PILLAR III

MIRABAUD & Cie (Europe) SA

2022

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1 Introduction

1.1 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 reinforces the capacity of credit institutions to absorb economic and financial shocks.

The reform is set out through the Capital Requirement Directive (“CRD V”) and the Capital Requirement Regulation (“CRR 2”), in application since June 2021.

1.2 Mirabaud Pillar III Report

In the present document Mirabaud & Cie (Europe) S.A. (“MCEU” or “the Bank”) discloses the application of the Basel III framework as at 31 December 2021. The Pillar III was prepared in adequacy with the requirements set out in the Directive 2013/36/EU and the Regulation (EU) No 575/2013.

As set out in CRR2 MCEU is classified as Other Credit Institution. The report’s results and financials are founded on the audited closing year-end positions as of 31.12.2021.

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

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2 Key Metrics

		31.12.2021	30.09.2021	30.06.2021	31.03.2021	31.12.2020
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	27,786,719	22,850,264	22,795,740	22,969,349	23,168,639
2	Tier 1 capital	27,786,719	22,850,264	22,795,740	22,969,349	23,168,639
3	Total capital	27,786,719	22,850,264	22,795,740	22,969,349	23,168,639
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount	105,867,030	134,106,302	127,759,180	122,220,603	111,652,307
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	26.25%	17.04%	17.84%	18.79%	20.75%
6	Tier 1 ratio (%)	26.25%	17.04%	17.84%	18.79%	20.75%
7	Total capital ratio (%)	26.25%	17.04%	17.84%	18.79%	20.75%
	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)	1.50%	1.50%	1.50%	1.50%	1.50%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	1.50%	1.50%	1.50%	1.50%	1.50%
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 (%)	0.14%	0.11%	0.07%	0.08%	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 (%)	2.64%	2.61%	2.57%	2.58%	2.52%
EU 11a	Overall capital requirements (%)	12.14%	12.11%	12.07%	12.08%	12.02%
12	CET1 available after meeting the total SREP own funds requirements (%)	16.75%	7.54%	8.34%	9.29%	11.25%
	Leverage ratio					
13	Total exposure measure	635,063,418	606,243,377	629,632,605	713,842,281	558,871,204
14	Leverage ratio (%)	4.38%	3.77%	3.62%	3.22%	4.15%
	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 (HQLA) (Weighted value - average)	348,928,945	311,515,557	352,865,707	412,083,353	301,293,119
EU 16a	Cash outflows - Total weighted value	235,313,920	232,349,850	238,871,361	286,391,455	203,500,675
EU 16b	Cash inflows - Total weighted value	42,819,647	59,039,398	48,276,430	69,973,500	35,339,771
16	Total net cash outflows (adjusted value)	192,494,273	173,310,452	190,594,931	216,417,954	168,160,904
17	Liquidity coverage ratio (%)	181.27%	179.74%	185.14%	190.41%	179.17%
	Net Stable Funding Ratio					
18	Total available stable funding	376,065,904	349,577,971	372,542,989		
19	Total required stable funding	161,068,775	162,699,892	163,061,087		
20	NSFR ratio (%)	233.00%	215.00%	228.00%		

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 (launched in 2019), custody and execution services;
- Lombard loans;
- Insurance brokerage through one or more duly accredited natural persons;
- 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.

3.2 Risk Management Objectives

The Risk Management assists the Management 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 negative or positive financial event. Hence, the mission of the Risk Management is to:

- Identify changes in the business environments and analyze their impact;
- Develop a prospective view of the evolution of risks;
- Perform as a force of proposition on new businesses, services, products and specific operations;
- Ensure the respect of defines risk appetite and regulations;
- Assess the activities and controls of MCEU and their residual risks;
- Develop necessary action plans to mitigate risks.

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. 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 defens. The first line of defense consists of the business units that take or acquire risks under a predefined policy and limits and carry out

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controls. The second line of defense contributes to the independent risk control. 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 enables them to control activities and related risks to protect the organization and reputation.

The Bank is assisted by the Mirabaud Group (the "Group") and mainly its sister company Mirabaud & Cie ("MCSA") providing additional resources to ensure adequate controls and monitoring of risks.

3.4 Risk Management Framework

The Risk Framework is designed to ensure that the risks are properly identified 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 non-quantifiable 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.

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4 Identified Risks

4.1 Solvency risk

MCEU defines the Solvency Risk as the risk that the Bank does not comply with regulatory limits or that the Bank is no longer solvent to pursue its activities.

The Bank's activity is to manage clients' wealth. The strategy is to focus on client's wealth generation without leveraging MCEU's portfolio to ameliorate results. MCEU seeks to operate with a conservative approach and remain with a highly solvent profile.

4.1.1 Mitigation strategy and process

The risk is mitigated with policies and procedures aiming at ensuring the respect of regulatory requirements.

MCEU developed daily risk indicators to anticipate any potential deterioration of solvency ratio. The risk indicator and strategies that can have an impact of the solvency of the Bank are followed and discussed in the Bank's Asset and Liability Management Committee ("ALM").

Prior authorizing any new loan, the Bank assesses the Capital consumptions. Additionally, the funding is monitored on a daily basis to estimate on a daily basis the leverage ratio.

4.1.2 Risk adequacy

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

4.2 Liquidity risk

Liquidity risk can be defined as the risk that a bank will not be able to meet its due obligations because its financing capability does not allow it to do so.

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 Management 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 defined in the group to give concrete shape to the requirements which the Mirabaud Group (hereinafter referred to as the "Group") has to meet 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 and the entities of the Group are able to meet their 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

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December 2021 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.

4.2.1 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 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.

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%

Risk type	Risk appetite	Risk indicator	Lower limit	Higher limit	Regulatory Limit	31.12.2021
Liquidity	Low	LCR	150%	140%	100%	**181%**
		NSFR	150%	140%	100%	**233%**
		Loan to Deposit	35%	50%		**29.05%**
		24h reimbursment capacity	50%	30%		**62%**
		10 days reimbursement capacity	60%	50%		**67%**
		30 days reimbursement capacity	85%	75%		**96%**

Table 2 – Liquidity Key Ratios

To respect internal and external requirements 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;

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- 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.

4.2.2 Risk adequacy

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

4.3 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.

4.3.1 Mitigation strategy and process

Loans to clients

The risk management and governing bodies are assisted by the Credit Committee for the analysis and granting procees 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 replaces its excess liquidity into sovereign Bonds. The ALM Committees, 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 31.12.2021, the Bank was invested into US T-bills, UK T-bills and Swiss Government Bonds.

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Risk type	Risk appetite	Risk indicator	Lower limit	Higher limit	31.12.2021
Credit	Low	Loans to AUM	5%	7%	3.74%
		Non-performing loans	1%	3%	0%
		Unauthorised exposures	250,000	500,000	106,152
		Gross exposure in risk countries >=5*	7,000,000	15,000,000	6,606,763
		Loans unsifficiently covered	500,000	1,000,000	364,997

*Internal rating computed from economic factors

Table 3 – Credit Risk Key Ratios

4.3.2 Risk adequacy

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

4.4 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 is 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.

4.4.1 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 31.12.2021, 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 4 – Foreign Exchange internal limits

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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.

4.4.2 Risk adequacy

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

4.5 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 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.

4.5.1 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

As of 31.12.2021, a decrease in EVE is observed on positive shocks on the yield curves. Hence, the Bank concludes that it is exposed to an increase in interest rates. The biggest impact results from the Flattener yield Curve scenario. The EVE would decline by EUR 922 062. The impact is mostly due to the EUR 62M loans with a residual maturity of 3 months and USD T-bills positions with a residual maturity of 3 months.

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The tests indicates that an increase of 200 Bps of interest rates implies a negative impact on MCEU's own funds of 2.44% respecting the internal limit of 5%.

Scenario	Result in EUR
Increase of 200Bp	- 677,478.65
Decrease of 200Bp	143,170.47

Table 5 – IRRBB Stress-Test 31.12.2021

4.5.2 Risk adequacy

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

4.6 Concentration Risk

The Concentration Risk represents the level of risk in the Bank's exposure arising from concentration to a single counterparty, 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.

4.6.1 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 Banks calculates on a quarterly basis an internal rating ranging from 1 to 7 to classify countries.

Mirabaud 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.

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Concentration on loans and financial counterparties

The Credit Policy and the financial counterparty Committee define the limits. As stated in section 4.3, the Bank limits exposures with minimal limits and strong collateral.

Risk type	Risk	Risk indicator	Lower limit	Higher limit	31.12.2021
Concentration	Medium	Country Risk Exposure	185,799,929	247,733,239	0 breach
		10 biggest client exp. / Total exp.	35%	65%	42%
		LAREX exposures / Tier 1	200%	800%	513%

Table 6 – Concentration Risk Key Ratios

4.6.2 Risk adequacy

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

4.7 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.

4.7.1 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 very 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.

To strengthen the efficiency of controls, the Bank has outsourced intragroup services to MCSA (in Geneva) which includes the provision of services to the Branches. Service Level Agreements are in place cover mainly the following services:

- "Global Custody" and "Custody" service; The Bank appoints MSCA as provider of custody and trading services
- Treasury: The Treasury desk of MSCA manage the assets and liabilities of Mirabaud Europe within the framework designed by the Executive Committee of MSCA.
- Internal Audit: The chief internal audit of the Bank is supported in specific audits by internal department of Mirabaud SCA
- Operational –back office: MCSA act as a Back office for the Bank as an administrative agent. Back office activities, among others (Corporate actions, dividends, coupons redemptions, tax handling, securities transfer (in and out), cash and security reconciliation).
- Credit administration: MCSA is performing the following task in favor of the Bank: Booking of credit facilities (Loans, Overdraft, and Guarantees) and client group limits in the core banking system following the instructions of the Bank. Daily monitoring of the Loan to Value of the credit commitments.

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- IT infrastructure and network management: MCSA is performing the following task among others: Centralization of local IT requests, validation of user creation and deletion, validation of users' local access…

Risk management controls aim to respect the Bank's low risk appetite 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).

Risk type	Risk appetite	Risk indicator	Lower limit	Higher limit	31.12.2021
Operationnal	Low	Cash Pending operation risk 2 3 4	5	10	0
		Operational error loss	50,000	100,000	67,594
		Number of operational errors	50	100	34
		Number of complaints during year	1	3	0

Table 7 – Operational Risk Key Indicators

4.7.2 Risk adequacy

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

4.8 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.

4.8.1 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.

<u>AML</u>

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, articulated through two bodies: the Compliance Department and the Compliance Committee. 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 susceptible of money laundering or terrorism financing.

<u>MiFID II</u>

In accordance with the obligations set out in the Directive 2014/65/2014 on Markets in Financial Instruments1 ("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

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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, which are subsequently reported to the management and risk committees.

4.8.2 Risk adequacy

The Key risk indicators, controls, and monitoring confirm that the risk and controls are in line with the Bank’s strategy. However, the constantly evolving regulatory requirements impose constant review and monitoring of controls and developments.

4.9 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 31.12.2021, indicate that the number of recommendations and overdue remain in the appetite of the Bank. However, the Bank seeks to avoid overdue and to improve the closure rate of the Audit points. Hence, the Audit Department conducts monthly meetings with the Management 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.

Outsourcing Risk

MCEU is partially outsourcing its activities. The outsourcing activities follow an Outsourcing Policy developed by the Bank and ensuring the respect of the CSSF Circular 12/552, the role and responsibilities of departments and the adequate controls of the outsourced activities.

The main outsourced activities are:

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- IT activities

Risk Management performed a risk assessment of the outsourcing to Swisscom based on the EBA Guidelines/GL/2019/02, Article 12.2. Where it was concluded that the residual risk would be within the risk appetite of the Bank. All these services are outsourced taking into account the provisions outlined by CSSF Circular 12/552 on Central Administration, Internal Governance and Risk Management as amended.

- Operational Activities

Most of the operation activities are outsourced to MCEU sisters companies (Mirabaud & Cie S.A.). Hence, the Bank can take advantage of the scale of the Bank and the knowledge of the activities. In addition, the outsourced activities are closely monitored by MCEU through "SmartCokpit" and constant exchange of emails. The Bank assumes that the risk is low.

- Regulatory Reporting

The production of most regulatory reports are outsourced to Opexia, a specialized PSF. The Bank I very conscious of the importance of the reporting. The outsourcing improves the expertise and help the Bank to stay updated on all the regulatory reporting has to be produced. On a yearly basis, in line with the outsourcing Policy, a due diligence and an annual meeting is conducted with the company.

The outsourcing risk is considered as well managed by the Bank.

Reputational Risk

Reputational risk can be defined as the risk arising from negative perception on the part of customers, counterparties, shareholders, investors, debt-holders, market analysts, other relevant parties or regulators that can adversely affect a bank's ability to maintain existing, or establish new, business relationships and continued access to sources of funding.

The Group has always had the ability to combine growth with a prudent risk management strategy. Mirabaud was founded in Geneva in 1819, and therefore it has a long tradition in the banking industry. It exercises complete independence in its financial activities; it does not engage in proprietary trading or enter into positions in the name of the Bank. The risk has been considered however, medium high, taking in consideration that reputation is one of the key values when proposing wealth management services and the fact that the core business line of the Bank is subject to stringent and rapidly growing regulatory requirements, which may lead to reputational damage in case of non-compliance.

The aspects of internal governance are considered good focusing on the management body's involvement in all decisions affecting the internal management and control procedures.

The Reputation risk is the risk arising from losses, regulatory sanctions and/or reputational damage due to lack of compliance with laws and regulations as well as lack of protection in contractual arrangements with clients, suppliers or any other counterparty.

The involvement of the compliance function is to anticipate, identify and assess the compliance and reputation risks of the Bank as well as to assist the management body in limiting these risks. These risks may include a variety of risks such as the reputational risk, legal risk, risk of dispute, risk of sanctions, as well as some operational risk aspects, in connection with all activities of the Bank.

The compliance function identifies the compliance risks to which the Bank is exposed in the exercise of its activities, assess their significance and the possible consequences and develop a control plan according to the risk. The most important compliance risks include:

• Risk of non-compliance with statutory and supervisory requirements.

• Sanction risk that includes the risk of CSSF penalty, government agency or disciplinary action due to non-compliance with laws, regulations, standards or contractual agreements.

• Reputational risk.

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• Risk of a breach of ethical rules of conduct.

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;
- 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 8 – ESG Exclusion Criteria

On a quarterly basis, a control of the exclusion criteria and the investment universe is performed. The control aim to assure that the proposed securities are in line with Mirabaud's exclusion policy. The Bank will also develop 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.

4.9.1 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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5 Capital and Balance Sheet

5.1 Balance Sheet

ASSETS		Amount (EUR)	
Cash, cash balances at central banks and other demand deposits		**162,465,443**	
	Cash on hand	3,866	
	Cash balances at central banks	137,693,530	
	Other demand deposits	24,768,047	
Financial assets held for trading		**1,286,893**	
	Derivatives	1,286,893	
	Equity instruments	-	
	Debt securities	-	
	Loans and advances	-	
Trading financial assets		-	
	Derivatives	-	
	Equity instruments	-	
	Debt securities	-	
	Loans and advances	-	
Non-trading financial assets mandatorily at fair value through profit or loss		-	
	Equity instruments	-	
	Debt securities	-	
	Loans and advances	-	
Financial assets designated at fair value through profit or loss		**215,417,655**	
	Equity instruments	-	
	Debt securities	215,417,655	
	Loans and advances	-	
Financial assets at fair value through other comprehensive income		-	
	Equity instruments	-	
	Debt securities	-	
	Loans and advances	-	
Non-trading non-derivative financial assets measured at fair value through profit or loss		-	
	Equity instruments	-	
	Debt securities	-	
	Loans and advances	-	
Non-trading non-derivative financial assets measured at fair value to equity		-	
	Equity instruments	-	
	Debt securities	-	
	Loans and advances	-	
Financial assets at amortised cost		**164,675,718**	
	Debt securities	-	
	Loans and advances	164,675,718	
Non-trading non-derivative financial assets measured at a cost-based method		-	
	Equity instruments	-	
	Debt securities	-	
	Loans and advances	-	
Other non-trading non-derivative financial assets		-	
	Equity instruments	-	
	Debt securities	-	
	Loans and advances	-	
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		**3,300,504**	
	Property, plant and equipment	3,300,504	
	Investment property	-	
Intangible assets		**192,870**	
	Goodwill	-	
	Other intangible assets	192,870	(f)
Tax assets		**8,030**	
	Current tax assets	8,030	
	Deferred tax assets	-	
Other assets		**71,985,983**	
Non-current assets and disposal groups classified as held for sale		-	
(-) Haircuts for trading assets at fair value		-	
Total assets		**619,333,097**	

Table 9 – Assets 31.12.2021

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Liabilities		Amount (EUR)
Financial liabilities held for trading		**1,385,235**
	Derivatives	1,385,235
	Short positions	-
	Deposits	-
	Debt securities issued	-
	Other financial liabilities	-
Trading financial liabilities		**-**
	Derivatives	-
	Short positions	-
	Deposits	-
	Debt securities issued	-
	Other financial liabilities	-
Financial liabilities designated at fair value through profit or loss		**-**
	Deposits	-
	Debt securities issued	-
	Other financial liabilities	-
Financial liabilities measured at amortised cost		**566,929,577**
	Deposits	566,929,577
	Debt securities issued	-
	Other financial liabilities	-
Non-trading non-derivative financial liabilities measured at a cost-based method		**-**
	Deposits	-
	Debt securities issued	-
	Other financial liabilities	-
Derivatives – Hedge accounting		**-**
Fair value changes of the hedged items in portfolio hedge of interest rate risk		**-**
Provisions		**1,882,500**
	Funds for general banking risks	-
	Pension and other post employment defined benefit obligations	60,000
	Other long term employee benefits	-
	Restructuring	-
	Pending legal issues and tax litigation	1,700,000
	Commitments and guarantees given	-
	Other provisions	122,500
Tax liabilities		**758,157**
	Current tax liabilities	756,028
	Deferred tax liabilities	2,129
Share capital repayable on demand		**-**
Other liabilities		**18,066,174**
Liabilities included in disposal groups classified as held for sale		**-**
Haircuts for trading liabilities at fair value		**-**
Total liabilities		**589,021,643**

Table 10 – Liabilities 31.12.2021

Equity		Amount (EUR)	Ref
Capital		**33,214,000**	(a)
	Paid up capital	33,214,000	
	Unpaid capital which has been called up	-	
Share premium		**8,467,704**	(b)
Equity instruments issued other than capital			
Other equity			
Accumulated other comprehensive income			
Retained earnings		**- 13,484,024**	(c)
Revaluation reserves			
Fair value reserves			
Other reserves			
First consolidation differences			
(-) Treasury shares			
Profit or loss attributable to Owners of the parent		**2,113,775**	(d)
(-) Interim dividends			
Minority interests [Non-controlling interests]			
Total equity		**30,311,454**	
Total equity and total liabilities		**619,333,097**	

Table 11 – Equities 31.12.2021

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5.2 Own funds

As of 31.12.2021, MCEU reported EUR 27.7M own funds composed exclusively of eligible Tier1 Capital.

		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	- 13,484,024	**(c)**
3	Accumulated other comprehensive income (and other reserves)	-	
EU-3a	Funds for general banking risk	-	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	-	
5	Minority interests (amount allowed in consolidated CET1)	-	
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	28,197,680	**(a) + (b) + (c)**
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	- 218,090	
8	Intangible assets (net of related tax liability) (negative amount)	- *192,870*	**(f)**
9	Not applicable		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-	
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-	
12	Negative amounts resulting from the calculation of expected loss amounts	-	
13	Any increase in equity that results from securitised assets (negative amount)	-	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	
15	Defined-benefit pension fund assets (negative amount)	-	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-	
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
20	Not applicable		
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	-	
EU-20c	of which: securitisation positions (negative amount)	-	
EU-20d	of which: free deliveries (negative amount)	-	
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)	-	
22	Amount exceeding the 17,65% threshold (negative amount)	-	
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	
25	of which: deferred tax assets arising from temporary differences	-	
EU-25a	Losses for the current financial year (negative amount)	-	
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	-	
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-	
27a	Other regulatory adjusments	-	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	- 410,960	
29	**Common Equity Tier 1 (CET1) capital**	27,786,719	
	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	-	
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	-	
EU-33a	Amount of qualifying items referred to in Article 494a(1) subject to phase out from AT1	-	
EU-33b	Amount of qualifying items referred to in Article 494b(1) subject to phase out from AT1	-	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	

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35	of which: instruments issued by subsidiaries subject to phase out	-	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	-	
	Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	-	
42a	Other regulatory adjustments to AT1 capital	-	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	-	
44	**Additional Tier 1 (AT1) capital**	-	
45	**Tier 1 capital (T1 = CET1 + AT1)**	27,786,719	
	Tier 2 (T2) capital: instruments		
46	Capital instruments and the related share premium accounts	-	
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2 as described in Article 486 (4) CRR	-	
EU-47a	Amount of qualifying items referred to in Article 494a (2) subject to phase out from T2	-	
EU-47b	Amount of qualifying items referred to in Article 494b (2) subject to phase out from T2	-	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	
49	of which: instruments issued by subsidiaries subject to phase out	-	
50	Credit risk adjustments	-	
51	**Tier 2 (T2) capital before regulatory adjustments**	-	
	Tier 2 (T2) capital: regulatory adjustments		
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	-	
56b	Other regulatory adjusments to T2 capital	-	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	-	
58	**Tier 2 (T2) capital**	-	
59	**Total capital (TC = T1 + T2)**	*27,786,719*	
60	**Total risk exposure amount**	*105,867,030*	
	Capital ratios and requirements including buffers		
61	Common Equity Tier 1	26.25%	
62	Tier 1	26.25%	
63	Total capital	26.25%	
64	Institution CET1 overall capital requirements	8.64%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical capital buffer requirement	0.14%	
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	1.50%	
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	14.10%	
	Amounts below the thresholds for deduction (before risk weighting)		
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	-	
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	-	
	Applicable caps on the inclusion of provisions in Tier 2		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-	

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78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-	
		-	
		-	
		-	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
82	Current cap on AT1 instruments subject to phase out arrangements	-	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on T2 instruments subject to phase out arrangements	-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	

Table 12 – EU CC1 - Composition of regulatory own funds

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6 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 Bank produced the processes following the published guidelines from the European Banking Authority ("EBA").

The ICAAP presents a summary and conclusions of the Bank's Capital adequacy to face the risks arising from Mirabaud & Cie (Europe) SA (hereinafter the "Bank" or "MCEU") activities and the adequacy to face period of stresses. Consistent projections and scenarios established the analysis.

6.1 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 exposure. 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
		31.12.2021	30.09.2021	31.12.2021
1	Credit risk (excluding CCR)	35,577,176.34	63,786,142.38	2,846,174.11
2	Of which the standardised approach	35,577,176.34	63,786,142.38	2,846,174.11
3	Of which the Foundation IRB (F-IRB) approach	-	-	-
4	Of which: slotting approach	-	-	-
EU 4a	Of which: equities under the simple riskweighted approach	-	-	-
5	Of which the Advanced IRB (A-IRB) approach	-	-	-
6	Counterparty credit risk - CCR	2,222,437.99	2,325,717.03	177,795.04
7	Of which the standardised approach	-	-	-
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	-	-	-
EU 8b	Of which credit valuation adjustment - CVA	379,281.00	158,072.13	30,342.48
9	Of which other CCR	1,843,156.99	2,167,644.91	147,452.56
15	Settlement risk	-	-	-
16	Securitisation exposures in the non-trading book (after the cap)	-	-	-
20	Position, foreign exchange and commodities risks (Market risk)	510,001.98	437,028.43	40,800.16
21	Of which the standardised approach	510,001.98	437,028.43	40,800.16
22	Of which IMA	-	-	-
EU 22a	Large exposures	-	-	-
23	Operational risk	67,557,413.76	67,557,413.76	5,404,593.10
EU 23a	Of which basic indicator approach	67,557,413.76	67,557,413.76	5,404,593.10
EU 23b	Of which standardised approach	-	-	-
EU 23c	Of which advanced measurement approach	-	-	-
24	**Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)**	**-**	**-**	**-**
29	**Total**	**105,867,030.07**	**134,106,301.60**	**8,469,362.41**

Table 13 – EU OV1 – Overview of total risk exposure amounts

6.2 Overall Capital requirements

As of 31.12.2021, MCEU must keep a Total SREP minimum Capital of 9.50% and an overall Capital requirement of 12.14%, including a 2.5% capital conservation buffer and a 0.14% 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. The conclusion is that given the Bank's low profitability of its branches, internal governance weaknesses, and concentration of profitability from clients and operational risk from AML, the Bank should keep an additional 2% P2G capital buffer. 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.

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Regulatory perspective	Requirement
Pillar 1 Capital Requirements	8.00%
Pillar 2 Capital Requirements	1.50%
Capital Conservation Buffer	2.50%
Countercyclical Buffer	0.14%
Pillar 2 Guidance	2.00%
Total SREP Capital Requirements	9.50%
Overall Capital Requirements	**14.14%**

Table 14 – Capital Requirements as of 31.12.2021

The calculation 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.

		31.12.2021
1	Total risk exposure amount	105,867,030
2	Institution specific countercyclical capital buffer rate	0.14%
3	Institution specific countercyclical capital buffer requirement	152,724

Table 15 – EU CCyB2 - Amount of institution-specific countercyclical capital buffer

	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			
Breakdown by country:													
France	17,871,701	0	0	0	0	17,871,701	0	0	0	0	0	1.57%	0.00%
United Kingdom	61,078,158	0	0	0	0	61,078,158	0	0	0	0	0	1.50%	0.00%
Luxembourg	151,180,686	0	0	0	0	151,180,686	152,724	0	0	152,724	1,909,047	2.38%	0.50%
Total	636,380,198	0	0	0	0	636,380,198	8,469,362	0	0	8,469,362	105,867,030	0.14%	-

Table 16 – EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

6.3 Internal Overall Capital Requirements

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.

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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 Management Committee.

The stress tests determined in the ICAAP are used as indicators allowing the Management 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.

Based on the individual analysis of risks the Bank concludes that an additional Pillar II requirement of EUR 4 069 032 or 3.84% 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 3.84%. Hence, the calculation of the internal overall capital requirement (IOCR) does not consider P2R.

The below tables summarize the calculated Capital requirements.

Capital Requirements	EUR Pillar I	EUR Pillar II
Total Requirement	**8,469,362**	**4,069,032**
Of which Credit risk	3,023,969	1,475,580
Of which concentration risk		297,339
Of which Operational risk	5,404,593	
Of which Market risk	40,800	
Of which Interest Rate risk		922,062
Of which Conduct risk		1,374,051
Of which Other Risk		-
Pillar 2 Internal Capital needs (P2N)		**3.84%**
SREP Buffer (P2R)		**1.50%**

Table 17 – Pillar II Capital Add-On

Capital requirement	
P1R	8.00%
P2R	1.50%
CCB	2.50%
CcyB	0.14%
TSCR	9.50%
OCR	**12.14%**
P2N	3.84%
IP2R	3.84%
ITSCR	11.84%
IOCR	**14.48%**
Solvency ratio	**26.25%**
Respect of OCR	**OK**
Respect of IOCR	**OK**

Table 18 – 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 Ban to realize its strategic and commercial objectives in the coming years.

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7 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 2021.

The Bank reported a 4.38% Leverage ratio as of 31.12.2021. The ratio has significantly increased during the last quarter of 2021 with the EUR 5M Capital increase. The Leverage ratio as of 30.06.2021 was 3.84%. Indeed, the increase of clients' deposits deteriorated MCEU's ratio. The Leverage ratio remained above 3% during 2021.

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	
		31.12.2021	30.09.2021
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	617,853,333	588,813,529
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(General credit risk adjustments to on-balance sheet items)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	- 192,870	- 209,031
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**617,853,333**	**588,813,529**
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	1,286,893	1,442,924
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-	-
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	-	-
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	-	-
EU-9b	Exposure determined under Original Exposure Method	-	-
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	-
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	-
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (original Exposure Method)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	**Total derivatives exposures**	1,286,893	1,442,924
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	-	-
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	-	-
17	Agent transaction exposures	-	-
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
18	**Total securities financing transaction exposures**	-	-
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	-	-
20	(Adjustments for conversion to credit equivalent amounts)	15,923,192	15,986,924
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	-	-
22	**Off-balance sheet exposures**	15,923,192	15,986,924
Excluded exposures			

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EU-22a	(Exposures excluded from the ~~leverage ratio~~ total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-	-
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a (1) CRR (on and off balance sheet))	-	-
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)	-	-
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)	-	-
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	-	-
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-	-
EU-22g	(Excluded excess collateral deposited at triparty agents)	-	-
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	-	-
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	-	-
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	-	-
EU-22k	(Total exempted exposures)	-	-
Capital and total exposure measure			
23	**Tier 1 capital**	**27,786,719**	**22,850,264**
24	**Total exposure measure**	**635,063,418**	**606,243,377**
Leverage ratio			
25	Leverage ratio	4.38%	3.77%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	4.38%	3.77%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	4.38%	3.77%
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			
28	Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	-	-
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	-	-
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)	635,063,418	606,243,377
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)	635,063,418	606,243,377
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)	4.38%	3.77%
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)	4.38%	3.77%

Table 19 – EU LR2 - LRCom: Leverage ratio common disclosure

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8 Liquidity Coverage Ratio (LCR)

To improve the liquidity profile and the ability of Banks to face stress periods, the framework imposes Bank to constitute their 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 2021 an average LCR of 188.53%.

EU 1a	Quarter ending on (DD Month YYY)	**31.12.2021**	**30.09.2021**	**30.06.2021**	**31.03.2021**	**31.12.2021**	**30.09.2021**	**30.06.2021**	**31.03.2021**
EU 1b	Number of data points used in the calculation of averages	3	3	3	3	3	3	3	3
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA), after application of haircuts i					361,614,788	325,956,620	380,963,332	374,045,644
CASH - OUTFLOWS									
2	retail deposits and deposits from small business customers, of which	231,068,271	207,192,915	224,288,462	248,038,064	46,213,654	41,438,583	44,857,692	49,607,613
3	*Stable deposits*	-	-	-	-	-	-	-	-
4	*Less stable deposits*	231,068,271	207,192,915	224,288,462	248,038,064	46,213,654	41,438,583	44,857,692	49,607,613
5	Unsecured wholesale funding	355,055,396	939,823,533	386,149,406	351,608,976	182,181,729	410,459,086	197,494,419	178,656,399
6	*Operational deposits (all counterparties) and deposits in networks of coo*	-	-	-	-	-	-	-	-
7	*Non-operational deposits (all counterparties)*	355,055,396	939,823,533	386,149,406	351,608,976	182,181,729	410,459,086	197,494,419	178,656,399
8	*Unsecured debt*	-	-	-	-	-	-	-	-
9	*Secured wholesale funding*					-	-	-	-
10	Additional requirements	1,876,773	1,877,411	2,933,709	1,719,499	1,259,273	1,259,911	2,316,209	1,101,999
11	*Outflows related to derivative exposures and other collateral requiremen*	1,226,773	1,227,411	2,283,709	1,069,499	1,226,773	1,227,411	2,283,709	1,069,499
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	650,000	650,000	650,000	650,000	32,500	32,500	32,500	32,500
14	Other contractual funding obligations	21,284,946	17,532,848	18,124,383	19,018,200	20,475,961	16,839,781	17,561,090	18,604,798
15	Other contingent funding obligations	25,414,775	25,414,775	25,414,775	25,414,775	-	-	-	-
16	**TOTAL CASH OUTFLOWS**					**250,130,617**	**237,647,511**	**262,229,410**	**247,970,809**
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	72,879,077	81,643,584	75,508,454	69,489,781	48,866,045	53,984,735	49,002,038	49,726,324
19	Other cash inflows	114,393,437	109,333,045	109,347,152	100,066,915	9,093,760	8,454,643	8,536,667	6,856,295
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**	**187,272,514**	**190,976,629**	**184,855,606**	**169,556,696**	**57,959,806**	**62,439,378**	**57,538,705**	**56,582,620**
EU-20a	*Fully exempt inflows*	-	-	-	-	-	-	-	-
EU-20b	*Inflows subject to 90% cap*	-	-	-	-	-	-	-	-
EU-20c	*Inflows subject to 75% cap*	187,272,514	190,976,629	186,625,845	169,556,696	57,959,806	62,439,378	57,892,753	56,582,620
TOTAL ADJUSTED VALUE									
21	**LIQUIDITY BUFFER**					**361,614,788**	**325,956,620**	**380,963,332**	**374,045,644**
22	**TOTAL NET CASH OUTFLOWS**					**192,170,811**	**175,208,133**	**204,336,656**	**191,388,190**
23	**LIQUIDITY COVERAGE RATIO**					**188.53%**	**186.88%**	**188.34%**	**195.82%**

Table 20 – EU LIQ1 - Quantitative information of LCR

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9 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 2021.

				a	b	c	d	e
C 81.00		*(in currency amount)*		Unweighted value by residual maturity				Weighted value
Ref BCBS NSFR	*Ref CRR2*			No maturity[1]	< 6 months	6 months to < 1yr	≥ 1yr	
	451a 3b	**Available stable funding (ASF) Items**						
	See instructions	1	Capital items and instruments	**27,786,719**	**-**	**-**	**-**	**27,786,719**
21a,24d, 25a		2	*Own funds*	27,786,719	-	-	-	27,786,719
21b,24d,25a		3	*Other capital instruments*		-	-	-	-
		4	Retail deposits		**233,189,235**	**-**	**-**	**209,870,312**
21c,22		5	*Stable deposits*		-	-	-	-
21c,23		6	*Less stable deposits*		233,189,235	-	-	209,870,312
		7	Wholesale funding:		**276,817,745**	**-**	**-**	**138,408,873**
21c,24b,25a		8	*Operational deposits*		-	-	-	-
21c,24acd, 25a		9	*Other wholesale funding*		276,817,745	-	-	138,408,873
45		10	Interdependent liabilities		**-**	**-**	**-**	**-**
		11	Other liabilities:	**-**	**20,706,831**	**-**	**-**	**-**
19,20,25c		12	*NSFR derivative liabilities*	-				
25abd		13	*All other liabilities and capital instruments not included in the above categories*		20,706,831	-	-	-
		14	**Total available stable funding (ASF)**					**376,065,904**

				a	b	c	d	e
C 80.00		*(in currency amount)*		Unweighted value by residual maturity				Weighted value
Ref BCBS NSFR	*Ref CRR2*			No maturity[1]	< 6 months	6 months to < 1yr	≥ 1yr	
	451a 3c	**Required stable funding (RSF) Items**						
36ab,37,39a,40ab,42a, 43a	See instructions	**15**	Total high-quality liquid assets (HQLA)					-
		EU-15a	**Assets encumbered for a residual maturity of one year or more in a cover pool**		-	-	-	-
40d		**16**	Deposits held at other financial institutions for operational purposes		-	-	-	-
		17	Performing loans and securities:		**194,371,218.10**	**-**	**-**	**85,472,622.18**
38,40c,43c		**18**	*Performing securities financing*		-	-	-	-

			transactions with financial customerscollateralised by Level 1 HQLA subject to 0% haircut					
39b,40c,43c		**19**	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		29,282,467.17	-	-	2,928,246.72
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:*		165,088,750.93	-	-	82,544,375.47
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*		-	-	-	-
40e,41a,42b,43a		**22**	*Performing residential mortgages, of which:*		-	-	-	-
40e,41a,43a		**23**	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		-	-	-	-
40e,42c,43a		**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*		-	-	-	-
45		**25**	Interdependent assets		**-**	**-**	**-**	**-**
		26	Other assets:	**No mapping to reporting**	**75,487,387.54**	**4,186,106.63**	**-**	**75,487,387.54**
42d		**27**	*Physical traded commodities*				-	-
42a		**28**	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		-	-	-	-
34,35,43b		**29**	*NSFR derivative assets*		-			-
19,43d		**30**	*NSFR derivative liabilities before deduction of variation margin posted*		-			-
36d,43c		**31**	*All other assets not included in the above categories*		75,487,387.54	4,186,106.63	-	75,487,387.54
46,47		**32**	Off-balance sheet items		**2,175,314.06**	**-**	**-**	**108,765.70**
		33	**Total RSF**					**161,068,775.43**
9	**Art451a(3a), Art428b**	**34**	**Net Stable Funding Ratio (%)**					**233%**

Table 21 – EU LIQ2: Net Stable Funding Ratio

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10 Remuneration Policy

10.1 Governance

Mirabaud Remuneration Policy is proposed by the Senior Management of MCE with the involvement and support of the Human Resources function and the internal control functions. MCE 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 MCE's Board of Directors and then be approved by MCE's Board of Directors. If needed to perform its Supervisory function, MCE's Board of Directors will be composed only of the External Director and Board of Director's members.

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 MCE's Board of Directors.

MCE'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 MCE's Board of Directors.

Appendices may be amended under the initiative of the Senior Management of MCE, pre-approved by the Supervisory Function and approved by MCE'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 MCE complies with the Policy and the procedures adapted by the Board of Directors.

10.2 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 Mirabaud employees targets and their performance over the previous year is recorded. The formal performance appraisal is mandatory for all on a yearly basis.

10.3 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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10.4 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 MCE 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.

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10.5 Key Quantitative Data

Art 450 h(i) & Art 450 h(ii)	
Number of beneficiaries	20
Total fixed remuneration (in EUR)	3,163,585
Of which: fixed in cash	-
Of which: fixed in shares and share-linked instruments	3,163,585
Of which: fixed in other types instruments	-
Total variable remuneration (in EUR)	1,379,285
Of which: variable in cash	1,379,285
Of which: variable in shares and share-linked instruments	-
Of which: variable in other types instruments	-

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	2
Total amount of guaranteed variable remuneration awards during the financial year (in EUR)	34,000

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	3
Total amount of severance payments awarded during the financial year (in EUR)	336,392
Of which:Total amount paid upfront	336,392
Of which:Total amount defered	-
Amount of the highest payment that has been awarded (in EUR)	179,680

Table 22 – 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 23 – Remuneration higher than EUR 1M

Total remuneration of Senior Management (in EUR)	3’441’737
Total fixed remuneration (in EUR)	2’172’138
Total variable remuneration (in EUR)	1’269’600

Table 24 – Senior Management

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10.6 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 MCE'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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