "MIC" tool) embedded in the core banking system. This tool allows the local risk managers (in Luxembourg and in each of the three branches) to perform automated controls on the clients' portfolios. Based on this tool, the Private Banking Risk team in Geneva produces quarterly KRI reports as well as performance indicators. With the former information and reports, quarterly meetings are organized with the local portfolio and risk managers to monitor and correct any breach or deviations.

12 Other Risks

Audit Risk

The Audit risk is defined as the risk that the recommendations issued by Internal Audit and the Independent auditors in their report are not fully, correctly and timely implemented. MCEU is sensitive to the Audit recommendations as they aim to improve the Bank's process, mitigate risks and avoid potential losses.

Indicators as of 31.12.2022, highlight that the number of overdue exceed the appetite of the Bank. However, the Bank seeks to avoid overdue and improve the closure rate of the Audit points. Hence, the Audit Department conducts quarterly meetings with the Executive Committee and reports a detailed status of the recommendations and their inherent risk.

Business and Strategic Risk

The Group Mirabaud has decided to establish its European hub for wealth management in Luxembourg. Profitability is the main issue on the measurement and estimation of the uncertainty of the project to define the Business Risk as stable. On a monthly basis, the Finance department is preparing a document to support the review of the key figures (such as overall budget, annual budget, and commitment/actual data) with the Authorized Management and the Chief Financial Officer of the Group Mirabaud. The control has been evaluated as acceptable as any substantial difference compared to the planned budget is reviewed and an action plan is immediately scheduled in order to resolve the deviation.

ESG, Climate and Environmental Risks

Sustainable finance has been a major subject and project at Mirabaud. Sustainable and climate risk has been integrated throughout the Bank. Concerning the Wealth Management activities, Sustainable and responsible investing (SRI) is a major feature of Mirabaud Group's Corporate Social Responsibility (CSR), which relies on four distinct pillars:

- an economic responsibility towards clients and business partners;
- a social responsibility towards the Group's employees;

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- an environmental responsibility;
- as well as societal responsibility for communities and the wider society.

Mirabaud Group aims to deliver high quality products and services that integrate ESG considerations. The management of ESG risks, as well as the promotion of ESG topics, are key drivers of MCEU global SRI approach. The Group developed a SRI policy that sets out its stance and beliefs on SRI, aligned with the Group's Corporate Social Responsibility (CSR) strategy, Mirabaud is already working on the following measures:

- Mirabaud's SRI Strategy is centered on an exclusion policy, applying restrictions to sectors and companies involved in controversial activities and facing critical ethical, social and environmental challenges.
- In this context, Mirabaud has specific sector guidelines and business restrictions that seek to address those issues. Currently the excluded sectors are

Sector	Exclusion Criteria
Controversial Weapons	Companies involved in dedicated research, development and manufacture of controversial weapons (i.e. weapons production and trading causing harm and suffering and Subject to international conventions and embargoes)
Tobacco	Companies directly involved in the production of tobacco industry (constituting more than 5% of revenue)
Thermal Coal	Companies deriving more than 20% of revenues from thermal coal mining

Table 13 – ESG Exclusion Criteria

On a quarterly basis, a control of the exclusion criteria and the investment universe is performed. The control aims to assure that the proposed securities are in line with Mirabaud's exclusion policy. The Bank is also developping a risk policy including the integration of sustainability risks and a control framework to comply with the new EU sustainability regulation, translated into the Sustainable Finance Disclosure Regulation (SFDR) and the CSSF circular 21/773. For the Bank, the main impact is on the construction and management of discretionary portfolios, which have to be SFDR compliant.

Additionally, by limiting its exposure to top rated countries, the Bank also limits its credit risk linked to climate change impact.

12.1 Risk adequacy

The Key risk indicators, controls, and monitoring confirm that the risk and controls are in line with the Bank's strategy.

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13 Balance Sheet

13.1 Balance Sheet

ASSETS	Amount (EUR)
Cash, cash balances at central banks and other demand deposits	**113,349,968**
Cash on hand	3,684
Cash balances at central banks	91,430,712
Other demand deposits	21,915,572
Financial assets held for trading	**418,217**
Derivatives	418,217
Trading financial assets	-
Non-trading financial assets mandatorily at fair value through profit or loss	-
Financial assets designated at fair value through profit or loss	**150,059,739**
Equity instruments	-
Debt securities	150,059,739
Loans and advances	-
Financial assets at fair value through other comprehensive income	-
Non-trading non-derivative financial assets measured at fair value through profit or loss	-
Non-trading non-derivative financial assets measured at fair value to equity	-
Financial assets at amortised cost	**176,557,222**
Loans and advances	176,557,222
Non-trading non-derivative financial assets measured at a cost-based method	-
Other non-trading non-derivative financial assets	-
Derivatives – Hedge accounting	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-
Investments in subsidiaries, joint ventures and associates	-
Tangible assets	**12,168,769**
Property, plant and equipment	12,168,769
Intangible assets	**123,399**
Other intangible assets	123,399
Tax assets	**12,015**
Current tax assets	4,420
Deferred tax assets	7,595
Other assets	**21,730,481**
Non-current assets and disposal groups classified as held for sale	-
(-) Haircuts for trading assets at fair value	-
Total assets	**474,419,808**

Table 14 – Assets 31.12.2022

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Liabilities		Amount (EUR)
Financial liabilities held for trading		**337,376**
	Derivatives	337,376
Trading financial liabilities		**-**
Financial liabilities designated at fair value through profit or loss		**-**
Financial liabilities measured at amortised cost		**421,562,716**
	Deposits	421,562,716
Non-trading non-derivative financial liabilities measured at a cost-based method		**-**
Derivatives – Hedge accounting		**-**
Fair value changes of the hedged items in portfolio hedge of interest rate risk		**-**
Provisions		**1,982,751**
	Pension and other post employment defined benefit obligations	140,000
	Pending legal issues and tax litigation	1,790,000
	Commitments and guarantees given	4,385
	Other provisions	48,366
Tax liabilities		**1,186,480**
	Current tax liabilities	1,031,607
	Deferred tax liabilities	154,873
Share capital repayable on demand		**-**
Other liabilities		**19,653,969**
Liabilities included in disposal groups classified as held for sale		**-**
Haircuts for trading liabilities at fair value		**-**
Total liabilities		**444,723,294**

Table 15 – Liabilities 31.12.2022

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Equity		Amount (EUR)
Capital		**33,214,000**
	Paid up capital	33,214,000
	Unpaid capital which has been called up	-
Share premium		**8,467,704**
Equity instruments issued other than capital		
Other equity		
Accumulated other comprehensive income		
Retained earnings		**- 11,420,250**
Revaluation reserves		**159,621**
Fair value reserves		
Other reserves		**50,000**
First consolidation differences		
(-) Treasury shares		
Profit or loss attributable to Owners of the parent		**- 774,561**
(-) Interim dividends		
Minority interests [Non-controlling interests]		
Total equity		**29,696,514**
Total equity and total liabilities		**474,419,808**

Table 16 – Equities 31.12.2022

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14 Remuneration Policy

14.1 Governance

MCEU Remuneration Policy is proposed by the Senior Management with the involvement and support of the Human Resources function and the internal control functions. MCEU further had recourse to external specialist advice during the initial elaboration process of the Policy. The Policy shall be reviewed by the supervisory function of MCEU's Board of Directors and then be approved by MCEU's Board of Directors. If needed to perform its Supervisory function, MCEU's Board of Directors will be composed only of the External Director and the Chairman of the Board of Directors.

The Remuneration Policy is reviewed every year by the Human Resources function with the support of the Control Functions in order to specifically ensure its relevance and consistency with the risk management targets assigned to Senior Management and the appropriateness of the system in terms of responding to changes in the regulations and the competitive environment. The outcome of the review (and/or changes to the Policy) will be pre-approved by the Supervisory Function and approved by MCEU's Board of Directors.

MCEU's Board of Directors is authorized to amend the Remuneration Policy every time that it considers it useful to do so. Any update made to the Remuneration Policy will be subject to the pre-approval by the Supervisory Function and the approval of MCEU's Board of Directors.

Appendices may be amended under the initiative of the Senior Management of MCEU, pre-approved by the Supervisory Function and approved by MCEU's Board of Directors.

The Remuneration Policy is drawn up in accordance with the provisions of the law of 20 May 2021, which transposes into Luxembourg law Directive 2019/878/EU published by the European Parliament and the Council on 20 May 2019 ("CRD V") (amending Directive 2013/36/EU published by the European Parliament and the Council on 26 June 2013 (CRD IV)), amending the Law of 5 April 1993 on the financial sector as well as any implementing measures of Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 (CRD V), including guidelines at European level and relevant CSSF circulars, in particular circular 22/797.

The implementation of the Policy is also assessed by Mirabaud Group's Internal Audit Department at least once a year to verify that MCEU complies with the Policy and the procedures adapted by the Board of Directors.

14.2 Link between pay of the staff and their performance

Bonuses are determined by the achievement of objectives assigned in the annual appraisal. During the year-end appraisal process, their respective managers assign MCEU employees targets and their performance over the previous year is recorded. The formal performance appraisal is mandatory for all on a yearly basis.

14.3 Important design characteristics of the remuneration system

The remuneration consists of a fixed portion and of a variable portion, both of which are paid exclusively in cash.

The fixed and variable components of the overall remuneration amount are balanced in an appropriate manner. The fixed component amounts to a sufficiently high portion of the total remuneration to ensure the greatest flexibility possible in terms of the variable component, including the option not to pay a variable component. The various remuneration components are combined to ensure a balanced remuneration package that reflects the business unit, the Staff Member's qualification and rank, his professional activity as well as market practice. The fixed and variable components both reflect the complexity and the size of MCEU.

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14.4 Fixed and variable remuneration

Generally speaking, the variable remuneration amounts will remain significantly lower than the fixed remuneration amounts for all of the employees, including sensitive persons. The variable component will not exceed 100% of the fixed component of the total remuneration for Identified Staff.

However, the shareholders of MCEU may approve a higher ratio between the fixed and variable remuneration components, subject to complying with the provisions of Article 38-6 g) ii) of the amended Law of 5 April 1993 on the financial sector and Circular CSSF 15/622, as long as the overall level of the variable component does not exceed 200% of the fixed component of the total remuneration payable to each Identified Staff Member.

Pursuant to Circular CSSF 15/622, any higher ration than 1:1 will be notified to the CSSF, pursuant to the rules laid down in said Circular.

No remuneration amount above €1 million has been provided for. If this were to be the case, however the CSSF would be informed of any remuneration amounts above €1 million.

Four groups of Identified Staff have been identified:

1. The members of Senior Management;
2. The Heads of the Compliance, Risk Management and Internal Audit Functions;
3. The Head of the Credit Officer Function;
4. The portfolio managers.

A list including the names of sensitive persons is kept up-to-date by Senior Management. This list is provided to the Board of Directors on an annual basis. The list of Identified is attached as Appendix 2 to the Remuneration Policy.

In 2022, Mirabaud introduced a new deferred plan which takes effect when specific total compensation and variable remuneration thresholds are met. The Deferred vests in three equal tranches, respectively after one year, two years and three years following the month the Deferred Award is made it is subject to good and bad leaver provisions.

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14.5 Key Quantitative Data

Art 450 h(i) & Art 450 h(ii)	
Number of beneficiaries	17
Total fixed remuneration (in EUR)	2,765,657
Of which: fixed in cash	2,765,657
Of which: fixed in shares and share-linked instruments	-
Of which: fixed in other types instruments	-
Total variable remuneration (in EUR)	1,038,864
Of which: variable in cash	750,006
Of which: variable in shares and share-linked instruments	-
Of which: variable in other types instruments	288,859

Art 450 h(iii)	
Number of beneficiaries	-
Total amount of deferred remuneration awarded for previous performance periods (in EUR)	-
Of which: amount due to vest in the financial year	-
Of which: the amount due to vest in subsequent years	-

Art 450 h (iv)	
Total amount of deferred remuneration due to vest in the financial year that is paid out during the financial year, and that is reduced through performance adjustments (in EUR)	-

Art 450 h (v)	
Number of beneficiaries	-
Total amount of guaranteed variable remuneration awards during the financial year (in EUR)	-

Art 450 h (vi)	
Total amount of the severance payments awarded in previous periods, that have been paid out during the financial year (in EUR)	-

Art 450 h (vii)	
Number of beneficiaries	2
Total amount of severance payments awarded during the financial year (in EUR)	196,269
Of which:Total amount paid upfront	196,269
Of which:Total amount defered	-
Amount of the highest payment that has been awarded (in EUR)	150,000

Table 17 – Quantitative information on Senior Management and sensitive staff

Amount of remuneration per financial year	Number of individuals
>EUR 1 million	-
between EUR 1 million and EUR 5 million broken down into pay bands of EUR 500 000	-
EUR 5 million and above broken down into pay bands of EUR 1 million	-

Table 18 – Remuneration higher than EUR 1M

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Total remuneration of Senior Management (in EUR)	2,427,440
Total fixed remuneration (in EUR)	1,546,551
Total variable remuneration (in EUR)	880,889

Table 19 – Senior Management

14.6 Derogation of Article 94(3) of Directive 2013/36/EU

In view of its size, the nature of Mirabaud business activities and the services performed under the terms of its authorisation and the low level of prudential risk to which it is exposed, a system based on the principle of proportionality has been adjusted for MCEU's various characteristic features and its risk profile.

Pursuant to the principle of proportionality, the Board of Directors has decided to forego the application of the following principles (based on article 38-6(2)a) of the law on the financial sector of 5 April 1993, as amended):

- Awarding 50% of variable remuneration amount in the form of financial instruments;
- Retention policy;
- Deferral of a portion of the variable remuneration amount as foreseen under CRD V (an alternative deferral model reflecting Swiss requirements and practices relevant to Mirabaud Group is applied);
- Implementation of a remuneration committee;

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