BEMO Europe

2022 Pillar III Disclosure Report

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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 the Chief Risk Officer, 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 2022:

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
Mr. RABBATH Naji	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[1]:

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

General Management[2]:

Mme. DJAMAL Nayla	Director – Paris Branch
Mr. EL KHOURY Rony	Director – Paris Branch
Mr. DA COSTA Tiago	Chief Risk Officer
Mr. 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.

[1] As of October 2023
[2] As of October 2023

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.

3 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**
of which Credit Risk	5.120.888	5.842.936
of which Market Risk	34.486	44.595
of which Operational Risk	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

3.1 Regulatory capital adequacy

The following table details the own funds disclosure in accordance with Annex IV of the Regulation (EU) No 1423/2013. The disclosure is based as of 31st December 2022:

	Own funds disclosure template		Regulation (EU) No 575/2013 Article Reference
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	36.286.585	26 (1), 27, 28, 29
	of which: Instrument type 1		EBA list 26 (3)
	of which: Instrument type 2		EBA list 26 (3)
	of which: Instrument type 3		EBA list 26 (3)
2	Retained earnings	- 21.791.794	26 (1) C
3	Accumulated other comprehensive income (and other reserves)	- 3.372.318	26 (1)
3a	Funds for general banking risk	55.038	26 (1) (f)
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	560.000	486 (2)
5	Minority interests (amount allowed in consolidated CET1)		84
5a	Independently reviewed interim profits net of any foreseeable charge or dividend		26 (2)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	11.737.511	Sum of rows 1 to 5a
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	- 135.584	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	- 703.057	36 (1) (b), 37
9	Empty set in the EU		
10	Deferred tax assets that rely on future profitability excluding these arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		36 (1) (c), 38,
11	Fair value reserves related to gains or losses on cash flow hedges		33(1) (a)
12	Negative amounts resulting from the calculation of expected loss amounts		36 (1) (d), 40, 159
13	Any increase in equity that results from securitized assets (negative amount)		32 (1)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		33(1) (b)
15	Defined-benefit pension fund assets (negative amount)		36 (1) (e), 41
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)		36 (1) (f), 42
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)		36 (1) (g), 44
18	Direct, indirect and synthetic holdings by the institution of the CET 1 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)		36 (1) (h), 43, 45, 46, 49 (2) (3), 79
19	Direct, indirect and synthetic holdings by the institution of the CET 1 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)		36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79
20	Empty set in the EU		
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		36 (1) (k)
20b	of which: qualifying holdings outside the financial sector (negative amount)		36 (1) (k) (i), 89 to 91
20c	of which: securitization positions (negative amount)		36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258
20d	of which: free deliveries (negative amount)		36 (1) (k) (iii), 379 (3)
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		36 (1) (c), 38, 48 (1) (a)
22	Amount exceeding the 15% threshold (negative amount)		48 (1)

23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities			36 (1) (i), 48 (1) (b)
24	Empty set in the EU			
25	of which: deferred tax assets arising from temporary differences			36 (1) (c), 38, 48 (1) (a)
25a	Losses for the current financial year (negative amount)			36 (1) (a)
25b	Foreseeable tax charges relating to CET1 items (negative amount)			36 (1) (l)
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)			36 (1) (j)
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	-	838.641	Sum of rows 7 to 20a, 21, 22 and 25a to 27
29	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**		10.898.870	Row 6 minus row 28
Additional Tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts			51, 52
31	of which: classified as equity under applicable accounting standards			
32	of which: classified as liabilities under applicable accounting standards			
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1			486 (3)
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			85, 86
35	of which: instruments issued by subsidiaries subject to phase out			486 (3)
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	-		Sum of rows 30, 33 and 34
Additional Tier 1 (AT1) capital: regulatory adjustments				
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)			52 (1) (b), 56 (a), 57
38	Direct, indirect and synthetic holdings of the AT 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)			56 (b), 58
39	Direct, indirect and synthetic holdings by the institution 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)			56 (c), 59, 60, 79
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)			56 (d), 59, 79
41	Empty set in the EU			
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)			56 (e)
43	**Total regulatory adjustments to Common Equity Tier 1 (AT1) capital**	-		Sum of rows 37 to 42
44	**Additional Tier 1 (AT1) capital**	-		Row 36 minus row 43
45	**Tier 1 capital (T1 = CET1 + AT1)**		10.898.870	Sum of row 29 and row 44
Tier 2 (T2) capital: instruments and provisions				
46	Capital instruments and the related share premium accounts			62, 63
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from AT2			486 (4)
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties			87, 88
49	of which: instruments issued by subsidiaries subject to phase out			486 (4)
50	Credit risk adjustments			62 (c) & (d)
51	Tier 2 (T2) capital before regulatory adjustments	-		
Tier 2 (T2) capital: regulatory adjustments				
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)			63 (b) (i), 66 (a), 67
53	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)			66 (b), 68

54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		66 (c), 69, 70, 79
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		66 (d), 69, 79
56	Empty set in the EU		
57	**Total regulatory adjustments to Tier 2 (T2) capital**	-	Sum of rows 52 to 56
58	**Tier 2 (T2) capital before regulatory adjustments**	-	Row 51 minus row 57
59	**Total capital (TC = T1 + T2)**	10.898.870	Sum of row 45 and row 58
60	**Total risk weighted assets**	52.353.934	
Capital ratios and buffers			
61	**Common Equity Tier 1 (as a percentage of total risk exposure amount)**	20.82%	92 (2) (a)
62	**Tier 1 (as a percentage of total risk exposure amount)**	20.82%	92 (2) (b)
63	**Total capital (as a percentage of total risk exposure amount)**	20.82%	92 (2) (c)
64	**Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)**		CRD 128, 129, 130, 131, 133
65	**of which: capital conservation buffer requirement**		
66	**of which: countercyclical buffer requirement**		
67	**of which: systemic risk buffer requirement**		
67a	**of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer**		
68	**Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)**		CRD 128
69	[non relevant in EU regulation]		
70	[non relevant in EU regulation]		
71	[non relevant in EU regulation]		
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of the capital 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)		36 (1) (h), 46, 45 56 (c), 59, 60 66 (c), 69, 70
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		36 (1) (i), 45, 48
74	Empty set in the EU		
75	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		36 (1) (c), 38, 48
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardized approach (prior to the application of the cap)		62
77	Cap on inclusion of credit risk adjustments in T2 under standardized approach		62
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)		62
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		62
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	-- Current cap on CET1 instruments subject to phase out arrangements		484 (3), 486 (2) & (5)
81	-- Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		484 (3), 486 (2) & (5)
82	-- Current cap on AT1 instruments subject to phase out arrangements		484 (3), 486 (3) & (5)
83	-- Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		484 (3), 486 (3) & (5)

84	-- Current cap on T2 instruments subject to phase out arrangements	484 (3), 486 (4) & (5)
85	-- Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	484 (3), 486 (4) & (5)

Table 5: Own funds disclosure – Annex IV of the Regulation (EU) No 1423/2013 as of 31st December 2022

4 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.

4.1 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.

4.2 Credit Risk Exposure

Under the Standardized Approach, banks are mandated to utilize risk assessments from External Credit Assessment Institutions (ECAIs) or expert credit agencies, wherever feasible, to ascertain the risk weightings for rated counterparties. Our Bank employs the services of prominent ECAIs, namely Moody's Investors Service, Standard & Poor's, and Fitch Ratings. These institutions play a crucial role in determining the risk weightings for various exposures, including those associated with the Bank's own securities, securities pledged as collateral for client credits, and exposures to credit institutions, as well as to central governments and central banks.

Total amount of exposure per type of exposure classes as per regulatory reporting as of 31st December 2022:

	Exposure 31/12/2023	Exposure after CCF	RWA
Central Banks	12.915.496	12.915.496	0
Corporates	28.599.066	3.623.717	4.419.166
Default	1.668.328	1.214.221	1.225.493
Institutions	14.288.350	14.222.766	2.844.553
Other items	6.598.192	6.598.192	6.539.673
Retail	6.749.889	1.844.453	1.383.339
Secured by mortgages on immovable property	45.200.421	39.636.168	14.103.462
Central Government	54.871.367	54.173.032	0
Corporates	8.983.560	8.819.378	4.260.590

High Risk	2.840	2.840	4.260
Institutions	14.141.437	13.506.184	4.223.636
Multilateral Development Banks	100.501.326	99.108.396	0
Grand Total	**294.520.272**	**255.664.841**	**39.004.172**

Table 6: Credit exposure per type of risk counterparty as of 31st December 2022

4.2.1 Credit Exposures for loans given

Total loans exposures by risk weights as of 31st December 2022:

	Loans Exposure 31/12/2022	Exposure after CRM	RWA
0%	659.574	0	0
20%	26.110	26.110	5.222
35%	43.342.836	38.476.785	13.594.935
50%	1.198.010	1.159.383	508.526
75%	6.749.889	1.844.453	1.383.339
100%	19.129.862	1.640.330	1.640.330
150%	9.212.235	1.272.310	1.908.466
Total	**80.318.516**	**44.419.371**	**19.040.819**

Table 7: Loans exposure by risk weights as of 31st December 2022

Total loans exposures by counterparties type as of 31st December 2022:

	Loans Exposure 31/12/2022	Exposure after CRM	RWA
Corporates	36.726.420	20.808.647	9.492.002
Institutions	26.110	26.110	5.222
Retail	43.565.986	23.584.614	9.543.595
Total	**80.318.516**	**44.419.371**	**19.040.819**

Table 8: Loans exposure by counterparty type as of 31st December 2022

Total loans exposures by exposure type as of 31st December 2022:

	Loans Exposure 31/12/2022	Exposure after CRM	RWA
Credit for consumption	3.989.925	1.454.160	1.321.589
Lending for house purchase	46.972.005	41.140.707	15.530.718
Lombard loan	28.600.579	1.566.787	1.948.185
Overdraft	756.007	257.717	240.328
Total	**80.318.516**	**44.419.371**	**19.040.819**

Table 9: Loans exposure by type of loans as of 31st December 2022

4.3 Forborne and Non-Performing exposures

As of 31st December 2022, the Bank had a total of non-performing exposures of EUR 2.4 million of those EUR.

	Performing	Non-performing	%
Loans and advances	**78.737.121**	**2.411.739**	**3,06%**
Provisions	*42.709*	*700.296*	-
Exposure after provisions	*78.694.412*	*1.711.443*	*2.17%*
Exposure after CRM considerations		**63.985**	**0,08%**

Total provisions taken by the Bank amount to EUR 700'296 reducing the net exposure after CRM considerations to EUR 63'985.

Forborne exposure for both performing and non-performing loans are represented in the table below:

		Gross carrying amount of forborne exposures / Nominal amount				**Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions**		**Collaterals received and financial guarantees received on forborne exposures**	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which: Collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted	Of which impaired				
010	Loans and advances	4.026.311	617.818	617.818	73.036	-18	-73.036	4.444.381	445.313
020	*Central banks*	-	-	-	-	-	-	-	-
030	*General governments*	-	-	-	-	-	-	-	-
040	*Credit institutions*	-	-	-	-	-	-	-	-
050	*Other financial corporations*	-	-	-	-	-	-	-	-
060	*Non-financial corporations*	1.874.609	-	-	-	-	-	1.874.609	-
070	*Households*	2.151.702	617.818	617.818	73.036	-18	-73.036	2.569.772	445.313
080	*Debt Securities*	-	-	-	-	-	-	-	-
090	Loan commitments given	-	-	-	-	-	-	-	-
100	***Total***	**4.026.311**	**617.818**	**617.818**	**73.036**	**-18**	**-73.036**	**4.444.381**	**445.313**

Table 10: Forborne and non performing exposures 31st December 2022

4.4 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.

5 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 then 75% of the total portfolio. With the increase in interest rates, the portfolio strategy was changed to have more medium-term maturities and flooting interest rates (64% of the portfolio) while concentrating the major part of the portfolio on high liquidity assets.

Composition of the Proprietary Account Portfolio at 31.12.2022

Type	Exposure as of 31/12/2022	Breakdown %	RWA
Central Government	**54.871.367**	**30,7%**	**0**
AAA	32.631.028	18,3%	0
AA	6.816.705	3,8%	0
AA-	513.302	0,3%	0
BBB+	14.910.332	8,4%	0
Corporates	**8.983.560**	**5,0%**	**4.260.590**
AAA	1.889.175	1,1%	379.869
AA-	189.600	0,1%	37.987
A2	1.981.443	1,1%	984.866
A-	3.934.018	2,2%	1.902.500
BBB-	989.324	0,6%	955.368
High Risk	**2.840**	**0,0%**	**4.260**
NR	2.840	0,0%	4.260
Institutions	**14.141.437**	**7,9%**	**4.223.636**
AA	1.008.775	0,6%	186.989
AA-	7.398.892	4,1%	1.396.404
A+	1.438.910	0,8%	704.754
A	500.572	0,3%	100.114
A-	949.359	0,5%	458.598
BBB+	2.830.948	1,6%	1.373.980
NR	13.981	0,0%	2.796
Multilateral Development Banks	**100.501.326**	**56,3%**	**0**
AAA	100.501.326	56,3%	0
Grand Total	**178.500.531**		**8.488.486**

Table 11: BEMO Europe own portfolio per rating as of 31st December 2022

Exposure per country of risk of the Proprietary Account Portfolio at 31.12.2022

Country of Risk	Exposure as of 31/12/2022	Breakdown %
Member State	**48.977.914**	**27,44%**
Belgium	2.840	0,00%
Denmark	950.554	0,53%
France	12.888.438	7,22%
Italy	14.910.332	8,35%
Luxembourg	20.225.750	11,33%
Other Country	**8.983.560**	**5,03%**
United Arab Emirates	7.994.236	4,48%
United Kingdom	989.324	0,55%
Third Country	**120.539.056**	**67,53%**
Canada	513.302	0,29%
Japan	490.934	0,28%
United States	119.534.820	66,97%
Grand Total	**178.500.531**	

Table 12: BEMO Europe own portfolio per country of risk as of 31st December 2022

5.1 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.

6 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.

In the year 2022, there were a total of 21 operational incidents, out of which 14 incidents resulted in a combined cost of €7,200 EUR.

7 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.

7.1 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.

The regulatory minimum LCR requirement is set at 100%, indicating that the stock of HQLA should be equal to or greater than the projected net cash outflows over a 30-day stress period. End of 2022 BEMO Europe ratio was set at 472% well above the regulatory ratio and the internal ratio of 110%. For 2023 the ratio has diminished not due to changes in the liquidity but by changes in the regulatory calculations imposed by the CSSF. Anyhow this is still well above the regulatory and internal ratios (internal stress tested ratio set at 143%). This ratio ensures that the Bank has sufficient liquidity to withstand short-term stress scenarios and reinforces our overall resilience.

7.2 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.

Regulatory standards stipulate a minimum NSFR of 100%, ensuring that banks maintain an adequate level of stable funding relative to their liquidity needs over a one-year period. End of 2022 BEMO Europe ratio was set at 340% well above the regulatory ratio and the internal ratio of 110%. This ratio is vital for strengthening the bank's liquidity profile and safeguarding against the risk of long-term funding mismatches.

	EoY 2021	EoQ1 2022	EoQ2 2022	EoQ3 2023	EoY 2022	EoQ1 2023	EoQ2 2023	EoQ3 2023
LCR	**514%**	**404%**	**453%**	**332%**	**472%**	**218%**	**232%**	**296%**
Liquidity Buffer	213.891.825	207.263.024	172.895.327	173.480.788	170.438.788	177.375.819	165.063.109	167.893.971
Total Outflows	71.221.450	65.141.714	62.156.828	69.941.369	56.302.436	110.336.580	99.510.757	168.198.394
Inflows subject to 75% Cap	29.580.846	13.894.556	23.986.539	17.671.612	20.166.498	28.970.339	28.419.739	111.530.485
Net Liquidity Outflows	41.640.604	51.247.158	38.170.288	52.269.756	36.135.938	81.366.241	71.091.018	56.667.909
NSFR	**348%**	**422%**	**322%**	**306%**	**340%**	**314%**	**319%**	**346%**
Total Available Stable Funding	275.595.085	247.320.457	238.259.057	234.621.869	225.940.868	229.287.229	234.664.330	220.089.244
Total Required Stable Funding	79.229.043	58.599.773	74.065.843	76.666.870	66.473.663	72.920.281	73.540.957	63.643.655

Table 13: Liquidity ratios as reported from end of 2021 to September 2023

7.3 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 14: 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 ther banking establishments or central banks	Negligible	Positive	No cap	Low	Medium

Table 15: Liquidity recovery options

8 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 2022. As of December 31, 2022, our Bank's leverage ratio fell below this regulatory threshold, as detailed in the accompanying table.

During 2022, there were several instances where the Bank did not meet the required leverage ratio, necessitating the activation of a recovery plan and subsequently leading the Bank into recovery mode. The primary factors contributing to this breach included a reduction in Tier 1 Capital due to provisions taken and an increased client interest in longer-term deposits, which was spurred by higher interest rates.

		Applicable amount
1	Total assets as per published financial statements	293.680.157
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	

4	(Adjustment for temporary exemption of exposures to central bank (if applicable))	
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429a(1)(i) of Regulation (EU) No XX/20XX)	
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	
7	Adjustment for eligible cash pooling transactions	
8	Adjustments for derivative financial instruments	
9	Adjustment for securities financing transactions (SFTs)	
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	4.662.998
11	(Adjustment for prudent valuation adjustments and general credit risk adjustments which have reduced Tier 1 capital)	
EU-11a	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429a(1)(c)of Regulation (EU) No XX/20XX)	
EU-11b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429a(1)(j) of Regulation (EU) No XX/20XX)	
12	Other adjustments	- 838.641
13	Leverage ratio total exposure measure	297.504.514

Table 16: Leverage Ratio Exposures as of 31st December 2023

	March 2022	June 2022	September 2022	December 2022
Leverage Ratio	**2,39%**	**2,22%**	**3,14%**	**3,66%**
Assets	323.541.381	309.824.658	317.827.991	297.504.514

Table 17: Leverage Ratio 2022

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.

9 Key Metrics

Table resuming key metrics as of 31st December 2022 on a consolidated level:

	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

10 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.

10.1 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.

11 Remuneration

11.1 Remuneration Policy Overview

BEMO Europe Banque Privée, including its Paris branch, with a combined workforce of 39 employees as of 31/10/2023, adheres to a Remuneration Policy (the "Policy") reflective of its moderate size and activity. The Policy is compliant with CSSF Circular 12/552, the Law of 5 April 1993, and other relevant regulatory requirements, including:

- Laws and regulations stemming from the Law of 5 April 1993 on the financial sector and CRD IV.
- Specific EU regulations and EBA guidelines related to staff remuneration.
- CSSF Circulars that guide the remuneration framework.

BEMO is exempt from MiFID II remuneration requirements, focusing instead on principles that align with its risk management and commercial strategies.

Under Article 38-6 of the LFS, BEMO applies the principle of proportionality due to its asset value not exceeding the EUR 5 billion threshold. This allows BEMO to waive specific obligations regarding variable remuneration, such as deferral and payment in financial instruments, and negates the need for a Remuneration Committee.

The Remuneration policy aims to promote responsible business conduct, fair client treatment, and the avoidance of conflicts of interest. It is designed to decouple remuneration from excessive risk-taking in sales and business activities, aligning with MiFID investor protection standards. The Policy covers all BEMO employees, including those at the Paris branch. BEMO ensures transparency by making Policy details available to stakeholders upon request at its head office. In compliance with the LFS and EU Regulation 575/2013, BEMO also provides necessary remuneration information to regulators.

11.2 Governance of Remuneration Rules

BEMO's remuneration policies are overseen and implemented by several key governance bodies, ensuring compliance with applicable laws and alignment with organizational objectives. These bodies include:

Governance bodies	Description
Board of Directors	Responsible for establishing, implementing, and supervising the remuneration policy, including any necessary amendments. The Board also oversees all changes related to remuneration methods (fixed, bonuses, benefits-in-kind, etc.) and determines the remuneration for members of the Authorized Management.
Nomination and Remuneration Committee	Established in December 2016 by the Board, this Committee is responsible for providing evaluations and proposals related to executive recruitment, appointments, remuneration policy, and performance assessment of key functions. Currently, the Committee's roles are assumed by the Board of Directors.
Authorized Management	Charged with the implementation and application of the remuneration policy, ensuring compliance with legal and regulatory frameworks. It reports to the Board on policy application and proposes changes related to remuneration structure and amounts.
Human Resources (HR) Department	Implements the remuneration policy and instructions from the management, maintaining records related to employee contracts and remuneration. Some administrative tasks are outsourced to specialized firms.
Compliance and Risk Functions	Collaborate with Authorized Management in designing and ensuring compliance with the remuneration policy.
Internal Audit Function	Conducts an annual review of the remuneration policy as part of its strategic plan, assessing compliance with legal and regulatory standards.

Table 19: Remuneration Governance

11.3 Remuneration Principles

Remunerations Types	Description
Basic Remuneration	All BEMO employees receive a fixed monthly salary, determined by their role, responsibilities, and skills. This salary is benchmarked against industry standards in Luxembourg and Paris, with a firm commitment to gender equality in pay.
Variable Remuneration (Bonuses)	Bonuses are discretionary and not guaranteed, awarded individually based on performance and bank profitability. The variable remuneration is capped at 100% of the fixed salary and does not exceed EUR 1 million per employee annually. Total bonuses are limited to 25% of BEMO's annual payroll.
Bonus Eligibility and Restrictions	Bonuses are contingent on BEMO’s profitability and Board approval. Reduction or elimination of bonuses may occur in case of financial strain or impact on ratios. Additionally, Bonuses based on fraudulent data will be subject to repayment.

Bonus Payment Structure	Bonuses are paid in two installments – 30% in July and 70% in December, based on semi-annual and annual performance evaluations.
Categories of Personnel for Remuneration Policy	**Board of Directors:** May receive director's fees and meeting attendance fees, not linked to bank performance.
	Authorized Management: Includes fixed and discretionary variable remuneration based on qualitative and quantitative criteria.
	Control Functions: Remuneration includes a fixed salary and performance-linked annual bonus, with remuneration not tied to business results.
	Relationship Managers and Related Staff: Governed by fixed salary and performance-linked bonuses.
	Managers/Heads of Departments: Remuneration principles similar to Control Functions.
	Other Collaborators: Follow the same principles as Managers/Heads of Departments.
Additional Compensation Elements	Includes lunch vouchers, transportation allowances, supplementary health insurance, death insurance, and car leased benefits.

Table 20: Remuneration Principals

11.4 Gender and Diversity

BEMO is committed to fostering a workplace environment grounded in the principles of non-discrimination and equal opportunity. This policy ensures no discrimination based on race, gender, ideology, nationality, religion, sexual orientation, or other personal attributes.

Department	Responsibilities
Management/Senior Management	Leads by example in promoting diversity, gender equality, and inclusive behaviors.
Human Resources (HR)	Develops and implements diversity initiatives, and addresses discrimination or harassment complaints.
All Employees	Expected to contribute to a respectful, diverse, and inclusive workplace.

Table 21: Gender and Diversity responsibilities

BEMO ensures equal treatment in employment opportunities for everyone, irrespective of ethnicity, age, sex, sexual orientation, gender identity, religion, or disability. This encompasses all aspects of employment, including recruitment, training, promotion, and career development. In line with Luxembourg's Law of 28 November 2006 on equal treatment, BEMO is dedicated to eliminating gender pay disparities, ensuring equal pay for equivalent work across genders.

The Bank is also committed to fostering a respectful and inclusive workplace, as detailed in our "Code of Conduct." This commitment extends to providing training and development opportunities to all employees, emphasizing the importance of understanding and upholding gender equality and non-discrimination. Furthermore, BEMO is resolute in its compliance with all relevant EU and Luxembourg legal requirements regarding these matters.

In terms of policy governance, any waivers to this Gender and Diversity Policy require approval by the Bank's Board of Directors, Authorized Management, and the Human Resources function. These waivers must be promptly disclosed to all employees. The policy is subject to periodic reviews and updates as deemed necessary by the Bank