

BEMO Europe

2023 Pillar III Disclosure Report

Reference date 31st December 2023

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1 Executive Summary

1.1 Introduction & General Requirements for disclosure

This document delivers the Pillar III disclosure for BEMO Europe (hereinafter referred to as the "Bank") as of the close of the fiscal year on **31st December 2023**. The implementation of Pillar III standards aims to bolster the consistency and comparability of such disclosures by way of a standardized report format. The primary objective of this disclosure report is to comprehensively illustrate to our stakeholders the range of risks BEMO Europe assumes in the regular execution of its banking activities, market strategy, and Risk Management framework. Additionally, it sheds light on the Bank's corporate governance structures and its regulatory provisions for proprietary funds to mitigate losses from unforeseen events.

This report also aligns with the regulatory requirements dictated by the Basel framework, which have been enforced within the European Union by Directive 2019/876 (also known as "CRD V"), which amends Directive 2013/36 ("CRD IV") and Regulation 876/2019 ("CRR II") which amends Regulation 575/2013 ("CRR"). The European Banking Authority (EBA) published in December 2016, the "Guidelines on disclosure requirements under Part Eight of Regulation (EU) no 575/2013", which were later refined on the 9th of June 2017 to ensure uniformity and comparability of regulatory disclosures by outlining fixed format templates for quantitative data. These guidelines were subsequently adopted by the Commission de Surveillance du Secteur Financier ("CSSF") via Circular 23/830.

This Pillar III disclosure report is compiled in line with the recommendations and guidelines detailed in EBA/GL/2016/11. All information divulged within this document pertains to the Bank's official statements. The Bank has not requested any exemption from these disclosure requirements, either on the grounds of materiality, proprietary considerations or confidentiality.

This disclosure is made annually and is published promptly following the release of our Annual Report and Financial Statement. Should any substantial changes occur within our business structure, the method employed for capital calculation or regulatory requirements, the Bank will reassess the frequency of these disclosures.

The development of this Pillar III report was spearheaded by Finance and Risk Department, with subsequent approval obtained from the Authorized Management, culminating in final approval by the Board of Directors. These endorsements serve to affirm the appropriateness of the Bank's risk management systems, offering assurance that the measures and procedures instituted for managing risk are in alignment with the Bank's profile and strategic direction.

1.2 Bank history and activities

Bemo Europe - Banque Privée, established in Luxembourg, is a financial institution predominantly operating within the private banking sector. Initially known as the European Bank for the Middle East (abbreviated to BEMO), and later as Banque de l'Europe Rédional, the Bank was founded in Brussels in 1973. The Bank strategically pivoted towards focusing on private banking services in 1998, a decision largely influenced by its clientele, who hail predominantly from the Middle East and exhibited a growing interest in accessible European-based private banking products and services. Between 1973 and 2019, BEMO's evolution proceeded as follows:

1976: Establishment of EMIC S.A. Holding in Luxembourg and the inauguration of BEMO France.

1984: BEMO Luxembourg was launched.

1994: BEMO Luxembourg transitioned to become a branch of BEMO Brussels.

1997: BEMO Luxembourg was restructured to become a branch of BEMO Paris.

1998: The bank shifted its focus towards private banking.

2013: BEMO Luxembourg emerged as the parent company, with a branch in Paris.

To cater to its clients' needs, BEMO has been dedicated to the private banking sector since 1998 and currently provides its clients with the following comprehensive suite of banking services:

Private Banking: This includes investment advice, order receipt and transmission (buying and selling securities on behalf of clients, cash transfers), among other services.

Credits: The Bank offers mortgage loans, credit facilities, Lombards and consumer loans to its clientele.

BEMO does not engage in speculative proprietary trading activities. However, the Bank does maintain a portfolio of investments for its own account. Moreover, the Bank manages its liquidity by reinvesting its financial resources. Operating within a stringent framework approved by the Board of Directors and Authorized Management, this activity leads to a slight maturity mismatch, which in turn enhances the Bank's profitability.

1.3 Method of Disclosure

The Pillar III disclosures for our bank are made accessible to the public via our corporate website, specifically located under the 'Regulations' section. These disclosures, which align with the Basel III framework and *Capital Requirements Regulation Article 434*, aim to provide transparency regarding our bank's capital adequacy, risk exposures, and risk management procedures.

1.4 Frequency and Timing of Disclosures

As per the *Capital Requirements Regulation Article 433* our bank is committed to providing Pillar III disclosures on an annual basis, timed to coincide with the publication of our annual accounts. This ensures that the most recent and relevant information is made available to our stakeholders in a timely manner.

2 Risk Management

2.1 Governance and Committees

The Bank's executive management consists of two primary entities: the Board of Directors (also referred to as "the Board" or "BoD") and the Authorized Managers. Whenever appointments are made to these bodies, the Bank formally notifies the Commission de Surveillance du Secteur Financier (CSSF) through an official letter and awaits a no-objection response from the CSSF before finalizing these appointments. These key roles include those held by individuals overseeing the Bank's three internal control functions, namely the Chief Compliance Officer, Chief Internal Auditor, and Chief Risk Officer.

Collectively, the Board possesses the requisite skills and expertise commensurate with the nature, scale, and complexity of the Bank's operations. The Board as a whole comprehends all of the Bank's activities, including associated risks, as well as the economic and regulatory landscape in which it operates. Every Board member fully understands their individual responsibilities within the Bank's internal governance arrangements. They exert control over the areas within their expertise and have a sound understanding of other significant activities of the Bank.

The suitability of a candidate for the Board is evaluated based on a declaration of honor, curriculum vitae, criminal record extracts, and an ID copy. Board members ensure that their personal qualities are conducive to effectively executing their Director's mandate with the necessary commitment, objectivity, critical thinking, and independence. They strive to maintain compatibility between their director's mandate and any other positions or interests they may have, especially in terms of conflicts of interest and availability. Board members are expected to disclose any mandates they hold outside the Bank.

The Board holds overarching responsibility for the Bank. It possesses the broadest powers to administer and make decisions in the Bank's interest, thereby ensuring the execution of activities and promoting business continuity. The professional qualifications and comprehensive professional biographies of all Directors are preserved and monitored by the Bank's Human Resources department.

2.1.1 Board of Directors (BoD)

The responsibility for risk management within the Bank rests with the Board of Directors and is overseen by the Managing Director.

The Board of Directors, among other responsibilities, is charged with:

- Overseeing and approving the adequacy of the Bank's risk management processes;
- Promoting a risk-conscious culture within the Bank;
- Making key decisions regarding risk-related matters;
- Validating the Bank's internal control policies;
- Defining and approving the Bank's Risk Appetite Statement;
- Ensuring that appropriate actions are taken in response to breaches of risk limits;
- Obtaining an independent evaluation (via internal and/or external audits) of the risk policy's design and effectiveness, and its compliance with regulatory authorities' expectations;
- Ensuring sufficient resources and expertise are dedicated to risk management and internal audit functions to provide independent assurance to the Board and Management Committee that they are operating within the risk management framework. This may include utilizing third-party services to supplement existing resources, as necessary.

Members as of 31st December 2023:

Mr. ZIMMER Claude	Chairman of the Board of Directors
Mr. HAJJAR Mansour	Vice-Chairman of the Board of Directors
Mr. OBEGI Riad	Administrator
Mr. TASSABEHJI Saleh	Administrator
Mr. FARAJ Roy	Administrator
Mr. CHIKHANI Nicolas	Administrator

2.1.2 Management Committee (EXCO)

Endowed with decision-making powers by the Board of Directors, the Management Committee carries the representation powers of the company in interactions with employees, customers, other financial institutions, socio-economic surroundings, and authorities. This committee also holds the decision-making power regarding representation of the company in its subsidiaries and businesses in which it holds interest.

The Management Committee enforces the strategy set forth by the Board of Directors and General Management, establishes overall objectives, and serves a supervisory role ensuring the smooth operation of both the Luxembourg-based parent company and its Paris branch. Decisions within the Committee are reached based on a majority vote.

Specifically concerning risk management, the Management Committee's responsibilities include:

- Ensuring the risk directives from the Board of Directors are effectively implemented;
- Establishing a continuous and independent risk function;
- Certifying that risk-related procedures and policies are sufficient for accurately measuring, monitoring, and managing the Bank's risk;
- Verifying compliance with risk limits.

Moreover, General Management/Authorized Management can propose modifications to the Board of Directors, such as changes to risk limits and procedures.

Authorized Management:

Mr. ARSLAN Riad	General manager
Mr. BECHARA Amine	Director
Mrs. DEMERDJIAN Pamela	Director
Mr. SAADEH Rami	Director

General Management:

Mrs. DJAMAL Nayla	Director – Paris Branch
Mr. EL KHOURY Rony	Director – Paris Branch
Mr. DA COSTA Tiago	Chief Risk Officer
Mrs. DAVOUT Gwennoline	Chief Compliance Officer
Mr. NICOLAS Morgan	Chief Internal Auditor
Mr. MAALOUF Elia	Head of Operations

2.1.3 The Care Committee (CARE)

The Care Committee supports the Board of Directors in various tasks, including:

- Reviewing and overseeing the Bank's policies and processes related to risk management;
- Evaluating the suitability of the Bank's procedures and policies in relation to its activities, considering factors such as complexity and volume;
- Monitoring both internal and external audit reports/analytical reports and the execution of the issued recommendations;
- Ensuring the Bank's compliance with prevailing laws and regulations;
- Checking the Bank's adherence to ethical standards and respect for values.

Moreover, in alignment with the stipulations of European Regulation No. 537/2014 concerning statutory audits of public-interest entities, the Committee is also tasked with monitoring aspects such as:

- The appointment of the external account auditor;
- The formulation of the additional report by the external account auditor;
- The tenure of the external account auditor's mandate;
- Audit fees and other services delivered by the external account auditor;
- Compliance with restrictions concerning other assignments executed by the external account auditor (non-audit services);

- Upholding the principle of independence of the external account auditor;
- Actions to be taken in case of problems, difficulties, and irregularities identified by the internal audit service and the authorized auditor.

The Committee has the authority to provide advice and make recommendations to the Board of Directors on any matter where action or improvement is considered necessary.

2.1.4 Credit Committee (CDC)

The Credit Committee (hereafter Committee) is delegated the powers of the Board of Directors in terms of credits allocations, reviews, monitoring, non-performing loans management and unauthorized debits. The Committee as the obligation to apply the limits and rules set by the BOD and inform of any deviation.

Every proposal to extend credit to a customer, or to alter the conditions or characteristics of an existing credit, requires a credit request. This request is prepared by the Customer Relationship Manager (RM) involved and includes the RM's remarks. Prior to being presented to the Credit Committee, the credit request must be validated by the Credit Manager. The credit request should also include the assessment of the Chief Risk Officer (CRO); this assessment constitutes an integral part of the credit request.

The Credit Committee reviews the credit request, procures any additional information it deems necessary, and then votes on the request. Regardless of the size of the credit(s) under consideration, a majority vote among the committee members is required with a quorum of 5 members. Approval from the General Management is obligatory, and the CRO's opinion should be attached to the file. The CRO maintains veto rights on each decision of the Credit Committee. Any decisions that have received a substantiated negative opinion from the CRO must be presented to the Board of Directors.

The Credit Committee meets periodically, either in person, via teleconference, or through email exchanges as needed. The Committee is responsible for authorizing and monitoring all credit files (including repayments, default risks, etc.), in both the parent company and the branch.

2.1.5 Assets & Liabilities Committee (ALCO)

The Asset-liability Committee (ALCO) is responsible for overseeing the management of the Bank's assets and liabilities. The ALCO provides important management information systems and oversight for effectively evaluating the on-and off-balance-sheet risks for the Bank. The ALCO set the strategies, policies, and procedures and relate to the board's the goals, objectives, and risk tolerances for operating standards. The ALCO's has to also ensure adequate liquidity while managing the Bank's fund transfer pricing.

2.1.6 Nomination and Remuneration Committee (CNR)

The Nomination and Remuneration Committee is a subcommittee of the Board of Directors. Its primary purpose is to assess and propose suggestions relating to the Bank's organizational structure, remuneration policy, and matters concerning the performance and concerns of the Management. This committee plays a crucial role in ensuring that the Bank maintains a competitive and fair compensation strategy, and that the selection and performance evaluation processes for leadership roles are rigorous and transparent.

2.2 Risk Appetite

Risks	Risk Appetite	Definition
Capital adequacy	High	Regulations require banks to allocate sufficient capital to cover unexpected losses and maintain solvency in the event of a crisis.
Concentration	High	Concentration risk is the risk associated with a significant concentration of investments in certain asset classes or in certain markets.
Credit	Medium	Financial losses resulting from the inability of counterparties to honor their financial commitments to the Bank
Market	Medium	Market risk corresponds to the risk of being subject to variations in the market prices of the financial assets in which the Bank invests.
IT	Medium	Various events or incidents that compromise IT in some way can therefore cause adverse impacts on the organization's business processes or mission, ranging from inconsequential to catastrophic in scale
Human Resources	Medium	Risks related to a loss of skills, knowledge and back-up due to departures or changes of employees.
Strategic	Medium	The risk of the Bank's strategies and the impact on profitability
Liquidity	Low	Liquidity risk is the risk that the Bank finds itself in a situation of insufficient financial resources (liquidity) to meet its maturities.
Interest Rate (IRRBB)	Low	Interest rate risk is the risk for the Bank of experiencing an unfavorable change in rates, whether downward or upward, depending on whether the Bank borrows or lends.
Foreign exchange	Low	This is the risk that a loss resulting from an unfavorable movement in exchange rates will affect the Bank due to the mismatch between its assets, liabilities and off-balance sheet commitments denominated in currencies other than the capital currency.
Operational	Low	Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.
Legal	Low	Banking activities are rich in legal documents and opinions, which can represent a source of risk.
Reputation	Low	Refers to the potential adverse effects that can arise from the Banks reputation being sullied due to factors such as unethical practices, adverse regulatory actions, customer dissatisfaction and complaints, negative / adverse publicity etc.
Regulatory	Low	The risk of failure due to non-adherence to provisions of all application Rules and Regulations in head office and the branch and non-compliance with reporting requirements or submission of incorrect information.
Outsourcing	Low	Risk arising from the Banks dependence on the service provider and the threat to its reputation because of adverse circumstances at the service provider.

Table 1: Risk Appetite as defined in the Risk Appetite Statement

The major risks, the realization of which may result in substantial financial setbacks, encompass capital risk, credit risk, market risk, operational risk, and liquidity risk. It is noteworthy, though, that the Bank diligently maintains continuous oversight over all the risks delineated in the provided table.

2.3 Risk Management Framework

The Bank has implemented a robust risk management framework that adheres to the three-lines-of-defense model, strategically organizing roles and responsibilities to ensure clear delineation and optimal function:

1. The first line of defense is composed of the business units responsible for taking and managing risks within the confines of pre-established policies and limits. These units also conduct routine controls to promptly detect and address any discrepancies or oversights arising in the course of transaction processing.
2. The second line of defense is represented by support functions, which encompass the Financial and Accounting, Information Technology, Compliance, and Risk Management departments. These functions play a crucial role in providing independent risk oversight and contributing to the overall risk control infrastructure of the Bank.

3. The third line of defense, the Internal Audit function, offers an objective and independent assessment of the efficacy of the first two lines. It performs a critical evaluation, assuring that the risk management practices are both effective and adherent to the Bank's high standards of governance.

This framework is fundamental to the Bank's governance structure, ensuring that risk management processes are transparent, responsive, and aligned with the Bank's strategic objectives.

Document name	Definition
Risk Appetite Statement	The Risk Appetite Statement encapsulates the institution's formal declaration of the types and levels of risk it is willing to accept or avoid in pursuit of its business goals, aligned with regulatory requirements and its strategic objectives.
Risk Monitoring Plan	The Risk Monitoring Plan is a strategic document that outlines the processes and tools for continuously observing and reporting on the bank's risk exposures and risks, ensuring it remains within the parameters set by the Risk Appetite Statement.
Risk Management Policy	The Risk Management Policy is a comprehensive framework that defines the bank's approach to identifying, assessing, mitigating, and controlling risks to ensure they are managed in accordance with the bank's risk appetite and regulatory expectations.
Risk Management Procedure	The Risk Management Procedure of a Luxembourg bank details the specific operational steps and responsibilities required to implement the bank's Risk Management Policy, ensuring consistent execution of risk-related tasks across the organization.
IRRBB Framework	The IRRBB Framework delineates the strategies, practices, and controls used to manage and mitigate the risks arising from changes in interest rates that affect the bank's banking book positions.
Resolution Plan	The Resolution Plan is a contingency plan that establishes protocols for the orderly resolution of the bank's operations without severe systemic disruption and with minimal taxpayer exposure in the event of the bank's failure.
Recovery Plan	The Recovery Plan outlines the actions and measures to be taken to stabilize and restore the bank's financial strength and operations during times of significant stress or crisis.

Table 2: Risk Framework overview

2.4 Risk Management Function

The Risk Management department champions the development of a robust internal risk culture, which is pivotal in heightening staff awareness and fostering sound, prudent operational management. This department bears the critical responsibility for the ongoing identification, mitigation, management, and reporting of all risks currently faced or potentially encountered by the institution.

In ensuring the alignment of strategies, activities, and the organizational and operational framework with both internal policies and regulatory mandates, the risk control function vigilantly monitors adherence to these parameters. In instances where these limits are exceeded, the function is tasked with promptly rectifying such breaches. Furthermore, the risk control function is charged with verifying that all employed terminology, methodologies, and technical resources are both uniform and efficacious.

The Risk Management department holds the primary accountability for monitoring, tracking, and reporting on all categories of risk. This department provides comprehensive reports to the Authorized Management, relevant business units, the CARE Committee and the Board. Reporting frequencies vary—daily, monthly, quarterly, or annually—tailored to the specific nature and criticality of the information.

The institution's Risk Appetite Statement is seamlessly integrated with the strategic and business plan, as well as with capital and liquidity planning. Key Risk Indicators (KRIs) and associated thresholds have been meticulously established for each identified area of material risk, ensuring their effective implementation. Enshrined within the Risk Management Policy, the Risk Appetite Statement meticulously details the levels and types of risk the Bank is prepared to accept, given its risk capacity, to fulfill the strategic ambitions delineated in the business plan.

2.5 Integration with Overall Risk Management & Risk Controls

Bemo Europe considers capital and risk management to be fundamental for the decision-making process, which contributes with risk versus return relation optimization in its operations. Bemo Europe invests in capital

and risk management practices and processes ongoing improvement, in compliance with the market, regulation and supervision international references. The risk management structure covers specific policies, the Risk Appetite and Tolerance Statement, the strategies and the processes, by observing each risk specificities.

2.5.1 1st line of defense: Business Departments

1. Responsible for Risk management within their sector of activity
2. Ensure alignment between risk appetite and decision-making processes within their line of business
3. Embed risk appetite statement and risk limits in their lines of business to embed prudent risk-taking into the institution's risk culture and day-to-day risk
4. management
5. Establish and actively monitor compliance with risk limits
6. Cooperate with the CRO and the risk management function and not interfere with its independent functions
7. Implement controls and processes to be able to effectively identify, monitor and report on assigned risk limits
8. Act in a timely manner to ensure effective management and, if necessary, mitigation of material risks, in particular those that exceed or are likely to exceed
9. the risk appetite or approved risk limits
10. Communicate promptly and in a timely manner breaches of risk limits and material risk exposures that could impact capital or liquidity reserves.

2.5.2 2nd line of defense: Risk function

1. Establish an appropriate risk appetite for the Bank in conjunction with the Management Committee that is consistent with short- and long-term strategy, capital plans and liquidity reserves, risk capacity and policies remuneration, and which corresponds to the expectations of the supervisory authorities;
2. Obtain Board approval of risk appetite and report to the Board regularly on the Bank's risk profile relative to its risk appetite;
3. Actively monitor the risk profile based on its risk appetite, which is in line with short and long-term strategy, capital plans and liquidity reserves, risk capacity and remuneration policies, and which meets the expectations of the supervisory authorities
4. Establish a process for risk reporting and alignment of risk appetite and risk profile with risk culture
5. Ensure the integrity of the risk measurement techniques and IT infrastructure used to monitor the risk profile against its risk appetite
6. Establishing and approving, in conjunction with the Executive Management, appropriate risk limits for business lines and various entities that are prudent and consistent with the risk appetite statement;
7. Independently monitor the risk limits of business lines and various entities as well as the Bank's overall risk profile to ensure that they remain consistent with its risk appetite;
8. Act in a timely manner to ensure effective management and, if necessary, take mitigating action on material risks, particularly those that approach or exceed risk appetite or approved risk limits; and
9. Promptly bring to the attention of the Board of Directors and the Executive Management any serious breach of a risk limit that could impact equity or liquidity reserves

2.5.3 3rd line of defense: Internal Audit

The internal audit function is carried out by the internal audit department. It is under direct responsibility and reports directly to the Board of Directors through the CARE committee. Internal Audit is responsible in particular for assessing the adequacy of risk management.

2.6 Declaration on the Adequacy of Risk Management Arrangements

The Management Body of the Bank confirms that the risk management arrangements in place as at 31 December 2023 are adequate and appropriate in relation to the nature, scale, and complexity of the Bank's activities. The Bank has implemented a comprehensive risk management framework designed to identify, measure, monitor, manage, and report all material risks to which it is or may be exposed, including credit, market, liquidity, operational, compliance, and other relevant risks.

The Management Body has reviewed and approved the Bank's risk management policies, internal control framework, and Risk Appetite Framework, and confirms that these arrangements are consistently applied across the institution and effectively embedded in the Bank's governance and decision-making processes. Based on the information available, the Management Body is satisfied that the risk management systems and internal controls

provide a sound basis for the ongoing management of risks and support the Bank's strategic objectives while ensuring compliance with applicable regulatory requirements.

This declaration has been approved by the Management Body in accordance with Article 435(1)(e) and Article 431(3) of Regulation (EU) No 575/2013 (CRR).

3 Disclosure on Governance Arrangements

3.1 The number of directorships held by members of the management body

Members of the Management Body	Additional Directorships
Riad OBEGI	8
Claude Zimmer	1

3.2 Information regarding the recruitment policy for the selection of members of the management body

The appointment of members of the Management Body is conducted on an event-driven basis, primarily in response to the departure of an existing member or to address needs arising from strategic development of the Bank, the majority of whom are experienced banking professionals with longstanding industry backgrounds.

The Bank did not execute a collective suitability assessment to the Management Body. This assessment is schedule to be performed in 2024.

3.3 Information on the diversity policy with regard of the members of the management body

The Bank applies a diversity policy in accordance with points 102 to 108 of Title V, Section 12 (Diversity Policy) of the joint ESMA and EBA Guidelines EBA/GL/2021/06 on the assessment of the suitability of members of the Management Body and key function holders under Directive 2013/36/EU and Directive 2014/65/EU.

In this context, the Bank ensures that the composition of the Management Body is free from any form of discrimination based on age, religious belief, ethnic origin, race, sexual orientation, physical condition, or gender identity. None of these criteria are used in the selection or appointment process of members of the Management Body.

At the same time, the Bank ensures that diversity considerations do not prevail over the collective effectiveness, functioning, or suitability of the Management Body, nor over the individual suitability of its members. Appointments are therefore made on the basis of professional competence, experience, and integrity, with the objective of maintaining a Management Body that is both diverse and fully fit for purpose.

3.4 Information whether or not the institution has set up a separate risk committee and the frequency of the meetings

In accordance with its governance framework, the Bank has established a CARE Committee to support the Board of Directors in all matters relating to the identification, qualitative and quantitative assessment, and ongoing monitoring of the material risks to which the Bank is exposed. The CARE Committee convenes as frequently as necessary and, at a minimum, four times per year, typically one to two weeks in advance of the quarterly meetings of the Board of Directors.

3.5 Description on the information flow on risk to the management body

Information on all material risk matters is communicated to the Executive Committee through its direct involvement in the Bank's day-to-day operations and decision-making processes, either directly or through delegated support committees. In addition, the Executive Committee ensures appropriate monitoring and reporting of risk matters to the competent authorities and to the non-executive governance bodies.

With respect to reporting to the Board of Directors, a structured agenda is established at the initiative of the Risk Management function and reviewed by the Chair of the CARE Committee for validation. The follow-up of significant risk matters constitutes a mandatory and recurring agenda item. Other topics are addressed either in accordance with the regulatory calendar, such as ICAAP/ILAAP and the Annual Risk Report, or to enable the Board to review risk-related policies and assess the ongoing adequacy of the Bank's Risk Appetite Framework.

The relevant documentation is generally prepared by the Risk Management and, where applicable, the Compliance function. These documents are first reviewed and discussed at executive level, either within the Executive Committee or delegated support committees, and are subsequently submitted to the CARE Committee and the Board of Directors together with recommendations for decision or approval.

4 Capital Structure and Adequacy

The Bank's primary business operations entail exposure to credit risk and operational risk, both of which necessitate capital allocations and risk mitigation protocols. To compute the regulatory capital prerequisites for credit risk associated with credit portfolio activities, the Bank utilizes the Standardized Approach ("SA") as stipulated in the CRR regulation.

For operational risk, the Bank employs a Basic Indicator Approach ("BIA") that relies on a three-year historical data model to determine the requisite own funds. Subsequently, the breakdown of own funds and Pillar I Capital requirements is detailed below:

Prudential own funds	31/12/2022	30/06/2023
Tier 1 Capital	10.898.870	11.734.494
Total RWAs	52.353.934	57.985.906
Pillar 1 Capital Requirements	6.806.011	7.538.168
<i>of which Credit Risk</i>	5.120.888	5.842.936
<i>of which Market Risk</i>	34.486	44.595
<i>of which Operational Risk</i>	1.650.637	1.650.637
Solvency Ratio (%)	20,82%	20,24%

Table 3: Capital requirements 31st December 2022 and 30th June 2023

CSSF has mandated a significant elevation of the bank's internal solvency ratio requirement, which is now established at 18% of Tier 1 Capital. The provided table delineates the modifications in solvency ratio prerequisites from 2022 to 2023 as defined in the ICAAP/ILAAP 2022.

Solvency Ratio Requirements	2022	2023
Pillar 1 CET1	4,50%	4,50%
Pillar 1 AT1 & T2	3,50%	3,50%
Additional Own Funds	2,00%	5,00%
Total SREP capital requirement (TSCR) ratio	10,00%	13,00%
Countercyclical Capital Buffer	0,50%	0,50%
OSII Buffer (Specific) EIS	0,00%	0,00%
Capital Conservation Buffer	2,50%	2,50%
Combined Buffer Requirements	3,00%	3,00%
CET1 Capital ratio regulatory requirement (OCR)	13,00%	16,00%
Pillar 2 Guidance (P2G)	0,00%	2,00%
OCR + P2G	13,00%	18,00%

Table 4: Solvency ratios requirements for year 2022 and 2023

4.1 Regulatory capital adequacy

		Total risk exposure amounts (TREA)
		2023
1	Credit risk (excluding CCR)	35,745,320
2	Of which the standardised approach	35,628,786
3	Of which the Foundation IRB (F-IRB) approach	-
4	Of which slotting approach	-
EU 4a	Of which equities under the simple risk weighted approach	-
5	Of which the Advanced IRB (A-IRB) approach	-
6	Counterparty credit risk - CCR	-
7	Of which the standardised approach	-
8	Of which internal model method (IMM)	-
EU 8a	Of which exposures to a CCP	-
9	Of which other CCR	-
10	Credit valuation adjustments risk - CVA risk	-
EU 10a	Of which the standardised approach (SA)	-
EU 10b	Of which the basic approach (F-BA and R-BA)	-
EU 10c	Of which the simplified approach	-
11	Not applicable	
12	Not applicable	
13	Not applicable	
14	Not applicable	
15	Settlement risk	116,534
16	Securitisation exposures in the non-trading book (after the cap)	-
17	Of which SEC-IRBA approach	-
18	Of which SEC-ERBA (including IAA)	-
19	Of which SEC-SA approach	-
EU 19a	Of which 1250% / deduction	-
20	Position, foreign exchange and commodities risks (Market risk)	1,205,396
21	Of which the Alternative standardised approach (A-SA)	1,205,396
EU 21a	Of which the Simplified standardised approach (S-SA)	-
22	Of which Alternative Internal Model Approach (A-IMA)	-
EU 22a	Large exposures	-
23	Reclassifications between the trading and non-trading books	-
24	Operational risk	17,975,749
EU 24a	Exposures to crypto-assets	-
25	Amounts below the thresholds for deduction (subject to 250% risk weight)	-
26	Output floor applied (%)	-
27	Floor adjustment (before application of transitional cap)	-
28	Floor adjustment (after application of transitional cap)	-
29	Total	54,926,464

Table 5: EUOV1-Overview of total risk exposure

5 Credit Risk

Credit risk refers to the potential loss that may arise when a borrower fails to fulfill their debt obligations. Within our framework, a default is considered to have occurred under either of the following conditions:

1. The client is deemed “impaired,” indicating a high probability of failing to meet credit obligations to the Bank, necessitating the Bank's intervention, such as realizing security.
2. The client has overdue payments on any material obligation to the Bank exceeding 90 days.

Predominantly, the Bank's credit offerings to Private Banking clients are concentrated among those who hold assets with BEMO Luxembourg. Our approach involves standardizing the credit risk process, particularly emphasizing the collateralization of loans. This involves applying appropriate haircuts to the market value of assets, taking into account factors like quality, liquidity, volatility, and diversification levels.

In exceptional cases, the Bank may extend credit for non-private banking activities. Here, our policy adheres to a thorough case-by-case examination of the exposures and the financial health of the counterparty. This analysis focuses primarily on the customer's capacity to meet their financial commitments.

5.1 Framework

The Risk Management department has established a comprehensive policy and procedural framework that aligns with the Bank's Risk Appetite. This framework is integral to the analysis, decision-making, and monitoring of credit risk. The department plays a pivotal role in managing the loan issuance process, which includes chairing credit and risk committees and delegating responsibilities within the confines of the Bank's internal governance structure.

In its monitoring capacity, the Risk Management department vigilantly oversees shifts in credit risk pertaining to the Bank's credit portfolio. This is achieved through a meticulous analysis of loan applications and a regular review of counterparties' ratings. Furthermore, the department is responsible for formulating and executing the policy on provisions. It actively participates in the Credit Committee, which is tasked with making decisions on specific provisions, and plays a critical role in evaluating cases of default.

5.2 Credit Exposure

	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral 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				
Cash balances at central banks and other demand deposits	23,808,756	23,808,756	0	0	0	0	-19,160	-19,160	0	0	0	0		0	0	
Loans and advances	81,143,699	71,919,352	9,224,348	3,232,371	0	253,142	-589,290	-55,910	-74,995	-458,385	0	-458,385		75,926,405	2,758,956	
Central banks	0	0	0	0	0	0	0	0	0	0	0	0		0	0	
General governments	0	0	0	0	0	0	0	0	0	0	0	0		0	0	
Credit institutions	0	0	0	0	0	0	0	0	0	0	0	0		0	0	
Other financial corporations	0	0	0	0	0	0	0	0	0	0	0	0		0	0	
Non-financial corporations	37,285,680	32,224,290	5,061,390	1,315,942	0	9,302	-177,225	-514	-133	-176,577	0	-176,577		36,631,304	1,125,914	
Of which SMEs	0	0	0	0	0	0	0	0	0	0	0	0		0	0	
Households	43,858,019	39,695,062	4,162,958	1,916,429	0	243,840	-412,065	-55,395	-74,862	-281,808	0	-281,808		39,295,101	1,633,042	
Debt securities	175,889,492	175,889,492	0	0	0	0	0	0	0	38,119,897	0	0		0	0	
Central banks	0	0	0	0	0	0	0	0	0	0	0	0		0	0	
General governments	33,397,869	33,397,869	0	0	0	0	0	0	0	0	0	0		0	0	
Credit institutions	142,491,623	142,491,623	0	0	0	0	0	0	0	0	0	0		0	0	
Other financial corporations	0	0	0	0	0	0	0	0	0	0	0	0		0	0	
Non-financial corporations	0	0	0	0	0	0	0	0	0	0	0	0		0	0	
Off-balance-sheet exposures	7,167,077	6,567,936	599,141	0	0	0	19,083	13,903	5,180	0	0	0		0	0	
Central banks	0	0	0	0	0	0	0	0	0	0	0	0		0	0	
General governments	0	0	0	0	0	0	0	0	0	0	0	0		0	0	
Credit institutions	0	0	0	0	0	0	0	0	0	0	0	0		0	0	
Other financial corporations	0	0	0	0	0	0	0	0	0	0	0	0		0	0	
Non-financial corporations	0	0	0	0	0	0	0	0	0	0	0	0		0	0	
Households	0	0	0	0	0	0	0	0	0	0	0	0		0	0	
Total	288,009,024	278,185,536	9,823,488	3,232,371	0	253,142	-589,366	-61,166	-69,815	37,661,512	0	-458,385	0	75,926,405	2,758,956	

Table 6: EU CR1: Performing and non-performing exposures and related provisions

Exposure classes	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWEAs and RWEAs density	
	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWEAs	RWEAs density (%)
	a	b	c	d	e	f
Central governments or central banks	42,551,473	0	42,551,473	0	0	0
Non-central government public sector entities						
Regional governments or local authorities	0	0	0	0	0	0
Public sector entities	0	0	0	0	0	0
Multilateral development banks	133,251,571	0	133,251,571	0	0	0
International organisations	0	0	0	0	0	0
Institutions	22,729,865	0	22,710,706	0	5,655,209	16.30%
Covered bonds						
Corporates	22,262,507	3,476,305	2,673,690	305,576	2,673,690	7.71%
Of which: Specialised Lending						
Subordinated debt exposures and equity						
Subordinated debt exposures						
Equity						
Retail	5,881,517	3,177,132	2,182,872	609,542	1,637,154	4.72%
Secured by mortgages on immovable property and ADC exposures	42,972,543	0	40,678,033	0	15,524,092	44.75%
Secured by mortgages on residential immovable property - non IPRE						
Secured by mortgages on residential immovable property - IPRE						
Secured by mortgages on commercial immovable property - non IPRE						
Secured by mortgages on commercial immovable property - IPRE						
Acquisition, Development and Construction (ADC)						
Exposures in default	3,232,371	0	2,039,904	0	2,039,904	5.88%
Claims on institutions and corporates with a short-term credit assessment						
Collective investment undertakings (CIU)						
Other items	7,198,691	0	7,198,691	0	7,157,218	20.63%
TOTAL	280,080,538	6,653,437	253,286,939	915,118	34,687,266	

Table 7: EU CR4 – standardized approach – Credit risk exposure and CRM effects

Exposure classes	Risk weight						Total
	0%	20%	35%	50%	75%	100%	
	a	e	g	j	m	p	
Central governments or central banks	42,551,473	0	0	0	0	0	42,551,473
Non-central government public sector entities							
Regional governments or local authorities	0	0	0	0	0	0	0
Public sector entities	0	0	0	0	0	0	0
Multilateral development banks	133,251,571	0	0	0	0	0	133,251,571
International organisations	0	0	0	0	0	0	0
Institutions	0	19,019,639	0	3,710,226	0	0	22,729,865
Covered bonds							
Corporates	0	0	0	0	0	25,738,812	25,738,812
Of which: Specialised Lending							
Subordinated debt exposures and equity							
Subordinated debt exposures							
Equity							
Retail exposures	0	0	0	0	9,058,649	0	9,058,649
Secured by mortgages on immovable property and ADC exposures	0	0	36,210,384	6,217,246	0	544,913	42,972,543
Secured by mortgages on residential immovable property - non IPRE							

no loan splitting applied						
loan splitting applied (secured)						
loan splitting applied (unsecured)						
Secured by mortgages on residential immovable property - IPRE						
Secured by mortgages on commercial immovable property - non IPRE						
no loan splitting applied						
loan splitting applied (secured)						
loan splitting applied (unsecured)						
Secured by mortgages on commercial immovable property - IPRE						
Acquisition, Development and Construction (ADC)						
Exposures in default	0	0	0	0	0	3,232,371
Claims on institutions and corporates with a short-term credit assessment						
Collective investment undertakings (CIU)						
Other items	41,473	0	0	0	0	7,157,218
TOTAL	175,844,517	19,019,639	36,210,384	9,927,472	9,058,649	36,673,314
						286,733,975

Table 8: EU CR5 – standardized approach

5.3 Credit Risk Mitigation

The Bank places great emphasis on ensuring that credits are adequately collateralized. We diligently monitor the evolution of marketable securities, guarantees, and other collateral forms to ensure they adhere to the limits outlined in customer contracts. This approach is pivotal in enabling early detection of potential issues with borrowers and prioritizing the monitoring of credits that demand closer scrutiny. Our credit risk monitoring encompasses a structured series of controls:

Daily Analysis: We conduct daily examinations of irregular exposures to promptly identify and address any deviations.

Monthly Credit Committee Reviews: These sessions focus on assessing irregular exposures and clients on the watch list to determine necessary actions.

Quarterly Provisioning Process Review: Our monthly reviews of exposures are integral to the provisioning process, ensuring appropriate measures are in place to manage potential credit risks.

Quarterly Solvency and Collateral Quality Review: Every quarter, we assess the solvency ratio and examine the composition and quality of assets used as collateral, ensuring they align with our risk management standards.

Reporting to the CARE Committee: The Committee is regularly informed about significant irregularities in credit activities, including account overdrafts, to ensure oversight and appropriate responses.

Annual Credit Line Renewal Review: Our annual reviews are an essential part of the credit line renewal process, ensuring all terms remain relevant and risks are appropriately managed.

In terms of collateral, the Bank is committed to accepting only high-quality, diversified assets. This includes a range of asset types such as stock-exchange listed company shares & ETFs, mutual funds, sovereign and corporate bonds, preferred shares, physical gold and silver and certificates, as well as cash. This diverse collateral base is pivotal in minimizing risk and maintaining the integrity of our credit portfolio.

6 Market Risk

Market risk refers to the potential for financial loss due to fluctuations in market prices of the financial assets in which the Bank invests. The management of market risk is governed by the Bank's Risk Policy, which delineates the fundamental principles, framework, and governance structures pertinent to this type of risk.

The Board of Directors sets definitive limits on market risk exposure, ensuring a controlled and measured approach to risk-taking. Within this framework, distinct constraints are applied to both the Banking and Trading books. It is important to note that, as of the writing of this report, the Bank does not maintain a trading portfolio, focusing solely on the Banking book.

The Bank portfolio is mostly focused in AAA rated instruments with more than 75% of the total portfolio. With the increase in interest rates, the portfolio strategy was changed to have more medium-term maturities and floating interest rates (64% of the portfolio) while concentrating the major part of the portfolio on high liquidity assets.

For the purposes of risk management and disclosure, the Bank distinguishes the following categories of market risk:

- Interest rate risk refers to the potential for losses arising from adverse movements in interest rates, resulting from mismatches between the interest rate characteristics of the Bank's assets and liabilities, as well as from off-balance sheet positions.
- Foreign exchange risk arises from unfavourable movements in foreign exchange rates and may impact the Bank where assets, liabilities, and/or off-balance sheet positions are denominated in currencies other than the currency in which the Bank's capital is held.
- Securities position risk relates to the risk of losses resulting from adverse changes in the market value of securities that may be held by the Bank.

Composition of the Proprietary Account Portfolio at 31.12.2023
Concentration By Rating

AAA	134,465,150.23	77.01%
AA+	9,774,657.78	5.60%
AA-	10,243,765.30	5.87%
A	1,900,299.16	1.09%
A-	1,784,244.40	1.02%
C	16,445,020.94	9.42%
Sum	174,613,137.81	

 Table 9: BEMO Europe own portfolio per rating as of 31st December 2023

Concentration By Issuer

BUONI POLIENNALI DEL TES	9,646,000	5.52%
CITIGROUP INC	1,784,244	1.02%
EMIRATES NBD BANK PJSC	1,900,299	1.09%
EUROPEAN INVESTMENT BANK	33,557,377	19.22%
FIRST ABU DHABI BANK PJS	1,999,904	1.15%
FRANCE (GOVT OF)	5,985,000	3.43%
HFHL 2020-2 A	2,007,800	1.15%
INTL BK RECON & DEVELOP	98,899,973	56.64%
US TREASURY N/B	16,573,679	9.49%
WESTPAC BANKING CORP	2,258,861	1.29%
Sum	174,613,138	

 Table 10: BEMO Europe own portfolio per issuer of risk as of 31st December 2023

	2023	
	Total Own Funds Requirements (OFR)	
Sensitivity-based method		
General interest rate risk (GIRR)		
Equity risk (EQU)		
Commodity risk (COM)		
Foreign exchange risk (FX)	96,432	
Credit spread risk for non-securitisations (CSR)		
Credit spread risk for securitisation not included in the alternative correlation trading portfolio (non-ACTP CSR)		
Credit spread risk for securitisation included in the alternative correlation trading portfolio (ACTP CSR)		
Default risk		
Non-securitisations		
Securitisation not included in the alternative correlation trading portfolio (non-ACTP)		
Securitisation included in the alternative correlation trading portfolio (ACTP)		
Residual risk		
Exotic underlyings		
Other residual risks		
Total OFR ASA	96,432	

Supervisory shock scenarios	2023	2023
	Changes of the economic value of equity	Changes of the net interest income
	Current period	Current period
Parallel up	-1,877,808.31	1,320,003.79
Parallel down	1,043,697.32	-945,168.95
Steepener	-82,721.47	
Flattener	-462,283.31	
Short rates up	-1,053,893.88	
Short rates down	554,313.42	

Table 11: EU IRRBB1 - Interest rate risks of non-trading book activities

6.1 Monitoring

The Risk Management department conducts daily monitoring of market risk, with a specific focus on the nominal value and holding duration of the Bank's portfolio exposures. This diligent oversight is essential to maintain a consistent alignment between the operational thresholds used by the Treasury and the approved risk limits set by the Board.

Additionally, the Bank has established an Asset and Liability Committee (ALCO) to facilitate informed decision-making in the management of the Balance Sheet. The Chief Risk Officer (CRO) is an integral member of this committee, underscoring the commitment to robust risk oversight and strategic balance sheet management.

7 Operational Risk

As per the guidance provided by the Basel Committee, operational risk encompasses various categories of events, including internal and external fraud, labor relations, customer practices, products and services, damage to physical assets, and system and execution failures.

The Bank's operational risk management framework is established through an internal policy, complemented by dedicated procedures for conducting controls and incident collection. The responsibility for mitigating these risks lies with all individuals across business lines and support functions, who are tasked with fostering an operational risk-aware culture within their respective teams. Additionally, the management control mechanism relies on processes overseen by the Bank's control function.

For the determination of regulatory requirements related to operational risk, the Bank has adopted the Basic Indicator Approach. Moreover, BEMO Europe conducts an assessment of the maximum potential operational losses by subjecting historical data to stress tests across three distinct scenarios. These scenarios evaluate the Bank's resilience to potential operational losses, such as those arising from fraud, system failures, or other adverse events. The stress tests assess the potential impact of operational risks on the Bank's capital position by stressing the increase in cost due to operational loss.

The Risk Department is tasked with the vital role of monitoring and reporting on operational risks. To facilitate effective oversight, a comprehensive set of rules and limits has been established, aligning with the Bank's Risk Appetite Statement. These guidelines are instrumental in ensuring proper monitoring, timely resolution, and appropriate escalation of operational risks.

In line with these responsibilities, the Risk Department diligently maintains an incident register. This register meticulously records all operational incidents that have the potential to impact any department within the Bank, serving as a critical tool for risk management and mitigation.

	2023
Using €20,000 threshold	
Total amount of operational risk losses net of recoveries (no exclusions)	-5371
Total number of operational risk losses	19
Total amount of excluded operational risk losses	6
Total number of excluded operational risk events	25
Total amount of operational risk losses net of recoveries and net of excluded losses	-5371
Using €100,000 threshold	
Total amount of operational risk losses net of recoveries (no exclusions)	0
Total number of operational risk losses	0
Total amount of excluded operational risk losses	0
Total number of excluded operational risk events	0
Total amount of operational risk losses net of recoveries and net of excluded losses	0

Table 12: EU OR1 - Operational risk losses

8 Liquidity Risk

Liquidity risk pertains to the ability of the Bank to fulfill its obligations as they become due. If the Bank is unable to liquidate its assets in the market to meet a matured obligation, it faces liquidity risk.

BEMO is primarily a private bank that focuses on the custody of its clients' assets and loans disbursements. Hence, its main source of funding comes from customer deposits. The Bank actively manages the liquidity obtained through demand and term deposits in accordance with a strict framework approved by the Board of Directors. This approach creates a desired slight asymmetry of maturities to enhance the Bank's profitability. BEMO does not engage in market activities for its own account for speculative purposes. However, customer deposits also finance the Bank's portfolio for its own account. The Bank manages all of these activities with the objective of meeting the required level of various regulatory ratios and fulfilling the criteria set by the Board of Directors.

In accordance with the "Guidelines on ICAAP and ILAAP information collected for SREP purposes" report by the European Banking Authority (EBA), the Bank conducts an internal assessment of the adequacy of its liquidity profile and funding.

8.1 Liquidity Coverage Ratio (LCR)

The Liquidity Coverage Ratio (LCR) is a critical regulatory standard designed to ensure that financial institutions maintain an adequate level of unencumbered high-quality liquid assets (HQLA) that can be easily converted into cash. This is to safeguard against potential liquidity disruptions over a 30-day stress period. The LCR is a key component of our liquidity risk management framework, reflecting our commitment to stability and sound financial practices.

High-Quality Liquid Assets (HQLA): These assets are characterized by their ability to be rapidly and easily converted into cash with minimal loss of value. HQLA includes cash, central bank reserves, and certain marketable securities among others.

Total Net Cash Outflows: This is estimated under a scenario of significant liquidity stress occurring over the next 30 days, considering both contractual and behavioral cash inflows and outflows.

Description	31/12/2022	31/12/2023
Total High Quality Liquid Assets (HQLA)	170,438,788	172,811,825
Total Cash Outflows	56,302,436	176,833,994
Total Cash Inflows (capped at 75% of outflows)	20,166,498	125,288,581
Net Cash Outflows	36,135,938	51,545,413
LCR (%)	472%	335%
Currency used in LCR reporting	EUR	EUR
Frequency of LCR reporting	Annual	Annual
Approach applied	Simplified	Simplified

Table 13: LCR Ratios

8.2 Net Stable Funding Ratio (NSFR)

The Net Stable Funding Ratio (NSFR) is a key regulatory measure introduced to promote the stability and resilience of financial institutions by encouraging longer-term funding strategies. The primary objective of the NSFR is to ensure that banks maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. This is crucial for mitigating the risk of future funding stress and promoting sustainable liquidity management.

Available Stable Funding (ASF): This represents the portion of capital and liabilities expected to be reliable over a one-year time frame. ASF factors include capital, preferred stock, and liabilities with effective maturities of more than one year.

Required Stable Funding (RSF): This quantifies the amount of stable funding that the bank requires to support its assets, derivatives exposures, and off-balance sheet activities. RSF is calculated based on the liquidity characteristics and residual maturities of a bank's assets and off-balance sheet activities.

Description	31/12/2022	31/12/2023
Available Stable Funding (ASF)	225,940,868	224,597,596
Required Stable Funding (RSF)	66,473,663	63,576,175
NSFR (%)	340%	353%
Reporting frequency	Quarterly	Quarterly
Approach applied	Simplified proportional disclosure	Simplified proportional disclosure

Table 14: NSFR Ratios

8.3 Bank's approach to managing its liquidity position

Liquidity risk pertains to the potential scenario in which the Bank may encounter a shortfall of financial resources (liquidity) to meet its obligations. This risk is meticulously tracked through a schedule that provides a comprehensive overview of positions for each currency, along with the corresponding maturity dates of receivables and payables. Both the Treasury manager and the Bank's Management actively monitor these positions on a daily basis.

As a precautionary measure, the Bank maintains a substantial level of liquidity to effectively address any unforeseen events related to customer withdrawals, operational functions, and investment opportunities within the Treasury. Given the bank's conservative reinvestment strategy, liquidity risk is not considered a significant concern. Nevertheless, strict adherence to regulatory requirements, notably various liquidity ratios, demands vigilant oversight from Management.

The maturity dates of investment securities are closely monitored through the "Securities – Cash and own account" dashboard. Furthermore, aligning the maturities of customer deposits with the Bank's investment strategies allows for efficient management of liquidity risk.

The Bank has established robust warning indicators that are specifically tailored to its activities and liquidity structure. These indicators play a vital role in facilitating the management of fluctuations in operational liquidity:

Type of Risk	Description	Indicator	Frequency	Early Warning Indicator	Recovery Trigger	Breach of limit
Liquidity	LCR 40% outflows	% HQLA on outflows <30 days	Monthly	< 159%	< 143%	< 100%
Liquidity	NSFR	Required funding / Stable funding	Quarterly	< 266%	< 255%	< 100%

Table 15: Monitoring levels for liquidity ratios

In case of a severe liquidity crisis, the Bank intends to explore the possibility of utilizing one or multiple measures outlined below:

Liquidity contingency plan option	Impact on profitability	Impact on liquidity	Estimated amount of impact (EUR)	Feasibility	Speed of execution
Increase in deposits with central banks	Negligible	Positive	No cap	High	High
Restructuring / sale of the investment portfolio	Medium	Positive		High	High
Sale of building	Positive the 1st year - Negative after	Positive	2-3 Million	Medium	Low
Requests for facilities with other banking establishments or central banks	Negligible	Positive	No cap	Low	Medium

Table 16: Liquidity recovery options

9 Leverage Ratio

The leverage ratio, as defined and regulated under Basel III framework and adopted by the European Union, is a key tool used to assess the risk of excessive leverage within financial institutions. It serves as a complementary metric to risk-based capital requirements and is designed to constrain the buildup of leverage in the banking sector, enhancing overall financial stability.

The leverage ratio is calculated as the capital measure (Tier 1 capital) divided by the bank's total exposure. This exposure includes not only on-balance sheet assets but also off-balance sheet exposures, derivatives, and securities financing transactions. By setting a minimum standard for this ratio, it acts as a safeguard against the risks associated with high leverage levels.

BEMO Europe Risk Management Department plays a pivotal role in monitoring and managing the leverage ratio. This involves continuous tracking of our leverage levels against regulatory requirements and internal thresholds set by the Bank. The department ensures that our business activities are conducted within these defined limits, thereby aligning our operational strategies with prudent leverage practices and regulatory expectations.

Moreover, our leverage ratio management strategy is integrated into the broader risk management framework of the Bank. This includes rigorous stress testing and scenario analysis to evaluate the potential impact of adverse market conditions on our leverage levels. Our proactive approach in managing leverage reflects our commitment to maintaining a robust capital structure and safeguarding the Bank's financial health.

Following the introduction of the new EU Regulation 2019/876 and Directive 2019/878/EU, which amend European Regulation 2013/575, our Bank has been required to maintain a leverage ratio above 3% in 2023.

		CRR leverage ratio exposures
		2023
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	291,581,304.94
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	0
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	0
5	(General credit risk adjustments to on-balance sheet items)	0
6	(Asset amounts deducted in determining Tier 1 capital)	- 1,051,677.77
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	291,581,304.94
Derivative exposures		
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	0
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	0
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	0
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	0
EU-9b	Exposure determined under Original Exposure Method	0
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	0
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	0
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)	0
11	Adjusted effective notional amount of written credit derivatives	0
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
13	Total derivatives exposures	0
Securities financing transaction (SFT) exposures		
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	0
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0
16	Counterparty credit risk exposure for SFT assets	0
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	0
17	Agent transaction exposures	0
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	0
18	Total securities financing transaction exposures	0
Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	1,934,012.00
20	(Adjustments for conversion to credit equivalent amounts)	
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	
22	Off-balance sheet exposures	1,934,012.00
Excluded exposures		
EU-22a	(Exposures excluded from the leverage ratio total exposure measure in accordance with point (c) and point (ca) of Article 429a(1) CRR)	0
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet))	0
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)	0
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)	0

EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	0
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	0
EU-22g	(Excluded excess collateral deposited at triparty agents)	0
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	0
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	0
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	0
EU-22k	(Excluded exposures to shareholders according to Article 429a (1), point (da) CRR)	0
EU-22l	(Exposures deducted in accordance with point (q) of Article 429a(1) CRR)	0
EU-22m	(Total exempted exposures)	0
Capital and total exposure measure		
23	Tier 1 capital	15,142,431.54
24	Total exposure measure	292,463,639.73
Leverage ratio		
25	Leverage ratio (%)	5.18%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	5.18%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	5.18%
26	Regulatory minimum leverage ratio requirement (%)	3.00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%
EU-26b	of which: to be made up of CET1 capital	0.00%
27	Leverage ratio buffer requirement (%)	0.00%
EU-27a	Overall leverage ratio requirement (%)	3.00%

Table 17: EU LR2 - LRCM: Leverage ratio common disclosure

In summary, the leverage ratio is a vital component of our risk management and regulatory compliance framework. It provides a clear and straightforward measure of our leverage and serves as an essential check against excessive risk-taking. The following sections will provide a detailed analysis of our leverage ratio, including its calculation, compliance with regulatory standards, and how it is effectively managed by the Risk Management Department.

10 Key Metrics

Table resuming key metrics as of 31st December 2023 on a consolidated level:

		2023
	Available own funds (amounts)	
1	Common Equity Tier 1 (CET1) capital	15,142,431.53
2	Tier 1 capital	15,142,431.53
3	Total capital	15,142,431.53
Risk-weighted exposure amounts		
4	Total risk exposure amount	54,926,463.98
4a	Total risk exposure pre-floor	54,926,463.98
Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	27.57%
5a	Not applicable	
5b	Common Equity Tier 1 ratio considering unfloored TREA (%)	27.57%
6	Tier 1 ratio (%)	27.57%
6a	Not applicable	
6b	Tier 1 ratio considering unfloored TREA (%)	27.57%
7	Total capital ratio (%)	27.57%
7a	Not applicable	
7b	Total capital ratio considering unfloored TREA (%)	27.57%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)		
EU 7d	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	0
EU 7e	of which: to be made up of CET1 capital (percentage points)	0
EU 7f	of which: to be made up of Tier 1 capital (percentage points)	0
EU 7g	Total SREP own funds requirements (%)	0
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)		
8	Capital conservation buffer (%)	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0
9	Institution specific countercyclical capital buffer (%)	0.27%
EU 9a	Systemic risk buffer (%)	0
10	Global Systemically Important Institution buffer (%)	0
EU 10a	Other Systemically Important Institution buffer (%)	0
11	Combined buffer requirement (%)	2.77%
EU 11a	Overall capital requirements (%)	15.77%
12	CET1 available after meeting the total SREP own funds requirements (%)	11.80%
Leverage ratio		
13	Total exposure measure	292,463,639.73
14	Leverage ratio (%)	5.18%
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
EU 14b	of which: to be made up of CET1 capital (percentage points)	0
EU 14c	Total SREP leverage ratio requirements (%)	0

Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)		
EU 14d	Leverage ratio buffer requirement (%)	0
EU 14e	Overall leverage ratio requirement (%)	3.00%
Liquidity Coverage Ratio		
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	172,811,825.12
EU 16a	Cash outflows - Total weighted value	176,833,994.41
EU 16b	Cash inflows - Total weighted value	125,288,581.31
16	Total net cash outflows (adjusted value)	51,545,413.11
17	Liquidity coverage ratio (%)	335.26%
Net Stable Funding Ratio		
18	Total available stable funding	224,597,596.09
19	Total required stable funding	63,576,175.08
20	NSFR ratio (%)	353.27%
Available own funds (amounts)		
1	Common Equity Tier 1 (CET1) capital	10,898.870
2	Tier 1 capital	10,898.870
3	Total capital	10,898.870
Risk-weighted exposure amounts		
4	Total risk-weighted exposure amount	52,353.934
Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	20,82%
6	Tier 1 ratio (%)	20,82%
7	Total capital ratio (%)	20,82%
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)		
EU 7a	Additional CET1 SREP requirements (%)	1,12%
EU 7b	Additional AT1 SREP requirements (%)	0,38%
EU 7c	Additional T2 SREP requirements (%)	0,50%
EU 7d	Total SREP own funds requirements (%)	10,00%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
8	Capital conservation buffer (%)	2,50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0,00%
9	Institution specific countercyclical capital buffer (%)	0,33%
EU 9a	Systemic risk buffer (%)	0,00%
10	Global Systemically Important Institution buffer (%)	0,00%
EU 10a	Other Systemically Important Institution buffer	0,00%
11	Combined buffer requirement (%)	2,83%
EU 11a	Overall capital requirements (%)	12,83%
12	CET1 available after meeting the total SREP own funds requirements (%)	61,57%
Leverage ratio		
13	Leverage ratio total exposure measure	297,504.514
14	Leverage ratio	3,66%
Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)		
EU 14a	Additional CET1 leverage ratio requirements (%)	3,00%
EU 14b	Additional AT1 leverage ratio requirements (%)	0,00%
EU 14c	Additional T2 leverage ratio requirements (%)	0,00%
EU 14d	Total SREP leverage ratio requirements (%)	3,00%
EU 14e	Applicable leverage buffer	0,00%
EU 14f	Overall leverage ratio requirements (%)	3,00%
Liquidity Coverage Ratio		
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	170,438,788
16	Total net cash outflows (adjusted value)	36,135,938
17	Liquidity coverage ratio (%)	471,66%
Net Stable Funding Ratio		
18	Total available stable funding	225,940,868
19	Total required stable funding	66,473,663
20	NSFR ratio (%)	339,90%

Table 18: EU KM1 – Key metrics table

		2023 Amounts
Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	36,846,585.0
	of which: Instrument type 1	0
	of which: Instrument type 2	0
	of which: Instrument type 3	0
2	Retained earnings	19,106,712.2
3	Accumulated other comprehensive income (and other reserves)	1,545,763.50
EU-3a	Funds for general banking risk	0
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	0
5	Minority interests (amount allowed in consolidated CET1)	0
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	0
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	15,142,431.5
		3

Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	137,772.44
8	Intangible assets (net of related tax liability) (negative amount)	913,905.33
9	Not applicable	0
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) CRR are met) (negative amount)	0
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	0
12	Negative amounts resulting from the calculation of expected loss amounts	
13	Any increase in equity that results from securitised assets (negative amount)	0
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	0
15	Defined-benefit pension fund assets (negative amount)	0
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	0
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)	0
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)	0
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)	0
20	Not applicable	0
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	0
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	0
EU-20c	of which: securitisation positions (negative amount)	0
EU-20d	of which: free deliveries (negative amount)	0
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38-(3) CRR are met) (negative amount)	0
22	Amount exceeding the 17,65% threshold (negative amount)	0
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	0
24	Not applicable	0
25	of which: deferred tax assets arising from temporary differences	0
EU-25a	Losses for the current financial year (negative amount)	0
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)	0
26	Not applicable	0
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	0
27a	Other regulatory adjustments	0
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	137,772.44
29	Common Equity Tier 1 (CET1) capital	15,142,431.5
		3
Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	0
31	of which: classified as equity under applicable accounting standards	0
32	of which: classified as liabilities under applicable accounting standards	0
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1	0
EU-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	0
EU-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	0
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	0
35	of which: instruments issued by subsidiaries subject to phase out	0
36	Additional Tier 1 (AT1) capital before regulatory adjustments	0
Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	0
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)	0
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)	0
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)	0
41	Not applicable	
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	0
42a	Other regulatory adjustments to AT1 capital	0
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	0
44	Additional Tier 1 (AT1) capital	0
45	Tier 1 capital (T1 = CET1 + AT1)	
Tier 2 (T2) capital: instruments		
46	Capital instruments and the related share premium accounts	0
47	Amount of qualifying items referred to in Article 484(5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR	0
EU-47a	Amount of qualifying items referred to in Article 494a(2) CRR subject to phase out from T2	0
EU-47b	Amount of qualifying items referred to in Article 494b(2) CRR subject to phase out from T2	0
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	0
49	of which: instruments issued by subsidiaries subject to phase out	0
50	Credit risk adjustments	0
51	Tier 2 (T2) capital before regulatory adjustments	0
Tier 2 (T2) capital: regulatory adjustments		

52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	0
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)	0
54	Direct, indirect and synthetic 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)	0
54a	Not applicable	0
55	Direct, indirect and synthetic 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)	0
56	Not applicable	0
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	0
EU-56b	Other regulatory adjustments to T2 capital	0
57	Total regulatory adjustments to Tier 2 (T2) capital	0
58	Tier 2 (T2) capital	0
59	Total capital (TC = T1 + T2)	0
60	Total Risk exposure amount	0
Capital ratios and requirements including buffers		
61	Common Equity Tier 1 capital	15,142,431.5
62	Tier 1 capital	3
63	Total capital	15,142,431.5
64	Institution CET1 overall capital requirements	7.00%
65	of which: capital conservation buffer requirement	2.50%
66	of which: countercyclical capital buffer requirement	0
67	of which: systemic risk buffer requirement	0
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	0
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	0
68	Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	23.07%

Table 19: EU CC1 - Composition of regulatory own funds

		Balance sheet as in published financial statements
		As at period end 2023
Assets - Breakdown by asset classes according to the balance sheet in the published financial statements		
1	Caisse, avoirs auprès des banques centrales et des offices de chèques postaux	9,126,112
2	Créances sur les établissements de crédit	14,704,957
	- à vue	14,704,957
3	Créances sur la clientèle	83,717,795
4	Obligations et autres valeurs mobilières à revenu fixe	174,432,941
	- des émetteurs publics	165,337,616
	- d'autres émetteurs	9,095,325
5	Actions et autres valeurs mobilières à revenu variable	17,126
6	Parts dans des entreprises liées	-
7	Actifs incorporels	913,905
8	Actifs corporels	4,320,841
9	Autres actifs	1,933,651
10	Comptes de régularisation actif	3,661,847
11	Total assets	292,829,175
Liabilities - Breakdown by liability classes according to the balance sheet in the published financial statements		
1	Dettes envers des établissements de crédit	2,514,841
	- à vue	-
2	Dettes envers la clientèle	268,936,809
	Autres dettes	-
	- à vue	172,962,901
	- à terme ou à préavis	95,973,908
3	Autres passifs	2,009,056
4	Provisions	133,383
5	Comptes de régularisation passif	2,866,549
6	Total liabilities	276,460,638
Shareholders' Equity		
1	Capital souscrit	36,286,585
2	Primes d'émission	560,000
3	Réserves	55,038
4	Résultats reportés	24,660,968
5	Résultat de l'exercice	4,129,676
6	Accumulated other comprehensive income	-
7	Total shareholders' equity	16,370,331

Table 20: EU CC2 - reconciliation of regulatory own funds to balance sheet in the audited financial statements

General credit exposures	Own fund requirements	Own fund requirements	

	Exposure value under the standardised approach	Relevant credit risk exposures - Credit risk	Total	weights (%)	Countercyclical buffer rate (%)
Breakdown by country:					
AE	1,809,720	52,948	52,948	2.1%	0
AO	63	5	5	0.0%	0
BE	457,306	12,952	12,952	0.5%	0
CY	2,842,226	132,154	132,154	5.3%	0
FR	23,267,902	787,981	787,981	31.6%	0
GB	34,273	2,056	2,056	0.1%	0
IL	83	5	5	0.0%	0
LB	19,654,255	685,773	685,773	27.5%	0
LU	7,743,262	554,632	554,632	22.2%	0
MC	3,247,134	259,771	259,771	10.4%	0
QA	102,915	2,882	2,882	0.1%	0
SK	62,107	3,726	3,726	0.1%	0
US	1,758	106	106	0.0%	0
Total	59,223,005	2,494,990	2,494,990	100.0%	0.270%

Table 21: EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

		2023
1	Total risk exposure amount	59,223,005
2	Institution specific countercyclical capital buffer rate	0.27%
3	Institution specific countercyclical capital buffer requirement	

Table 22: EU CCyB2 - Amount of institution-specific countercyclical capital buffer

11 Compliance Risk

Compliance risk at BEMO Europe is identified as the risk of regulatory consequences, sanctions, or reputational damage potentially leading to significant financial losses. This risk stems from non-compliance with laws, regulations, the Bank's code of conduct, and standards of best practices. The Bank operates under a stringent regulatory environment within the Luxembourg financial sector and must consistently align with evolving regulations and European directives. This necessitates a robust organizational structure capable of effectively adapting to and implementing new regulatory demands.

While there are no specific quantitative measures for compliance risk, BEMO Europe has established a dedicated department to manage the policies and procedures required to fulfill regulatory obligations. Furthermore, a new regulatory committee is under formation to address and implement forthcoming banking regulations. The Bank is committed to exercising utmost diligence and appropriate measures to minimize the risk of normative non-compliance, including the establishment of necessary controls to prevent regulatory breaches.

11.1 Mitigation Techniques for Compliance Risk

To comply with all applicable laws and regulations, BEMO Europe has developed a comprehensive set of policies and procedures, including supervisory controls, to ensure employee adherence to the Bank's regulatory framework. In terms of Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT), the Bank maintains vigilant regulatory watch, stringent rules on country restrictions, and rigorous processes for high-risk account openings, including a formalized review process for updating KYC elements of existing clients. The Bank also implements ongoing customer and transaction monitoring, including client name screening against official lists, and controls the status of any breaches detected, ensuring that corrective actions are defined and implemented.

In addition, the Bank has a robust framework for market integrity, professional, and personal ethics, encompassing a MiFID control framework and policies on inducements and conflict of interest. These measures effectively manage conflicts, declare gifts and incentives, ensure optimal execution and safeguarding of assets, and establish controls against market manipulation.

The Bank upholds an internal code of ethics, which includes a whistleblowing policy, granting every employee the right to alert. This policy is detailed in the internal code of conduct provided to every employee at the start of their employment.

Furthermore, in alignment with CSSF Circular 12/552, the Compliance department prepares an annual report for the Board and CARE Committee on the Bank's compliance status. This report, after Board approval, is submitted to the CSSF. The internal audit department also conducts annual reviews on MiFID and AML/CFT controls and triennial reviews on the compliance function, with the primary goal of identifying and remedying any deficiencies.

12 Remuneration

12.1 Remuneration Policy Overview

The Remuneration Policy has been developed in order to be implemented within BEMO EUROPE – Banque Privée (Luxembourg) and its branch in Paris (France) (hereafter referred to as “the Bank” or “BEMO”).

In accordance with the Law of 5 April 1993 on the financial sector, the Bank has chosen to apply the principle of proportionality.

The basic remuneration of an employee is composed of a fixed salary, whose amount is correlated with the function, responsibilities and skills of the employee.

The HR department assesses regularly if it is aligned with the standards applied by other banks in Luxembourg and Paris.

The only variable part of the remuneration is the annual bonus (paid in cash by bank transfer to employees) that may be individually awarded. It is considered exceptional and not mandatory.

The annual bonus is determined on the basis of the Bank's financial performance of the year, at departmental and individual level, on the basis of qualitative and quantitative criteria, in order to align the interests of employees with those of the Bank.

The Board of Directors reserves the right to change the terms of payment of the annual bonus at any time. The criteria for the attribution of annual bonus are determined by the CEO and the Authorized Management and allocated by the management/heads of departments.

12.1.1 Restrictions and limitations

The condition for the granting of bonuses is that the Bank achieves a profit.

Payment of bonuses is absolutely discretionary and BEMO retains the possibility of reducing or even eliminating it.

The Bank does not grant any variable remuneration in the form of financial instruments or methods that facilitate non-compliance with the Remuneration Policy and applicable regulations.

The variable part of the remuneration may not exceed 100% of the fixed annual remuneration

No employee shall receive a bonus equal or higher than EUR 1,000,000.00 per year.

The total bonuses paid out in a year may not exceed 25% of the total annual payroll

12.1.2 Governance

Board of Directors (BoD): The BoD is responsible for the establishment, implementation and supervision of the policy as well as any amendments and updates required by laws and regulations. It is also responsible for all changes relating to remuneration methods (fixed and bonus). The BoD determines the remuneration of the members of the Authorized Management. As an indication, the Board of Directors held 15 meetings in 2023.

Remuneration & Nomination Committee (RNC):

The RNC, created in 2016, is composed of directors chosen among the members of the BoD.

It is a delegate body of the BoD in charge of the remuneration and appointments. Its scope is the Executive Management (CEO), the Authorized Management and the key functions such as Internal Control Functions.

The primary function of the RNC is to provide the BoD with evaluations and proposals relating to topics such as:

- Recruitment and job descriptions relating to executive members and key functions
- Appointment of executive members and key functions
- Remuneration policy
- Remuneration and bonuses
- Supervision of the remuneration of the Heads of Department and Internal Control Functions
- Performance of the Authorized Management members

In 2023, the RNC was suspended and its missions were fully assumed by the BoD.

Authorized Management (AM):

The AM is composed of the Chief Executive Officer and 3 Directors.

It is responsible for implementing and ensuring that the Remuneration Policy and is properly applied.

It gives all useful instructions to the Human Resources Department.

The AM shall:

- Take all necessary measures to maintain the Remuneration Policy in accordance with the applicable legal and regulatory framework
- Report to the BoD at least once a year in order to keep it informed of the application of the Remuneration Policy
- Propose to the BoD any changes relating to the structure and / or method of remuneration as well as the overall amounts they wish to allocate as remuneration increases (fixed or bonuses)
- Define and monitor the budgets and objectives of employees eligible to receive a bonus

Control Functions (CF):

The CF (Compliance and Risk), in collaboration with the AM actively participate in the design, the implementation and the application of the Remuneration Policy.

Human Resources (HR):

HR applies the rules set out in the Remuneration Policy and the instructions received from the CEO or AM (salary, bonuses, increases and benefits).

Internal Audit Function (IAF):

The Remuneration Policy is reviewed annually by the IAF as part of its multi-year strategic plan.

The review includes compliance with applicable legal and regulatory framework, and correct application on the basis of the procedures put in place by the BoD.

12.1.3 Pay and Performance

The payment of variable compensation takes into account all categories of present and future risks:

- 30% of the annual bonus is paid in July following the semi-annual accounts' closing of the accounts, and after the evaluation of the key performance indicators and personal objectives relevant to eligible employees
- 70% of the annual bonus is paid in December based on the forecasts of the annual accounts' closing and after reviewing the evaluation of the performance criteria and personal objectives relating to eligible employees

The Bank does not pay any compensation in the form of rights, options, shares or discretionary pension benefits to its employees which greatly moderates the level of risk.

12.1.4 Categories of personnel

Members of the Board of Directors:

They are not subject to profit-sharing, or incentives and their remuneration is not linked to performance.

Chief Executive Officer:

The CEO's fixed salary is approved by the Chairman of the Board of Directors. The variable remuneration (annual bonus) depends on qualitative and quantitative criteria. In 2023, the BoD was in charge of assessing the CEO's performance and determining the total amount of annual bonus.

Members of the Control Functions:

This category encompasses the staff members employed in Compliance, Risk Management and Internal Audit. In order to guarantee their independence, the Control Functions are directly reporting to the CEO. Their variable remuneration (annual bonus) reflects their level of individual performance on the basis of qualitative objectives. The amount granted is at the discretion of the Executive Management and is linked to the Bank's results. In order to avoid conflicts of interest, the fixed and variable remuneration components of members of the Control functions are not linked to any business result objective nor calculated in correlation to quantified objectives.

Relationship Managers and related (RMR):

This category encompasses the Private Bankers and the Relationship Managers.

Their remuneration is composed of:

- A fixed annual salary
- An annual bonus
- Possible additional discretionary bonus not exceeding 15% of their total remuneration

The fixed annual salary is the only recurring source of remuneration for this category of employees. This is meant to reduce the level of risk. The variable remuneration (annual bonus) is linked to the individual performance and depends on quantitative and qualitative criteria.

Managers, Heads of Departments and other collaborators:

The "Managers, Heads of Department" category encompasses employees in charge of one or more departments and reporting directly to members of Authorized Management. The variable remuneration (annual bonus) of the Managers, Heads of Departments and other collaborators reflects their level of individual performance evaluated on the basis of qualitative objectives. The amount granted is at the discretion of the Executive Management and is linked to the Bank's results. BEMO takes into account the current and future risks in the calculation of the variable remuneration in many ways. Firstly, bonuses are not guaranteed in order to be compatible with a sound risk and financial management of the Bank. In addition, the annual bonuses are paid in tranches: 30% in July and 70% in December which allows the Bank to align with financial results of the Bank and individual performance throughout the year.

Finally, if a bonus has been awarded to an employee on the basis of fraudulent data/information, the reimbursement of the part of this bonus acquired on the basis of this fraudulent data will be required by BEMO and where necessary, legally enforced.

		MB Supervisor function	MB Management function	Other senior manager	Other identified staff
Fixed remuneration	Number of identified staff as at 31/12/2023	6	4	8	N/A
	Total fixed remuneration	0.00 €	1,428,245.00 €	862,605.00 €	N/A
	Of which: cash-based	0.00 €	1,428,245.00 €	862,605.00 €	N/A
	(Not applicable in the EU)				N/A
	Of which: shares or equivalent ownership interests	0.00 €	0.00 €	0.00 €	N/A

	Of which: share-linked instruments or equivalent non-cash instruments	0.00 €	0.00 €	0.00 €	N/A
	Of which: other instruments	0.00 €	0.00 €	0.00 €	N/A
	(Not applicable in the EU)				N/A
	Of which: other forms	0.00 €	0.00 €	0.00 €	N/A
	(Not applicable in the EU)				N/A
Variable remuneration	Number of identified staff	6	4	7	N/A
	Total variable remuneration	0.00 €	244,000.00 €	91,900.00 €	N/A
	Of which: cash-based	0.00 €	244,000.00 €	91,900.00 €	N/A
	Of which: deferred	0.00 €	0.00 €	0.00 €	N/A
	Of which: shares or equivalent ownership interests	0.00 €	0.00 €	0.00 €	N/A
	Of which: deferred	0.00 €	0.00 €	0.00 €	N/A
	Of which: share-linked instruments or equivalent non-cash instruments	0.00 €	0.00 €	0.00 €	N/A
	Of which: deferred	0.00 €	0.00 €	0.00 €	N/A
	Of which: other instruments	0.00 €	0.00 €	0.00 €	N/A
	Of which: deferred	0.00 €	0.00 €	0.00 €	N/A
	Of which: other forms	0.00 €	0.00 €	0.00 €	N/A
	Of which: deferred	0.00 €	0.00 €	0.00 €	N/A
	Total remuneration (2 + 10)	0.00 €	€	1,672,245.00	954,505.00 €
N/A					

Table 23: EU REM1 - Remuneration awarded for the financial year

	MB Supervisory function	MB Management function	Other senior management	Other identified staff
Guaranteed variable remuneration awards				
Guaranteed variable remuneration awards - Number of identified staff	4	0	0	N/A
Guaranteed variable remuneration awards - Total amount	180,000.00 €	0	0	N/A
Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	0	0	0	N/A
Severance payments awarded in previous periods, that have been paid out during the financial year				
Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	0	0	0	N/A
Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	0	0	0	N/A
Severance payments awarded during the financial year				
Severance payments awarded during the financial year - Number of identified staff	0	0	0	N/A
Severance payments awarded during the financial year - Total amount	0	0	0	N/A
Of which paid during the financial year				N/A
Of which deferred				N/A
Of which severance payments paid during the financial year, that are not taken into account in the bonus cap				N/A
Of which highest payment that has been awarded to a single person				N/A

Table 24: EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

EUR	Identified staff that are high earners as set out in Article 450(i) CRR
1 000 000 to below 1 500 000	N/A
1 500 000 to below 2 000 000	N/A
2 000 000 to below 2 500 000	N/A
2 500 000 to below 3 000 000	N/A
3 000 000 to below 3 500 000	N/A
3 500 000 to below 4 000 000	N/A
4 000 000 to below 4 500 000	N/A
4 500 000 to below 5 000 000	N/A
5 000 000 to below 6 000 000	N/A
6 000 000 to below 7 000 000	N/A
7 000 000 to below 8 000 000	N/A
To be extended as appropriate, if further payment bands are needed.	

Table 25: EU REM4 - Remuneration of 1 million EUR or more per year

	Management body remuneration			Business areas						-
	MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	
Total number of identified staff										N/A
Of which: members of the MB	N/A	N/A	N/A							
Of which: other senior management				N/A	N/A	N/A	N/A	N/A	N/A	
Of which: other identified staff				N/A	N/A	N/A	N/A	N/A	N/A	
Total remuneration of identified staff	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Of which: variable remuneration	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Of which: fixed remuneration	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	

Table 26: EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)