



# Pillar III 2024

MIRABAUD & CIE  
(EUROPE) SA

31.12.2023

# MIRABAUD

Accountable for generations

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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 2023.

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 2023. 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.

## 2 Key Metrics

		a	b	c	d	e
		31/12/2023	30/09/2023	30/06/2023	31/03/2023	31/12/2022
<b>Available own funds (amounts)</b>						
1	Common Equity Tier 1 (CET1) capital	28,231,297	29,166,878	29,309,916	29,241,460	29,414,705
2	Tier 1 capital	28,231,297	29,166,878	29,309,916	29,241,460	29,414,705
3	Total capital	28,231,297	29,166,878	29,309,916	29,241,460	29,414,705
<b>Risk-weighted exposure amounts</b>						
4	Total risk-weighted exposure amount	142,614,385	166,767,166	155,187,530	149,890,165	149,079,054
<b>Capital ratios (as a percentage of risk-weighted exposure amount)</b>						
5	Common Equity Tier 1 ratio (%)	19.80%	17.49%	18.89%	19.51%	19.73%
6	Tier 1 ratio (%)	19.80%	17.49%	18.89%	19.51%	19.73%
7	Total capital ratio (%)	19.80%	17.49%	18.89%	19.51%	19.73%
<b>Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure)</b>						
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%
<b>Combined buffer requirement (as a percentage of risk-weighted exposure amount)</b>						
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 (%)	0.28%	0.03%	0.03%	0.03%	0.02%
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 (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 11a	Overall capital requirements (%)	12.28%	12.03%	12.03%	12.03%	12.02%
12	CET1 available after meeting the total SREP own funds requirements (%)	10.30%	7.99%	9.39%	10.01%	10.23%
<b>Leverage ratio</b>						
13	Total exposure measure	565,351,536	464,714,396	411,230,492	462,620,589	528,469,701
14	Leverage ratio (%)	4.99%	6.28%	7.13%	6.32%	5.57%
<b>Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)</b>						
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%
<b>Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)</b>						
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%
<b>Liquidity Coverage Ratio</b>						
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	273,782,682	169,057,901	182,693,103	202,150,564	282,738,756
EU 16a	Cash outflows - Total weighted value	208,258,330	182,514,927	166,102,083	175,578,041	200,227,669
EU 16b	Cash inflows - Total weighted value	48,421,306	54,899,248	52,177,770	55,437,569	57,019,418
16	Total net cash outflows (adjusted value)	159,837,024	127,615,678	113,924,313	120,140,472	143,208,251
23	Liquidity coverage ratio (%)	171.29%	132.47%	160.36%	168.26%	197.43%
<b>Net Stable Funding Ratio</b>						
18	Total available stable funding	184,852,552	152,019,406	194,921,530	246,690,730	284,320,055
19	Total required stable funding	91,972,048	118,680,386	115,734,541	126,970,824	132,228,776
20	NSFR ratio (%)	200.99%	128.09%	168.42%	194.29%	215.02%

Table 1 – EU KM1 - Key metrics

### 3 Risk Management

#### 3.1 Activities and Risks 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

Based on the internal risk identification process, in line with the strategy and the Business activities, MCEU defined its risk Taxonomy. It has been defined into two main Risk categories, Financial and Operational risks. Financial risks are those that can have a direct impact on the Bank's viability.

#### Financial Risk:

- Business and Profitability Risk
- Capital Risk
- Liquidity Risk
- Interest Rate Risk (IRRBB)
- Credit Risk
- Market Risk
- Concentration Risk

#### Non-financial risk:

- Operational risks
  - o Internal Fraud
  - o External Fraud
  - o Execution & Settlement
  - o ICT Risk
  - o Business Continuity Management
  - o Employment practices and workplace safety
  - o Damage to physical assets
  - o Outsourcing
  - o Change
  - o Human Resources
  - o AML
  - o Suitability
  - o Market Abuse
  - o Cross-border
  - o Legal
  - o Compliance

The Bank considered ESG Risk as a factor impacting other risks such as Credit Risk, Liquidity Risk and operational Risk.

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

### *3.2 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.

### *3.3 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. 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.

#### **Board of Directors (“BoD”)**

The BoD ensures the effectiveness of the risk governance, the risk oversight and defining and reviewing, at least annually, the Policy and the Risk Appetite framework and Risk appetite statement, including the risk indicators and limits.

#### **Executive Committee (“EC”)**

The Executive Committee is responsible for:

- Designing and implementing a Robust Risk Management Framework by establishing a comprehensive risk management framework that encompasses all risk categories.
- Establishing, together with the CRO an appropriate Risk Appetite for The Bank including the limits and indicators, which represents the level of risk that the institution is willing to accept in pursuit of its business objectives.
- Managing, overseeing and reviewing the risk management framework and ensuring that it remains effective in identifying, assessing, and managing risks. This includes regular reviews of the framework, audits of risk management processes, and remediation of identified weaknesses.

- In general, ensuring the management of Risks in accordance with regulatory requirements and best practices.
- Ensuring that the Risk Management is adequately resourced.
- Establishing a Culture of Risk Awareness: Management must foster a culture of risk awareness throughout MCEU, ensuring that all employees are aware of their roles in identifying, assessing, and mitigating risks. This includes training programs, risk communication initiatives, and a strong emphasis on risk management in performance evaluations.
- Reviewing and validating all risk Procedures and Policies to ensure their consistencies with MCEU's short and long term strategies, Business Plan and risk capacity.

### **1<sup>st</sup> LOD : Business Lines and Support Functions**

The 1<sup>st</sup> LOD is actively seeking to grow business and therefore introduce the risks to the Bank. They are responsible for:

- Identifying, assessing, reporting, mitigating, complying with regulatory requirements related and respecting limits as defined in the risk management Framework. They play a crucial role in ensuring the soundness and prudent operation of MCEU.

### **2<sup>nd</sup> LOD: Risk Management**

The Risk Management function is responsible for:

- Ensuring the proper implementation of The Bank's risk management policies and processes.
- Providing independent and pertinent information, analysis, and expertise on the risk exposures of MCEU.
- Advising the management bodies on measures to ensure compliance with applicable laws, rules, regulations, and standards and evaluates the potential impact of any changes to the legal or regulatory framework concerning different risk exposures on MCEU's activities.
- Maintaining the integrity and robustness of risk management practices by overseeing the review of procedures to verify their effectiveness and alignment with risk policies and compliance rules.
- Ensuring the articulation and communication of the Risk Appetite and Risk Framework throughout the organization.
- Sensitizing the stakeholders on the risks in the ongoing activities.

### **3<sup>rd</sup> LOD: Internal Audit Department**

The Internal Audit Department is responsible for conducting regular audits and assessments to ensure the compliance with regulatory guidelines and to guarantee the effectiveness of the risk management.

The Board of Directors ("BoD") validated that the risk management arrangements implemented within Mirabaud & Cie (Europe) S.A. are adequate with regard to the



profile and strategy. These arrangements have been designed to effectively identify, assess, monitor, and mitigate risks.

Specifically, The BoD affirms:

**Risk Management Systems** are comprehensive, robust, and aligned with our institution's risk appetite. They cover all relevant categories of risk, including credit, market, liquidity, operational, and other risks.

**Risk Management Objectives and Policies** are clearly established for each risk category. These include strategies, processes, and reporting mechanisms.

**Risk Reporting and Measurement systems** provide accurate and timely information to support decision-making.

**Hedging and Mitigation policies** are well-defined. MCEU actively monitors the ongoing effectiveness of hedges and mitigants.

**Risk Profile and Strategy** are adequately addressed by the Bank's risk management arrangements and the risks inherent in our activities.

### *3.4 Risk Appetite Framework ("RAF")*

The Risk Appetite and risk indicators are derived from the organization's activities and commercial strategy. The risk levels mirror the maximum level of risk The Bank can handle. MCEU's risk capacity is the maximum level of risk it can assume, given its current capabilities and resources before breaching constraints determined by regulatory capital and liquidity requirements, or otherwise failing to meet the expectations of regulators and law enforcement agencies. Risk capacity defines an outer boundary within which The Bank must operate. On the other hand, Risk Appetite signifies the overall amount of risk the company is willing to take on, considering the trade-offs between risk and return for desired outcomes. It plays a crucial role in supporting the business' strategy and achieving its core objectives.

MCEU maintains adequate capital and liquidity reserves to manage situations where exposures exceed its defined risk appetite. This safeguards The Bank from potential financial and/or reputational repercussions that could arise from surpassing its risk capacity.

The strategic plan of MCEU is established and reviewed every 5 years. During this process, the BoD defines the main strategic axes for the development of the activity of The Bank. This plan drives the definition of the business and financial targets, reviewed every year during the budgetary process.

The Risk Appetite of The Bank is completely integrated in these processes in the following manner:

- The CRO of The Bank is involved in the strategic and budgetary meetings in order to ensure that the decisions which are taken are aligned with the RAF of MCEU.
- In the case a misalignment is identified, the CRO is responsible to propose to the BoD either the review of the strategic decision, or the amendment of the

Risk Appetite accordingly. In this last situation, RAF is adapted immediately (outside of the annual review process).

- The BoD is responsible for ensuring that the strategy and the financial projections are in line with the Risk Appetite and provide reasonable and sustainable objectives to The Bank.
- The internal audit department performs a periodic review of the alignment between the strategy of The Bank, the strategic planning, and the budgetary process.

The risk profile of MCEU is presented as a combination of key risk indicators (hereafter referred as "KRIs") or risk metrics. The KRIs aim to highlight the areas where the current level of risk is higher than the tolerance defined and/or authorized by the relevant governing bodies of the Group and The Bank:

- The scope of the KRIs matches the activities carried out in order to ensure a proper coverage of risk appetite.
- To express risk tolerance each KRI has three thresholds delimited by two values (lower and higher threshold or early warning and MCEU limits).

### 3.5 General Risk Profile

The Board of Directors validated, in line with the business strategy, that the Bank's risk profile and key ratios as of 31.12.2023 are aligned with the appetite. Indeed, MCEU seeks to minimize the financial risks through internal limits on key ratios being more conservative than regulatory requirements. In addition, the Bank is not subject to any intra-group exposures or transactions that can lead to a significant increase on the risk profile of the Bank.

Key ratios	internal limit	31.12.2023
CET1 ratio	16%	19.80%
Leverage Ratio	3.30%	4.99%
LCR	140%	171.29%
NSFR	140%	200.99%

Table 2 –Key ratios as at 31.12.2023

## 4 Balance Sheet Structure

ASSETS		Amount (EUR)	Liabilities		Amount (EUR)
Cash, cash balances at central banks and other demand deposits		288,377,414	Financial liabilities held for trading		905,439
	Cash on hand	3,747		Derivatives	905,439
	Cash balances at central banks	278,000,000	Trading financial liabilities or loss		-
	Other demand deposits	10,373,667	Financial liabilities measured at amortised cost		466,812,190
Financial assets held for trading		1,139,761		Deposits	466,812,190
	Derivatives	1,139,761	at a cost-based method		-
Trading financial assets		-	Derivatives – Hedge accounting		-
Non-trading financial assets mandatorily at fair value through profit or loss		-	hedge of interest rate risk		-
Financial assets designated at fair value through profit or loss		57,953,006	Provisions		1,549,580
	Equity instruments	-		Pension and other post employment defined benefit obligations	147,693
	Debt securities	57,953,006		Pending legal issues and tax litigation	1,279,772
	Loans and advances	-		Commitments and guarantees given	25,942
Financial assets at fair value through other comprehensive income		-		Other provisions	96,173
Non-trading non-derivative financial assets measured at fair value through profit or loss		-	Tax liabilities		2,121,758
Non-trading non-derivative financial assets measured at fair value to equity		-		Current tax liabilities	2,047,536
Financial assets at amortised cost		147,127,275		Deferred tax liabilities	74,222
	Loans and advances	147,127,275	Share capital repayable on demand		-
Non-trading non-derivative financial assets measured at a cost-based method		-	Other liabilities for sale		26,589,958
Other non-trading non-derivative financial assets		-	Haircuts for trading liabilities at fair value		-
Derivatives – Hedge accounting		-	Total liabilities		497,978,925
Fair value changes of the hedged items in portfolio hedge of interest rate risk		-	Equity		Amount (EUR)
Investments in subsidiaries, joint ventures and associates		-	Capital		33,214,000
Tangible assets		14,317,771		Paid up capital	33,214,000
	Property, plant and equipment	14,317,771		Unpaid capital which has been called up	-
Intangible assets		55,218	Share premium		8,467,704
	Other intangible assets	55,218	Equity instruments issued other than capital		-
Tax assets		32,522	Other equity		-
	Current tax assets	15,149	Accumulated other comprehensive income		-
	Deferred tax assets	17,373	Retained earnings		- 12,194,812
Other assets		17,339,845	Revaluation reserves		155,176
Non-current assets and disposal groups classified as held for sale		-	Fair value reserves		-
(-) Haircuts for trading assets at fair value		-	Other reserves		50,000
Total assets		526,342,811	First consolidation differences		-
			(-) Treasury shares		-
			Profit or loss attributable to Owners of the parent		- 1,328,183
			(-) Interim dividends		-
			Minority interests [Non-controlling interests]		-
			Total equity		28,363,886
			Total equity and total liabilities		526,342,811

Table 3 – Balance Sheet as at 31.12.2023

The structure of the Balance sheet reflects the conservative approach of the Bank aiming at limiting the risks by depositing clients' deposits into very liquid assets. Hence, MCEU's assets are composed of 66% cash deposited within the European Central Bank or with financial counterparties or investments into top rated Treasury bills. The Loans to asset ratio is limited to 28%. The Funding of the Bank arises from clients deposits, representing 89% of the Liabilities and Equities combined.

## 5 Capital Risk

### 5.1 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.

#### *Internal Overall Capital requirements*

Based on the individual analysis of risks the Bank concludes that an additional Pillar II requirement of EUR 3 058 441 or 2.13% 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 2.13%. Hence, the calculation of the internal overall capital requirement (IOCR) does not consider P2R.

Capital requirement	
P1R	8.00%
P2R	1.50%
CCB	2.50%
CcyB	0.31%
TSCR	9.50%
<b>OCR</b>	<b>12.31%</b>
P2N	2.13%
P2G	2.00%
ITSCR	9.50%
<b>IOCR</b>	<b>14.93%</b>
<b>Solvency ratio</b>	<b>20.42%</b>
<b>Respect of OCR</b>	<b>OK</b>
<b>Respect of IOCR</b>	<b>OK</b>

Table 4 – 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.

### 5.1.2 Overall Capital requirements

As of 31.12.2023, MCEU must keep a Total SREP minimum Capital of 9.50% and an overall Capital requirement of 12.31%, including a 2.5% capital conservation buffer and a 0.31% 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.

Pillar 1 Capital Requirements	8.00%
Pillar 2 Capital Requirements	1.50%
Capital Conservation Buffer	2.50%
Countercyclical Buffer	0.31%
Pillar 2 Guidance	2.00%
Total SREP Capital Requirements	9.50%
<b>Overall Capital Requirements</b>	<b>14.31%</b>

Table 5 – Capital Requirements as of 31.12.2023

		a
1	Total risk exposure amount	142,614,385
2	Institution specific countercyclical	0.28%
3	Institution specific countercyclical capital buffer requirement	403,806

Table 6 – EU CCyB2 - Amount of institution-specific countercyclical capital buffer

Breakdown by country:	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
United Arab Emirates	30,942.80	-	-	-	-	30,942.80	1,856.57	-	-	1,856.57	23,207.10	0%	0.0%
Angola	263,835.29	-	-	-	-	263,835.29	15,830.12	-	-	15,830.12	197,876.47	0%	0.0%
Belgium	17,107.84	-	-	-	-	17,107.84	1,355.53	-	-	1,355.53	16,944.09	0%	0.0%
Switzerland	9,534,167.57	-	-	-	-	9,534,167.57	762,733.41	-	-	762,733.41	9,534,167.57	16%	0.0%
Cyprus	33,216.70	-	-	-	-	33,216.70	2,657.34	-	-	2,657.34	33,216.70	0%	0.5%
Spain	19,556,889.49	-	-	-	-	19,556,889.49	1,518,727.65	-	-	1,518,727.65	18,984,096.66	32%	0.0%
France	9,982,216.71	-	-	-	-	9,982,216.71	759,500.68	-	-	759,500.68	9,493,798.54	16%	0.5%
United Kingdom	1,910,356.22	-	-	-	-	1,910,356.22	141,740.21	-	-	141,740.21	1,771,752.65	3%	2.0%
Greece	45,457.44	-	-	-	-	45,457.44	2,727.45	-	-	2,727.45	34,093.08	0%	0.0%
Italy	3,654.47	-	-	-	-	3,654.47	292.36	-	-	292.36	3,654.47	0%	0.0%
Jersey	1,526,410.32	-	-	-	-	1,526,410.32	122,112.83	-	-	122,112.83	1,526,410.32	3%	0.0%
Kazakhstan	16,054.74	-	-	-	-	16,054.74	963.28	-	-	963.28	12,041.05	0%	0.0%
Luxembourg	17,116,401.46	-	-	-	-	17,116,401.46	1,367,311.45	-	-	1,367,311.45	17,091,393.12	29%	0.5%
Portugal	61,691.28	-	-	-	-	61,691.28	3,701.48	-	-	3,701.48	46,268.46	0%	0.0%
Saudi Arabia	46,089.87	-	-	-	-	46,089.87	2,765.39	-	-	2,765.39	34,567.40	0%	0.0%
Singapore	19,899.13	-	-	-	-	19,899.13	1,193.95	-	-	1,193.95	14,924.35	0%	0.0%
Uruguay	92,966.54	-	-	-	-	92,966.54	7,437.32	-	-	7,437.32	92,966.54	0%	0.0%
South Africa	608,368.16	-	-	-	-	608,368.16	48,669.45	-	-	48,669.45	608,368.16	1%	0.0%
Total	60,865,726.01	-	-	-	-	60,865,726.01	4,761,576.46	-	-	4,761,576.46	59,519,705.73	100%	

Table 7 – EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

The calculations of the Countercyclical Capital Buffer are presented in the above 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. MCEU is mainly exposed to Spain, Luxembourg, France and Switzerland.

		Amounts	Source based on letters of the balance sheet
<b>Common Equity Tier 1 (CET1) capital: instruments and reserves</b>			
1	Capital instruments and the related share premium accounts	41,681,704	(a) + (b)
2	Retained earnings	- 12,194,812	(c)
3	Accumulated other comprehensive income (and other reserves)	205,176	(d) + (f)
6	<b>Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>	<b>29,692,068</b>	
<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>			
7	Additional value adjustments (negative amount)	- 59,998	
8	Intangible assets (net of related tax liability) (negative amount)	- 55,218	(h)
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)	- 17,373	
EU-25a	Losses for the current financial year (negative amount)	- 1,328,183	(g)
28	<b>Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>	<b>- 1,460,771</b>	
29	<b>Common Equity Tier 1 (CET1) capital</b>	<b>28,231,297</b>	
<b>Additional Tier 1 (AT1) capital: instruments</b>			
36	<b>Additional Tier 1 (AT1) capital before regulatory adjustments</b>	<b>-</b>	
<b>Additional Tier 1 (AT1) capital: regulatory adjustments</b>			
43	<b>Total regulatory adjustments to Additional Tier 1 (AT1) capital</b>	<b>-</b>	
44	<b>Additional Tier 1 (AT1) capital</b>	<b>-</b>	
45	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>28,231,297</b>	
<b>Tier 2 (T2) capital: instruments</b>			
51	<b>Tier 2 (T2) capital before regulatory adjustments</b>	<b>-</b>	
<b>Tier 2 (T2) capital: regulatory adjustments</b>			
57	<b>Total regulatory adjustments to Tier 2 (T2) capital</b>	<b>-</b>	
58	<b>Tier 2 (T2) capital</b>	<b>-</b>	
59	<b>Total capital (TC = T1 + T2)</b>	<b>28,231,297</b>	
60	<b>Total risk exposure amount</b>	<b>142,614,385</b>	
<b>Capital ratios and requirements including buffers</b>			
61	Common Equity Tier 1	19.80%	
62	Tier 1	19.80%	
63	Total capital	19.80%	
64	Institution CET1 overall capital requirements	0.00%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical capital buffer requirement	0.28%	
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	<b>Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements</b>	<b>10.30%</b>	

Table 8 – EU CC1 - Composition of regulatory own funds

As of 31.12.2023, MCEU reported EUR 29.4M own funds composed exclusively of eligible Tier1 Capital.

### 5.1.3 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
		a	b	c
		31/12/2023	31/12/2022	31/12/2023
1	Credit risk (excluding CCR)	60,305,583.98	77,251,876.41	4,824,446.72
2	Of which the standardised approach	60,305,583.98	77,251,876.41	4,824,446.72
6	Counterparty credit risk - CCR	5,023,036.46	308,348.41	401,842.92
EU 8b	Of which credit valuation adjustment - CVA	266,536.67	308,348.41	21,322.93
9	Of which other CCR	4,756,499.79	-	380,519.98
20	Position, foreign exchange and commodities risks (Market risk)	6,300,948.64	525,930.13	504,075.89
21	Of which the standardised approach	6,300,948.64	525,930.13	504,075.89
23	Operational risk	70,984,816.09	70,992,899.24	5,678,785.29
EU 23a	Of which basic indicator approach	70,984,816.09	70,992,899.24	5,678,785.29
29	<b>Total</b>	<b>142,614,385.17</b>	<b>149,079,054.12</b>	<b>11,409,150.81</b>

Table 9 – EU OVI – Overview of total risk exposure amounts

## 5.2 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 2023.

The Bank reported a 4.99% Leverage ratio as of 31.12.2023. The Leverage ratio remained above 3% during 2023.

		CRR leverage ratio exposures	
		31/12/2023	31/12/2022
<b>On-balance sheet exposures (excluding derivatives and SFTs)</b>			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	525,203,050	473,870,597
6	(Asset amounts deducted in determining Tier 1 capital)	- 132,589	-
7	<b>Total on-balance sheet exposures (excluding derivatives and SFTs)</b>	<b>525,070,462</b>	<b>473,870,597</b>
<b>Derivative exposures</b>			
EU-9b	Exposure determined under Original Exposure Method	13,954,422	2,089,863
13	<b>Total derivatives exposures</b>	<b>13,954,422</b>	<b>2,089,863</b>
<b>Securities financing transaction (SFT) exposures</b>			
18	<b>Total securities financing transaction exposures</b>	-	-
<b>Other off-balance sheet exposures</b>			
19	Off-balance sheet exposures at gross notional amount	50,434,977	-
20	(Adjustments for conversion to credit equivalent amounts)	- 24,108,325	52,509,242
22	<b>Off-balance sheet exposures</b>	<b>26,326,652</b>	<b>52,509,242</b>
<b>Excluded exposures</b>			
EU-22k	(Total exempted exposures)	-	-
<b>Capital and total exposure measure</b>			
23	<b>Tier 1 capital</b>	<b>28,231,297</b>	<b>29,414,705</b>
24	<b>Total exposure measure</b>	<b>565,351,536</b>	<b>528,469,701</b>
<b>Leverage ratio</b>			
25	Leverage ratio	4.99%	5.57%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	4.99%	5.57%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	4.99%	5.57%
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%
<b>Choice on transitional arrangements and relevant exposures</b>			
EU-27b	Choice on transitional arrangements for the definition of the capital measure	NA	NA
<b>Disclosure of mean values</b>			
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)	565,351,536	528,469,701
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)	565,351,536	528,469,701
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)	4.99%	5.57%
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)	4.99%	5.57%

Table 10 – EU LR2 - LRCom: Leverage ratio common disclosure

The leverage ratio decreased by 0.58% due to slightly decreasing Tier1 Capital and increasing Balance Sheet reflecting an increase in liabilities from clients deposits.



### *5.3 Mitigation strategy and process*

In addition to the Capital Assessment, the risk is mitigated with Capital ratios, projections and stress-tests being monitored by the Asset and Liability Committee ("ALM Committee") on a regular basis. Additionally, the production and computation of the ratios are performed by a specific department allowing a robust control framework through first and second control lines.

## **6 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 approved by the Board of Directors at least annually. 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 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)
- Contingency Funding 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 important liquidity outflow as at 31 December 2023 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.

### *6.1 Mitigation strategy and process*

MCEU liquidity management is conducted within a comprehensive and robust measurement, reporting, and risk control framework.

To effectively manage and monitor its liquidity profile and funding requirements, The Bank operates a liquidity management information system that provides complete, timely and forward-looking information on the liquidity position of MCEU.

This involves monitoring the balance sheet contractual and behavioral maturity profiles and projecting and modelling the liquidity exposures under a variety of scenarios - encompassing both normal and stressed market conditions.

The monitoring and control of The Bank liquidity situation is conducted within a comprehensive limit framework. Limits are defined for managing liquidity risk under normal market conditions as well as to ensure that MCEU is capable of surviving under distressed market conditions.

In order to control its liquidity risk exposure, MCEU uses several indicators:

- The intraday liquidity review,
- The Liquidity Coverage Ratio,
- The Net Stable Funding Ratio,
- The liquidity gap,
- The loan to deposit ratio,
- The Internal Liquidity Stress Test (based on the Stress Testing Framework).

According to the indicators, The Bank defined appropriate limits and escalation procedures. The escalation process for the main limits and triggers is defined in the Risk Appetite Framework.

The governance principles for market risk management are based on The Bank's framework of three lines of defense.

The first line of defense (the Treasury department) manages and owns the liquidity risk in compliance with the rules defined by the ALM Committee. The second line is the covered Risk Management Department and the third line by the Internal Audit Department.

The Executive Committee, in general, ensures that liquidity risk is managed in accordance with the Board of Directors' strategy, regulatory requirements and best practices, and that the teams in charge are adequately resourced and skilled.

### *6.2 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 2023 an average LCR of 171.29%.

		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on (DD Month YYYY)	31/12/2023	30/09/2023	30/06/2023	31/03/2023	31/12/2023	30/09/2023	30/06/2023	31/03/2023
EU 1b	Number of data points used in the calculation of average	3	3	3	3	3	3	3	3
<b>HIGH-QUALITY LIQUID ASSETS</b>									
1	Total high-quality liquid assets (HQLA), after application of haircuts in line with Article 9 of regulation (EU) 2015/61					273,782,682	169,057,901	182,693,103	202,150,564
<b>CASH - OUTFLOWS</b>									
2	retail deposits and deposits from small business cust	89,785,695	80,891,500	112,078,274	132,683,690	15,734,539	16,178,300	22,415,655	26,536,738
3	Stable deposits	-	-	-	-	-	-	-	-
4	Less stable deposits	83,989,437	80,891,500	112,078,274	132,683,690	15,734,539	16,178,300	22,415,655	26,536,738
5	Unsecured wholesale funding	229,141,669	219,830,622	225,832,980	253,797,840	168,676,010	134,372,350	118,337,932	125,166,574
6	Operational deposits (all counterparties) and deposits	-	-	-	-	-	-	-	-
7	Non-operational deposits (all counterparties)	229,141,669	219,830,622	225,832,980	253,797,840	168,676,010	134,372,350	118,337,932	125,166,574
8	Unsecured debt	-	-	-	-	-	-	-	-
9	Secured wholesale funding	-	-	-	-	-	-	-	-
10	Additional requirements	12,525,666	2,289,068	2,254,021	5,746,667	3,115,340	2,289,068	2,254,021	5,746,667
11	Outflows related to derivative exposures and other col	2,480,531	2,289,068	2,254,021	5,746,667	2,480,531	2,289,068	2,254,021	3,240,000
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	10,045,135	-	-	-	634,809	-	-	-
14	Other contractual funding obligations	32,088,167	31,570,427	24,452,936	19,834,973	20,732,441	29,675,209	23,094,475	18,128,063
15	Other contingent funding obligations	23,720,132	25,414,775	25,414,775	25,414,775	-	-	-	-
16	<b>TOTAL CASH OUTFLOWS</b>					<b>208,258,330</b>	<b>182,514,927</b>	<b>166,102,083</b>	<b>175,578,041</b>
<b>CASH - INFLOWS</b>									
23	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	62,475,802	66,213,546	66,458,300	69,598,737	40,305,378	46,816,639	44,197,151	47,179,315
19	Other cash inflows	57,985,821	67,288,974	65,106,181	69,283,100	8,115,928	8,082,610	7,980,619	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	<b>TOTAL CASH INFLOWS</b>	<b>120,146,585</b>	<b>133,502,520</b>	<b>131,564,481</b>	<b>138,881,837</b>	<b>48,421,306</b>	<b>54,899,248</b>	<b>52,177,770</b>	<b>55,437,569</b>
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows subject to 90% cap	-	-	-	-	-	-	-	-
EU-20c	Inflows subject to 75% cap	120,146,585	133,502,520	131,564,481	138,881,837	48,421,306	54,899,248	52,177,770	55,437,569
<b>TOTAL ADJUSTED VALUE</b>									
21	<b>LIQUIDITY BUFFER</b>					<b>273,782,682</b>	<b>169,057,901</b>	<b>182,693,103</b>	<b>202,150,564</b>
22	<b>TOTAL NET CASH OUTFLOWS</b>					<b>159,837,024</b>	<b>127,615,678</b>	<b>113,924,313</b>	<b>120,140,472</b>
23	<b>LIQUIDITY COVERAGE RATIO</b>					<b>171.29%</b>	<b>132.47%</b>	<b>160.36%</b>	<b>168.26%</b>

Table 11 – EU LIQ1 - Quantitative information of LCR

### 6.3 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%.

EUR		Unweighted value by residual maturity				Weighted value
		No maturity[1]	< 6 months	6 months to < 1yr	≥ 1yr	
<b>Available stable funding (ASF) Items</b>						
1	Capital items and instruments	29,475,122	-	-	-	29,475,122
2	Own funds	29,475,122	-	-	-	29,475,122
3	Other capital instruments		-	-	-	-
4	Retail deposits		111,946,323	-	-	100,751,690
5	Stable deposits		-	-	-	-
6	Less stable deposits		111,946,323	-	-	100,751,690
7	Wholesale funding:		245,588,256	-	-	-
8	Operational deposits		-	-	-	-
9	Other wholesale funding		245,588,256	-	-	-
11	Other liabilities:		29,422,804	-	-	-
12	NSFR derivative liabilities		-	-	-	-
13	All other liabilities and capital instruments not included in the above categories		29,422,804	-	-	-
14	<b>Total available stable funding (ASF)</b>					<b>184,852,552</b>

EUR		Unweighted value by residual maturity				Weighted value
		No maturity <sup>[1]</sup>	< 6 months	6 months to < 1yr	≥ 1yr	
<b>Required stable funding (RSF) items</b>						
15	Total high-quality liquid assets (HQLA)					<b>332,754,117.89</b>
<b>EU-15a</b>	<b>Assets encumbered for a residual maturity of one year or more in a cover pool</b>					
16	Deposits held at other financial institutions for operational purposes					
23	Performing loans and securities:		<b>157,495,270.75</b>			<b>74,184,030.11</b>
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut					
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		11,409,013.17			1,140,901.32
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		146,086,257.58			73,043,128.79
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk					
22	Performing residential mortgages, of which:					
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk					
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products					
25	Interdependent assets					
26	Other assets:		<b>36,340,033.65</b>			<b>16,281,247.56</b>
27	Physical traded commodities					
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs					
29	NSFR derivative assets		234,321.13			234,321.13
30	NSFR derivative liabilities before deduction of variation margin posted		905,439.40			45,271.97
31	All other assets not included in the above categories		35,200,273.12			16,001,654.46
53	Off-balance sheet items		<b>30,135,405.62</b>			<b>1,506,770.28</b>
33	<b>Total RSF</b>					<b>91,972,047.94</b>
<b>34 Net Stable Funding Ratio (%)</b>						<b>201%</b>
9	<b>34 Net Stable Funding Ratio (%)</b>					<b>201%</b>

Table 12 – EU LIQ2: Net Stable Funding Ratio

#### 6.4 Climate Risk impact on the Liquidity Risk

The Bank's liquidity risk profile may be impacted by C&E risk factors both directly via MCEU's inability to obtain financing or liquidate assets under normal market conditions or indirectly via an increased need for liquidity on the part of its clients.

Taking into account its business model, its products and its customers, MCEU identifies two situations relevant to its activities:

- Investment portfolio: the impact on its HQLA portfolio in the event of a drop in the market value of certain of its liquid assets in the case of an event linked to C&E risks.
- Customer deposits and lines of credit: the increase in the frequency and intensity of natural disasters can lead to an increase in demand for liquidity by households, businesses and financial institutions and lead to unexpected cash outflows. For example, households may take additional cash withdrawals as a precaution following a natural disaster, or businesses may use existing lines of credit more (and at the same time) to repair damaged goods. In particular, clients that have most of the revenues coming from activities with high exposure to climate risk could have important liquidity needs in case of occurrence of the climate risk.

The Bank assesses and monitors the liquidity risk resulting from climate change along the following lines:

- Measurement of the Deposit value to sectors which are considered as highly contributing to the climate change as per EBA/ITS/2022/01.
- An analysis is also carried out around the clients having most of the revenues coming from industries with significant exposure to climate risk (excluded from the C&E policy). These clients are identified in the database and the amount of the corresponding deposits is subject to quarterly follow-up.

## **7 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 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.

### *7.1 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 in 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 31.12.2023, 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 Non-performing loans compare to equities, Net cost of credit risk, unauthorized exposures, exposure in risky countries based on economic data and loans insufficiently covered based on the internal policy. Additionally, the Banks monitors credit risks implied by ESG factors such as collateral exposed to climate risk and contributing to climate change.

*7.2 Climate Risk impact on Credit Risk*

MCEU assessed the impact of Climate and Environmental ("C&E") risk on its Credit Risk. The Bank is exposed through its activities on its investment portfolio or the Lombard loans.

The investment portfolio is mainly composed of US or Swiss T-Bills, without potential predictable impact from C&E factors.

Concerning Lombard loans, MCEU decided to assess its credit risk against transition and physical risks.

Regarding the transition risk, the risk related to the Lombard loan book stems mainly from a potential significant (indirect) exposure to securities issued by companies operating in:

- (i) An excluded industry as defined in the Group exclusion policy (please refer to section 5.7.2) or;
- (ii) A sector considered as highly contributing to the climate change as per the EBA disclosures on ESG risks (EBA/ITS/2022/01).

These factors can lead to a devaluation of the assets and have therefore a negative impact on the value of collateral received (and, by extension, on the LGD).

To monitor this risk, MCEU has implemented following internal indicators.

Risk Type	Indicators
Credit Risk	Adjusted collateral value from the Lombard loan portfolio to sectors considered as highly contributing to the climate change
	Adjusted collateral value from the Lombard loan portfolio to climate exposed countries
	MCEU Exposure value (Assets) to climate exposed countries

*Table 13 – Climate RAS related to Credit risk*

Regarding physical risk, it was assessed that MCEU has no impact against this risk as it does not provide any real estate mortgages to its clients.

Based on the above assessments and the KRIs level as of 31.12.2023 on the transition risk, MCEU considers that the Climate risk impact is low.

### 7.3 Credit Risk Key Figures

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

- EU CQ1: Credit quality of forborne exposures - *The Bank did not report any forborne exposures*

	Performing exposures			Gross carrying amount / Nominal amount							
	TOTAL	Not past due or Past due < 30 days	Past due > 30 days < 90 days	Unlikely to pay that are not past-due or past-due <= 90 days	Past due > 90 days <= 180 days	Past due > 180 days <= 1 year	Past due > 1 year <= 2 years	Past due > 2 year <= 5 years	Past due > 5 year <= 7 years	Past due > 7 years	Of which defaulted
Cash balances at central banks and other demand deposits	288,376,489	288,376,489	-	-	-	-	-	-	-	-	-
Loans and advances	147,155,324	147,025,471	129,854	12,845	594	12,250	-	-	-	-	-
Central banks	-	-	-	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	220,814	220,814	-	-	-	-	-	-	-	-	-
Other financial corporations	815,126	813,978	1,148	-	-	-	-	-	-	-	-
Non-financial corporations	53,220,571	53,174,015	46,556	7,776	-	7,776	-	-	-	-	-
Of which SMEs	-	-	-	-	-	-	-	-	-	-	-
Households	92,898,813	92,816,664	82,149	5,069	594	4,474	-	-	-	-	-
Debt Securities	57,953,006	57,953,006	-	-	-	-	-	-	-	-	-
Central banks	-	-	-	-	-	-	-	-	-	-	-
General governments	57,953,006	57,953,006	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet exposures	50,460,919	-	-	-	-	-	-	-	-	-	-
Central banks	-	-	-	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	1,996,690	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	19,466,098	-	-	-	-	-	-	-	-	-	-
Households	28,998,132	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>543,945,739</b>	<b>493,354,966</b>	<b>129,854</b>	<b>12,845</b>	<b>594</b>	<b>12,250</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Table 14 – EU CQ3: Credit quality of performing and non-performing exposures by past due days

The Bank does not have any non-performing Lombard loans in its book. The past-dues are limited to small unauthorized debits that are controlled and monitored on a regular basis.

	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collaterals and financial guarantees received		
	Performing exposures			Non-performing exposures			Performing exposures - Accumulated impairment and provisions		Non-performing exposures - Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					On performing exposures	On non-performing exposures	
	of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3		of which: stage 1	of which: stage 2	of which: stage 2	of which: stage 3	of which: stage 3					
<b>Cash balances at central banks and other demand deposits</b>	288,376,489	288,376,489	-	-	-	-	- 2,822	- 2,822	-	-	-	-	-	No mapping to reporting	-	-
Loans and advances	147,155,324	147,025,471	129,854	12,845	-	12,845	- 33,721	- 16,722	- 16,998	- 7,174	-	-	7,174	-	136,890,152	5,671
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	220,814	220,814	-	-	-	-	200	200	-	-	-	-	-	-	-	-
Other financial corporations	815,126	813,978	1,148	-	-	-	394	1	393	-	-	-	-	-	484,969	-
Non-financial corporations	53,220,571	53,174,015	46,556	7,776	-	7,776	- 8,220	- 4,565	- 3,655	- 7,174	-	-	7,174	-	49,122,614	602
Of which: SMEs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Households	92,898,813	92,816,664	82,149	5,069	-	5,069	- 24,907	- 11,957	- 12,950	-	-	-	-	-	87,282,568	5,069
Debt Securities	57,953,006	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	57,953,006	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet exposures	50,460,919	50,460,919	-	-	-	-	25,942	25,942	-	-	-	-	-	-	39,021,188	-
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	1,996,690	1,996,690	-	-	-	-	582	582	-	-	-	-	-	-	1,941,783	-
Non-financial corporations	19,466,098	19,466,098	-	-	-	-	19,433	19,433	-	-	-	-	-	-	15,435,191	-
Households	28,998,132	28,998,132	-	-	-	-	5,927	5,927	-	-	-	-	-	-	21,644,214	-
<b>Total</b>	<b>543,945,739</b>	<b>485,862,879</b>	<b>129,854</b>	<b>12,845</b>	<b>-</b>	<b>12,845</b>	<b>- 10,601</b>	<b>6,398</b>	<b>- 16,998</b>	<b>- 7,174</b>	<b>-</b>	<b>-</b>	<b>7,174</b>	<b>-</b>	<b>175,911,340</b>	<b>5,671</b>

Table 15 – EU CR1: Performing and non-performing exposures and related provisions

The provisions are limited due to the low amount of past dues and the high level and quality of the required collaterals to cover clients' exposures.

- EU CQ7: Collateral obtained by taking possession and execution processes - *The Bank did not report any executed collateral*

## 8 Market Risk

Market risk refers to the potential losses arising from adverse movements in market variables such as interest rates, foreign exchange rates, equity prices, commodity prices, and other financial instruments. This risk stems from fluctuations in market conditions and can affect the value of the bank's investment portfolio, trading positions, and overall financial performance.

Mirabaud & Cie Europe SA (hereafter referred to as "MCEU" or "The Bank") is exposed to Market Risk throughout its foreign exchange positions.

Fx Risk can be defined as the risk that volatility in the economic value of or in the income derived from the Bank's positions due to adverse movements of foreign exchange rates. This also comprises the effect of unexpected and unfavorable changes in the value of future cash flows due to fluctuations in exchange rates.

### 8.1 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.



The Bank, through its Market Risk Policy, aims to monitor its exposure to Fx using daily metrics:

- End of Day global FX position;
- End of Day FX position by group of currencies;
- Value at Risk ("VaR") computation.

**Foreign exchange**

The Bank has put in place limits controlled on a continuous basis by the Treasury Departments.

*8.2 Climate Risk impact on Market Risk*

Regarding Climate risk, MCEU has assessed its Market risk against the transition and Physical risks.

From a transition risk perspective, change in market sentiments may generate an abrupt repricing of securities and derivatives, for example products associated with industries affected by asset stranding.

From a physical risk perspective, climate related events may lead to shifts in market expectations and could result in sudden repricing, higher volatility and losses in asset values on some markets.

MCEU is performing several analysis to monitor its market risk, notably:

- Scenario analysis to evaluate potential impacts of adverse market movements on the Bank's financial position and performance;
- Sensitivity analysis to quantify the Bank's sensitivity to changes in key market variables such as Interest rates exchange rates and equity prices.

As from a market risk perspective, MCEU is only impacted by Fx risk with no identified impact from climate risk related factors

**9 Interest Rate Risk**

The Interest Rate Risk in the Banking Book ("IRRBB") is a significant risk that comes from banking activities. It arises from the substantial fluctuations in interest rates over time. Banking activities typically involve intermediation, which leads to the generation of two key risk exposures:

- Maturity mismatch - where long-maturity assets are funded by short-maturity liabilities;
- Rate mismatch - characterized by fixed-rate loans funded by variable-rate deposits.

The Bank's management of assets and liabilities, including customer deposits, loans, treasury bonds, and other financial instruments, includes assets and liabilities that are

sensitive to interest rates. As a result, their value and yields fluctuate with interest rates. To limit this fluctuation, MCEU adopted a short-term loan and financing strategies. As a result, 77% of the Bank's total assets are overnight (with the Deposit at the Central Bank of EUR 300M) or at 1 month maturity (Loans & the Bank's own investment portfolio EUR 107M). From the liabilities side, 78% are overnight (Client's current accounts EUR 207M) or at 1 month maturity (Client's deposits EUR 30M; Fiduciary deposits EUR 158M). The Bank operates as defined by CSSF circular 08/338 as amended. As at 31 December 2023, MCEU is exposed to four main currencies (EUR, USD, GBP, PLN), representing more than 5% of the Bank's Assets or Liabilities.

IRRBB is measured based on outcomes of both economic value and earnings-based measures, arising from a wide and appropriate range of interest rate shock and stress scenarios. These metrics are complementary in nature and the Bank monitors both. Measurement systems and models used for IRRBB are based on accurate data, and are subject to appropriate documentation, testing and controls to give assurance on the accuracy of calculations.

The Bank measures and controls its risks through the following metrics:

- EVE sensitivity/Tier 1 (economic value metric);
- NII sensitivity/Tier 1 (earnings-based metric);
- Stress-Tests.

### 9.1 Risk adequacy

Economic Value of Equity ("EVE") measures the changes in the Net Present Value ("NPV") of the interest rate sensitive instruments resulting from interest rate movements, excluding equity from the cash flows.

Regulatory shocks on EVE are calculated as the following:

- (i) Sudden increase and decrease of 200 bps of all interest rates;
- (ii) Additional standard shocks corresponding to scenarios 1 to 6 set out by EBA guidelines:
  1. Parallel up (currency specific shock sizes);
  2. Parallel down (currency specific shock sizes);
  3. Steepener shock (short rates down and long rates up);
  4. Flattener shock (short rates up and long rates down);
  5. Short rates shock up; and
  6. Short rates shock down.

These interest rate shocks to the NPV allows the measures of "sensitivity in value", corresponding to the difference between the EVE before and after an interest rate shock. The interest rate risk would then correspond to the sensitivity of each balance sheet item to an unfavorable shock to the yield curve.

Tier 1 Capital		29 342 534				
EVE Impact	% Tier 1	Total	EUR	USD	GBP	PLN
-200 Bps	0.58%	168 728	252 614	-83 706	22 749	-22 930
+200 Bps	-0.56%	164 606	-246 747	81 938	-22 278	22 481
Parallel Shock Down	0.57%	168 686	252 614	-83 706	28 512	-28 735
Parallel Shock Up	-0.56%	164 552	-246 747	81 938	-27 776	28 033
Short Rates Shock Down	0.58%	170 583	299 512	-122 366	33 444	-40 006
Short Rates Shock Up	-0.57%	166 459	-291 315	118 635	-32 437	38 659
Steeper yield curve	0.36%	105 779	187 601	-77 376	21 237	-25 682
Flattener yield curve	-0.44%	130 525	-229 767	94 098	-25 783	30 927
<b>Maximum Negative Impact</b>	<b>-0.57%</b>	<b>166 459</b>	<b>-291 315</b>	<b>-122 366</b>	<b>-32 437</b>	<b>-40 006</b>

Table 16 – EVE interest rate risk 31.12.2023

### 9.1.1 Net Interest Income (NII)

Net Interest Income measures the difference between interest income generated by assets and interest expenses associated with liabilities. It helps to understand how interest rates influence MCEU's profitability.

NII Impact	% Tier1	TOTAL	EUR	USD	GBP	PLN
+200 Bps	0.63%	185 123	268 465	-84 760	25 382	-23 964
-200Bps	-0.63%	185 123	-268 465	84 760	-25 382	23 964
Parallel Shock Up	0.63%	185 478	268 465	-84 760	31 728	-29 955
Parallel Shock Down	-0.63%	185 478	-268 465	84 760	-31 728	29 955
Short Rates Shock Up	0.65%	190 586	318 059	-123 159	37 187	-41 502
Short Rates Shock Down	-0.65%	190 586	-318 059	123 159	-37 187	41 502
Steeper	-0.41%	119 134	-200 430	78 261	-23 773	26 808
Flattener	0.51%	149 304	250 242	-97 332	29 484	-33 089
<b>Max negative impact</b>	<b>-0.65%</b>	<b>190 586</b>	<b>-318 059</b>	<b>-123 159</b>	<b>-37 187</b>	<b>-41 502</b>

Table 17 – NII interest rate risk 31.12.2023

The highest impact on Net Interest results from the short rate shock down scenario with EUR 0.2M variation in estimated Interest Income.

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

## 10 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.

### *10.1 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.

#### Country risk

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.

#### Deposits from important clients

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.

#### Concentration on loans and financial counterparties

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

## **11 Operational Risk**

Operational risk refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

MCEU considers the operational risk as a major risk within its activities. Hence, it has implemented a framework, for managing and monitoring its operational risks. It defines The Bank's requirements in terms of practices and processes for identifying, monitoring, analyzing, evaluating, and reporting operational risks. The identification of operational risks support the implementation of risk map covering all the risk events with which the Bank could be exposed, and thus to assess the risk profile of the financial institution.

The defined operational risk taxonomy represents an aggregated view of the various categories of operational risk to which the bank could be exposed.

The different categories of Operational risks are the following:

Operational risks	Internal fraud risk
	External fraud risk
	Execution & Settlement risk
	ICT Risk
	Business Continuity Management
	Employment practices and workplace safety risk
	Damage to physical assets
	Outsourcing risk
	Change risk
	HR risk
Other non financial risks	AML risk
	Suitability risk
	Market abuse risk
	Cross-border risk
	Legal risk
	Compliance risk

Table 18 – Operational Risks

11.1 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).

## 12 Management Body

When selecting members of the management body, MCEU seeks a balance of knowledge, skills and expertise in line with the recruitment policy and follows key steps to meet the given needs according to internal procedures.

In order to seek a balanced representation of women and men on its management body, MCEU puts in its selection process at least one member of each sex among the candidates. This action also take part in MCEU's diversity and inclusion policy and its engagement through the network "women in Finance" with the goal for women to occupy 30% senior investment roles and executive committee positions by 2040.

The board of directors is composed as follows:

### Nicolas MIRABAUD

Managing Partner, Mirabaud Partners & Cie, Genève  
 Managing Partner, Mirabaud Aigues-Vives Participation & Cie, Genève  
 Managing Partner, Mirabaud & Cie Participations, Genève  
 Managing Partner, M & Cie Participations SCM, Genève  
 Chair, Mirabaud & Cie (Europe) SA, Luxembourg  
 Chair, Mirabaud (Middle East) Limited, Dubaï  
 Member of the board of Directors, Mirabaud Capital SA, Genève

### Julien MEYLAN

Member of the board of Directors, MPA General Partner S.à r.l.  
 Member of the board of Directors, Mirabaud Private Assets GP SCSp  
 Member of the board of Directors, Mirabaud Private Assets SCA SICAV-SIF  
 Member of the board of Directors, MPC General Partner S.à r.l.  
 Member of the board of Directors, Mirabaud Private Capital GP SCSp  
 Member of the board of Directors, Mirabaud Private Capital SCA SICAV-SIF  
 Member of the board of Directors, Mirabaud Canada Inc  
 Member of the board of Directors, Mirabaud & Cie (Europe) SA  
 Member of the board of Directors, Mirabaud (Middle East) Limited  
 Member of the board of Directors, Galba Anstalt  
 Member of the board of Directors, Fondation LPP Mirabaud

### Sarah KHABIRPOUR

Member of the Board of Directors, Chair of the Audit and Compliance Committee - ICBC Europe SA  
 Member of the Board of Directors, eBay Sarl  
 Member of the Board of Directors, Fimalac SA  
 Member of the Board of Directors, SEDCO Capital Fund  
 Member of Boards, Advent International

### 13 Remuneration Policy

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. 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.

The MCEU Risk and Compliance Officer inform the Board of Directors of risk related issues across the MCEU entities so they are considered by the Board of Directors in applying the remuneration policy and making remuneration decisions in line with Group principles. The MCEU Risk and Compliance Officer also updates the Board of Directors on the Group's overall performance against the risk appetite metrics, which describes and measures the amount and types of risk that MCEU is prepared to take in executing its strategy. The Board of Directors uses these updates in considering the

risk related adjustments made to the MCEU overall variable pay pool, to ensure that return, risk and remuneration are aligned across Group entities. The MCEU Risk and Compliance is also responsible for:

- Assessing the achievement of performance targets and the need for ex-post risk adjustments, including the application of malus and clawback arrangements;
- Reviewing a number of possible scenarios to test how the Policy reacts to external and internal events, and back-test the criteria used for determining the variable pay and the ex-ante risk adjustment based on the actual risk outcomes

#### 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. The variable compensation allocated to an individual Staff Member is awarded according to qualitative and quantitative criteria, which are assessed annually. With regard to the evaluation of qualitative criteria such as compliance with rules and regulations, dedication and motivation, behavior, knowledge and living the corporate values, the evaluation includes any information received by the Control Functions. Quantitative criteria depend on the strategic priorities and the individual functions of the Staff Member.

#### *13.1 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.

#### *13.2 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.

MCEU can dis-apply deferral of a portion of the variable remuneration amount as foreseen under CRD V. However, to reflect Swiss requirements and practices relevant to Mirabaud Group, MCE follows an alternative model under which it defers part of the variable remuneration. The model only applies to bonus and does not cover guaranteed variable remuneration and buy-out bonuses.

The variable remuneration is deferred over three years, in line with the following elements:

- In case the annual variable remuneration is above EUR 45,000 and the total annual remuneration of at least EUR 225,000, 20% of the annual variable remuneration will be deferred;
- In case the annual variable remuneration is above EUR 45,000 and the total annual remuneration of at least EUR 450,000, 30% of the annual variable remuneration will be deferred.

Additional information on the deferral of variable remuneration can be found in the Deferral Document. The latest applicable version of the Deferral Document will be available from time to time on the intranet of MCE. Any deferred tranches are subject to malus and claw-back.

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

In view of its size, the nature of Mirabaud business activities, 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;

13.4 Key Quantitative Data

		MB Supervisory function	MB Management function	Other senior management	Other identified staff
Fixed remuneration	Number of identified staff	3	4		13
	Total fixed remuneration	75,000	932,641		1,851,794
	Of which: cash-based	75,000	932,641		1,851,794
Variable remuneration	Number of identified staff		4		13
	Total variable remuneration		418,894		690,807
	Of which: cash-based		327,226		545,011
	Of which: deferred		91,668		145,796
Total remuneration (2 + 10)		75,000	1,351,535	-	2,542,601

Table 19 – EU REM1 - Remuneration awarded for the financial year 31.12.2023

	MB Supervisory function	MB Management function	Other senior management	Other identified staff
<b>Guaranteed variable remuneration awards</b>				
Guaranteed variable remuneration awards - Number of identified staff				
Guaranteed variable remuneration awards -Total amount				
Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus				
<b>Severance payments awarded in previous periods, that have been paid out during the financial year</b>				
Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff				
Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount				
<b>Severance payments awarded during the financial year</b>				
Severance payments awarded during the financial year - Number of identified staff				1
Severance payments awarded during the financial year - Total amount				89,304
Of which paid during the financial year				89,304

Table 20 – EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff) 31.12.2023

Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to explicit adjustments (i.e. changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
<b>MB Supervisory function</b>								
Cash-based								
Shares or equivalent ownership interests								
Share-linked instruments or equivalent non-cash instruments								
Other instruments								
Other forms								
<b>MB Management function</b>	89,220	29,740	59,480					
Cash-based								
Shares or equivalent ownership interests								
Share-linked instruments or equivalent non-cash instruments								
Other instruments								
Other forms								
<b>Other senior management</b>								
Cash-based								
Shares or equivalent ownership interests								
Share-linked instruments or equivalent non-cash instruments								
Other instruments								
Other forms								
<b>Other identified staff</b>	129,049	43,016	86,033				43,016	
Cash-based								
Shares or equivalent ownership interests								
Share-linked instruments or equivalent non-cash instruments								
Other instruments								
Other forms								
<b>Total amount</b>	<b>218,269</b>	<b>72,756</b>	<b>145,513</b>	-	-	-	<b>43,016</b>	-

Table 21 – EU REM3 - Deferred remuneration 31.12.2023

- *EU REM4 - Remuneration of 1 million EUR or more per year - No identified staff received a remuneration of EUR 1M or more during the fiscal year 2023.*

	Management body remuneration			Business areas					Total	
	MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions		All other
<b>Total number of identified staff</b>										<b>20</b>
<b>Of which: members of the MB</b>	3	4	7							
<b>Of which: other senior management</b>										
<b>Of which: other identified staff</b>						4	6			3
<b>Total remuneration of identified staff</b>	75,000	1,351,535	1,426,535			577,361	846,328			972,951
<b>Of which: variable remuneration</b>		418,894	418,894			76,350	85,053			516,804
<b>Of which: fixed remuneration</b>		932,641	932,641			501,011	761,275			456,147

Table 22 – EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff) 31.12.2023

