

## **BBH Luxembourg ICLAAP – Pillar III Disclosure**

### **Brown Brothers Harriman (Luxembourg) S.C.A.**

### **Pillar III Disclosure for the year ended 31 December 2024**

#### **Introduction**

The regulatory framework pertaining to the capital adequacy of internationally active banks published by the Basel Committee on Banking Supervision in 2004 and 2015 (Basel II and Pillar III) outlines three pillars to ensure stability of the banking system.

Pillar I: Establishes rules for the calculation of minimum capital requirements for credit, market and operational risk

Pillar II: Requires firms and supervisors to establish a position on the need for additional capital to be held against risks not adequately covered in Pillar 1

Pillar III: Provides for market discipline through public disclosure regarding an institution's capital adequacy and the risk profile.

This document serves as Brown Brothers Harriman (Luxembourg) S.C.A.'s ("BBH Luxembourg") Pillar III public disclosure requirement as set forth in Part Eight of Regulation (EU) 2021/637 and No. 575/2013 of 28 June 2021, as amended, ("CRR") as well as CSSF Circular 23/830 relative to the EBA/GL/2016/11 and EBA/GL/2017/01. The Pillar III document is intended to allow market participants to assess key information related to BBH Luxembourg's capital, risk exposures and risk assessment process.

## Index table summary

Information to be disclosed	Location	CRR Articles	ITS (Regulation 2021/637)	Additional information
Risk management objectives and policies (incl EU OVA)	Section 3 to Section 12	Article 435	Article 2	With regards to article 435 (2)(c) BBH Luxembourg has no specific targets
Scope of application	Section 1	Article 436		BBH Luxembourg has no subsidiaries
Own funds (incl. EU KM1, EU CC1, EU CC2)	Section 13, Section 14	Article 437	Article 1(1) and Article 4	No additional information to disclose
Own funds requirements (incl EU OV1)	Section 15	Article 438	Article 1(2)	No additional information to disclose
Exposure to counterparty risk	N/A	Article 439	Article 13	BBH Luxembourg does not hold instruments which create exposure to counterparty risk.
Countercyclical capital buffer	Section 13, Section 15.1	Article 440	Article 5	Table re: credit risk distribution.
Indicators of global systemic importance	N/A	Article 441	Article 6a	BBH Luxembourg is not a G-SII
Credit risk	Section 12 sub-section 2, Section 15.1	Article 442 and 444	Article 8	No additional information to disclose
Liquidity	Section 12 sub-section 4, Section 13	Article 451a	Article 7	No additional information to disclose
Unencumbered assets	Section 15.1	Article 443	Article 18	BBH Luxembourg has no encumbered assets
Use of ECAIs	Section 15.1	Article 444	Article 10, point (a)	No additional information to disclose
Exposure to market risk	Section 12 sub-sections 3, Section 15.3	Article 445	Article 15	No additional information to disclose
Operational risk	Section 12 sub-section 1, Section 16	Article 446	Article 16	No additional information to disclose
Exposures in equities not included in the trading book	Section 15.1			Not material.
Exposure to interest rate risk on positions not included in the trading book	Section 12 sub-section 3, Section 15.3	Article 448	Article 16a	Not material, full disclosure not necessary in accordance with 432 CRR
Exposure to securitisation positions	N/A	Article 449	Article 14	BBH Luxembourg is not engaged in securitisation operations
Remuneration policy	Section 16	Article 450	Article 17	Please refer to attached remuneration policy disclosure

Leverage (Incl EU CC2)	Section 13	Article 451	Article 6	None.
Qualifying requirements for the use of particular instruments or methodologies	N/A	Articles 452 to 455	Article 9 to Article 12	BBH Luxembourg does not use particular instruments or methodologies

## **Section 1. Scope of Application**

In accordance with CRR Part VIII Pillar III disclosure requirements, BBH Luxembourg produces a formal disclosure on an annual basis in conjunction with its year-end financial reporting. This Pillar III disclosure consists of a qualitative disclosure summarizing management's objectives, policies and procedures for managing risks as well as a quantitative disclosure detailing risk exposures and capital adequacy. Consistent with BBH Luxembourg's Internal Capital and Liquidity Adequacy Assessment Process ("ICLAAP"), the Pillar III disclosure is produced by a BBH Luxembourg team comprised of BBH Luxembourg's senior management, Enterprise Risk Management (ERM) and Finance Department. In addition, BBH Luxembourg's Internal Audit and Compliance Departments carry out periodic independent assessments of the ICLAAP and Pillar III programs.

In accordance with best practice governance standards, this document has been reviewed and approved by the Board of Managers (the "BBH Luxembourg Board") of Brown Brothers Harriman (Luxembourg) S.à.r.l. as the general partner of BBH Luxembourg.

## **Section 2. ICLAAP Methodology**

BBH Luxembourg calculates its capital adequacy ratio as the ratio between own funds eligible to cover risks, and the sum of Credit Risk, Operational Risk and Market Risk capital requirements.

The Pillar I Capital Requirement Regulation ("CRR") calculation adopted by BBH Luxembourg utilises the Standardised Method for calculating the Credit Risk Capital requirement and the Basic Indicator Approach for calculating the Operational Risk Capital requirement. As BBH Luxembourg has no proprietary trading activities, Market Risk is limited to the foreign exchange risk associated with payables and receivables denominated in currencies other than United States Dollars.

In addition to the Pillar I capital calculation, BBH Luxembourg has conducted a comprehensive risk assessment in accordance with Pillar II, to identify potential additional risks and associated capital requirements.

## Section 3. Risk Management Objectives and Policies

### Table EU OVA - Institution risk management approach

This table provides details for disclosure of qualitative information.

Legal basis	Row number	Qualitative information - Free format
Point (f) of Article 435(1) CRR	(a)	<p>Disclosure of concise risk statement approved by the management body:</p> <p>BBH Luxembourg is a well-managed and controlled institution. The business strategy set by the BBH Luxembourg Board reflects a conservative risk profile and an aggregate low risk appetite.</p> <p>Ratios and intragroup disclosures:</p> <p>Capital ratio: 31.71% Leverage ratio: 64.51% Liquidity Coverage ratio: 458.19% Net stable funding ratio: 253.40%</p> <p>Information on intragroup transactions (under IFRS): In 2024, the commission receivable included commission income of USD 41,4 million from its ultimate parent, BBH&amp;Co, for client origination, relationship management services and currency hedging services.</p> <p>In 2024, the commission payable included: - commission expenses of USD 73,9 million to its ultimate parent, BBH&amp;Co, for operational and subcustodian services, fund accounting services and the use of systems. - commission expenses of USD 22,1 million to various group companies for support services.</p>
Point (b) of Article 435(1) CRR	(b)	<p>Information on the risk governance structure for each type of risk:</p> <p>Section 5 (Risk Management Infrastructure) and other sections relating to risk (such as Sections 4,7,8, 9 and 10) provide details about this topic.</p> <p>Additionally, Section 12 (<u>Material Risks and Risk Mitigation</u>) provides information on the risk governance structure.</p> <p>It should be noted that there have been no changes to the Chief Risk Officer, Chief Compliance Officer and Chief Internal Auditor positions in 2024.</p>
Point (e) of Article 435(1) CRR	(c)	<p>Declaration approved by the management body on the adequacy of the risk management arrangements:</p> <p>BBH Luxembourg's risk management arrangements and Enterprise Risk Management programme are effective in the timely identification, quantification, monitoring and management of risks associated with business operations.</p>
Point (c) of Article 435(1) CRR	(d)	<p>Disclosure on the scope and nature of risk disclosure and/or measurement systems:</p> <p>Section 3 and Section 10 provide details about this topic.</p>

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Point (c) of Article 435(1) CRR	(e)	Disclose information on the main features of risk disclosure and measurement systems:  Section 3, Section 9 and 11 provide details about this topic.
Point (a) of Article 435(1) CRR	(f)	Strategies and processes to manage risks for each separate category of risk: Section 9 and Section 10-Subsections 3 and 4 provide detail.
Points (a) and (d) of Article 435(1) CRR	(g)	Information on the strategies and processes to manage, hedge and mitigate risks, as well as on the monitoring of the effectiveness of hedges and mitigants:  Section 8, Section 10 and Section 12 provide detail about this topic.

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As from 1 January 2024, BBH Luxembourg's capital exceeds the minimum capital requirements prescribed under Pillar I and more than adequately covers all risks identified through the Pillar II assessment. This determination is supported by the results of the Pillar I capital calculation, a Pillar II and Pillar III analysis conducted by a BBH Luxembourg team comprised of BBH Luxembourg's senior management, Enterprise Risk Management and Finance Department. In addition, BBH Luxembourg's Internal Audit and Compliance Departments carry out periodic independent assessments of the ICLAAP program. ICLAAP results are supported by both internal and external risk reviews including a formal Risk and Control Self-Assessment ("RCSA") process, Legal Entity Risk Dashboard, BBH Luxembourg Compliance Monitoring Program, analysis of historical errors, omissions and risk events, and the results of internal and external audits, as well as regulatory reviews and reports. The ICLAAP assessment resulted in the following summary conclusions:

- Based upon a comprehensive assessment of BBH Luxembourg's overall risk profile, it was concluded that no additional capital is warranted to supplement the Pillar I under the CRR rules applicable in 2025: to anticipate the increased capital requirements following the implementation of CRR 3 (including the operational risk capital requirement component), the Board approved the retention of a significant portion of 2023 earnings (approximately USD 20 million) during the March 2024 Board meeting.
- BBH Luxembourg is a well-managed and controlled institution. The business strategy set by the BBH Luxembourg Board reflects a conservative risk profile and an aggregate low risk appetite.
- BBH Luxembourg's Enterprise Risk Management programme is effective in the timely identification, quantification, monitoring and management of risks associated with business operations.
- As of 31 December 2024, BBH Luxembourg's Pillar I and Pillar II risk exposure amounts to USD 377.5 Mio. Total Own Funds at BBH Luxembourg amount to USD 119.7 Mio, resulting in a capital ratio of 31.71%; exceeding the minimum regulatory capital requirement of 11% (incl. the conservation and countercyclical buffer) and the Minimum Requirement for own funds and Eligible Liabilities ("MREL") of 18.5%; adding a 3% buffer for conservation and countercyclical purposes raises the total MREL regulatory requirement to 21.50%.
- For the purpose of projections and stress testing, the Bank has used a Capital Early Warning Indicator of 23%, applicable as from 1 January 2025, as a target.
- BBH Luxembourg has conducted stress testing and scenario analysis as part of the ICLAAP process. Stress tests conducted relate to significant market declines, the loss of a major client(s), large growth in gross income, a large operational error, liquidity matters, as well as an aggregation of the recession, loss of a major client and operational error, and restitution of assets scenarios.
- From a **Solvency perspective**, BBH Luxembourg is well positioned, resilient and appropriately capitalised to withstand the effects of stress events:
  - In all scenarios tested, with the exception of the 2027 growth scenario, capital levels remain above the minimum regulatory capital/MREL requirement excluding the buffer requirements (18.50%) during 2025, 2026 and 2027,
  - In all scenarios tested, with the exception of the growth scenario and the most severe liquidity scenario (scenario 6b) in 2027, the minimum regulatory capital/MREL requirement including the buffer requirements (21.5%) is met over the 3 year period,
  - The internal minimum capital/MREL target of 23% would be met in all scenarios over the 3 years period with the exception of the growth scenario in 2026/2027 and in the most severe liquidity scenario (6b) in 2027.
- From a **Liquidity perspective**, BBH Luxembourg is well positioned and resilient to withstand the effects of stress events:
  - In all scenarios tested, except in the most severe liquidity scenario (6b) in 2027, the liquidity regulatory requirements are met,
  - In all scenarios tested, except in the most severe liquidity scenario (6b) in 2026 and 2027, the liquidity situation of the Bank remains well above the internal targeted LCR (RP EWI 150%) and NSFR (RP EWI: 170%).
  - In scenario 6b, the Bank would need additional stable funding in 2026 and 2027 to achieve the NSFR internal target. The additional stable funding will also cover the LCR liquidity deficit expected in 2027 to achieve the LCR internal target of 150%.
- BBH Luxembourg closely monitors its operating environment and capital requirements and would take the actions necessary to both mitigate risks and minimize the impact to capital as appropriate.

- Liquidity risk at BBH Luxembourg is low as evidenced by the balance sheet structure and the high quality of assets. The assets of BBH Luxembourg consist mainly of short-term assets; overnight deposits placed with BBH&Co. and short-term deposits placed with credit institutions (approved by BBH Luxembourg Credit and Risk Committee and BBH&Co. Institutional Credit and Risk Committee), receivables and tangible assets (including leased assets following the implementation of IFRS 16 – Lease, which are largely funded by financial liabilities at amortized cost).
- It is noted that the stress tests included in this document are based on a market environment reflecting conditions as at the end of 2024.
- The Bank continued to operate successfully in a structure designed to meet its business objectives, the continuous delivery of its services to clients and meeting regulatory expectations and requirements. The valuation of the Bank's financial assets as at 31 December 2024 as disclosed in the annual accounts, reflects the economic conditions in existence at that date.



## Section 4. Risk Governance

BBH Luxembourg's ownership and organisational structure, with an ultimate parent that is organized as a partnership and partners who are personally liable for the Firm's obligations, is a significant driver of BBH Luxembourg's risk management strategy, culture and mindset. The BBH Luxembourg risk management and control framework is governed by policies and procedures approved by BBH Luxembourg Authorised Management and the business strategy of BBH Luxembourg approved by the Board. BBH Luxembourg has an integrated and well-developed governance, risk and internal control infrastructure. Formalised policies and procedures associated with risk identification and assessment are designed to ensure that capital is more than adequate to address regulatory requirements and business objectives.

BBH Luxembourg's Risk Management Policy is designed to support the implementation, administration and execution of BBH Luxembourg's risk management activities so that BBH Luxembourg operates within the boundaries it has set through its Risk Appetite Statement, while providing support in meeting its business objectives, protecting its staff and business assets and ensuring its financial stability. Risk management activities are managed and monitored by EERM and implemented by dedicated risk management teams at BBH Luxembourg. ERM facilitates the development of best practice risk mitigation strategies across the Firm, as well as enhancing the monitoring, measuring and reporting of risk considerations.

BBH's First, Second and Third Lines of Defense all have a focus on the management of risks and controls. The First Line of Defense is business management. Second Line of Defense consist of Enterprise Risk Management and Compliance, both of whom are independent of the business. The Third Line of Defense, Internal Audit, is independent from both the First and Second Lines of Defense and reports directly to the BBH Luxembourg Audit and Compliance committee.

BBH's governance structure includes oversight committees that are comprised of executives and BBH&Co. partners who represent the business as well as the oversight and control groups. A strong committee framework with well-defined roles and responsibilities is essential to the successful development of a firm's strategy and execution of strategic objectives as well as the implementation of a firm's risk management and corporate governance duties and responsibilities. At the parent level, the BBH&Co. partnership has delegated supervisory oversight, business management responsibility and decision-making authority to a framework of BBH senior committees, which include firm-wide governance and oversight committees and line of business ("LOB") oversight committees, as well as boards of directors and governing bodies at the subsidiary levels. BBH's oversight committees play a critical role in the Firm's risk management process and are chartered with the goal of providing management and oversight of all business lines and functions. Cross business area senior executive participation coupled with oversight and control membership provides these committees with peer review capability as well as a robust and comprehensive overview of all businesses and activities conducted by BBH globally. Committee charters provide detail on delegation authority, roles and responsibilities, quorums and provide the Chair the ability to appoint voting members and invited guests as appropriate.

BBH Luxembourg's governance structure includes oversight and specialised committees which are comprised of BBH Luxembourg executives and BBH&Co. partners with the requisite business acumen to address the business issues of the respective Committee. As such, most committees' membership includes representatives of the business lines as well as representatives from Finance Department, Enterprise Risk Management, Office of the General Counsel, Compliance, Systems, Operations and Human Resources.

BBH Luxembourg's governance structure facilitates risk management oversight via the following:

- **Supervisory Board** - is composed of three BBH&Co. Partners who were duly approved by the Commission de Surveillance du Secteur Financier ("CSSF"). The Supervisory Board meets periodically and is responsible for supervising the business of BBH Luxembourg and for approving the BBH Luxembourg Remuneration Policy and relevant exceptions as/when it occurs.
- **Board of Managers of Brown Brothers Harriman (Luxembourg) S.à.r.l. ("BBH Luxembourg Board")** - meets at least three times a year and has overall responsibility for the strategic decisions and management of BBH Luxembourg. The BBH Luxembourg Board ensures execution of activities and business continuity by way of sound central administration and internal governance arrangements, as well as establishment of the business risk appetite, strategy and guiding principles. The BBH Luxembourg Board monitors the implementation by Authorised Management of internal governance strategies and guiding principles and critically assesses the ICLAAP; specifically, the approach and methodology applied, risk assessment results, the overall risk profile of BBH Luxembourg as well as the adequacy of capital resources.
- **BBH Luxembourg Audit & Compliance Committee** - meets at least semi-annually and provides oversight through review of Internal Audit and Compliance reports designed to assess the effectiveness of internal controls, the audit process, Compliance Monitoring Program and the accounting and financial reporting functions. The committee is responsible for ensuring the timely preparation and accuracy of BBH Luxembourg's financial statements and disclosures. The External Auditor reports annually to the Audit & Compliance Committee and its report includes a review of audited financial statements, findings and other matters as required. The committee reports to and is a committee of the BBH Luxembourg Board.
- **The Authorised Management** - is composed of five members ("Direction Autorisée") who are in charge of the effective, sound and prudent day-to-day business and risk management of BBH Luxembourg. The Authorised Management implements, through internal written policies and procedures, the strategies and guiding principles set by the BBH Luxembourg Board in relation to central administration and internal governance and ensures that BBH Luxembourg is in compliance with legal and regulatory requirements taking into account the reports/comments of the internal control functions. The decisions taken by the Authorised Management in these areas are duly documented. Authorised Management has veto rights on any decision made by any BBH Luxembourg specialised committees ("comités spécialisés")
- **BBH Luxembourg Executive Committee** - has primary oversight responsibility for BBH Luxembourg in the name of the Authorised Management. The committee is accountable to Authorised Management and is comprised of Principals, Managing Directors and senior executives from BBH Luxembourg. Authorised Management has veto rights on any decision made by the committee. The committee is chaired by one of the members of Authorised Management, normally meets at least monthly and is responsible for matters in relation to various areas including client service, relationship management, financial condition and regulatory status of the bank, risk management, regulatory compliance, product strategy and development, systems regulatory initiatives and market developments, outsourcing arrangements and administrative matters pertaining to the daily management of BBH Luxembourg. Meeting minutes are produced and summarised to the BBH Luxembourg Board by the Authorised Management.
- **BBH Luxembourg Risk and Credit Committee ("LRCC")** - is responsible for the oversight and monitoring of risk matters for BBH Luxembourg. Responsibilities of the committee include the review/ratification of the approval of new clients, services, and accounts for BBH Luxembourg, review of policies and procedures as applicable, and, in coordination with the BBH&Co. Institutional Risk and Credit Committee, overseeing the due diligence performed on, and the ongoing monitoring of, the network of subcustodians utilized by BBH Luxembourg for its clients. The Authorised Management has veto rights on any decision made by the committee. This committee reports to the BBH Luxembourg Executive Committee.
- **BBH Depositary and Investment Fund Compliance Committee ("DIFCC")** - is responsible for the oversight and monitoring of depositary matters for BBH Luxembourg. Responsibilities of the committee include the periodic review of investment fund compliance breaches, review of depositary duties with respect to regulatory, legal and market developments and oversight of activities relating to third party service providers, client-directed prime broker arrangements and third-party bank arrangements utilized by the fund clients. The Authorised Management has veto rights on any decision made by the committee. This committee reports to the BBH Luxembourg Executive Committee.

- **BBH Luxembourg Systems Oversight Committee ("LSOC")** - is responsible for the oversight of Information Technology (IT) and Systems security in accordance with the Digital Operational Resilience Act (DORA) and law, CSSF Circulars 12/552 (as amended) , 22/805 and 24/847 and is chaired by its IT and Information Security Officer. Responsibilities of the committee include reviewing of exceptions to normal operations , ensuring that a backup solution in line with business continuity and recovery plans is established, ensuring that BBH Luxembourg data and/or information is protected by having sufficient safeguards to avoid non-authorised access to its system, ensuring that any outsourced activity is clearly documented and complies with the applicable regulatory and legal requirements, reviewing and ratifying the approval/revision of BBH Luxembourg IT infrastructure and organization, including policies and procedures, annual budget, IT programs, and reviewing the list of system projects for BBH Luxembourg. The Authorised Management has veto rights on any decision made by the committee. This committee reports to the BBH Luxembourg Executive Committee.
- **BBH Luxembourg Outsourcing Oversight Committee ("LOOC")** - is responsible for oversight of BBH Luxembourg's global model arrangements and for ratifying any enhancements and/or further developments of the global model. Responsibilities include reviewing the performance of business outsource providers, status and appropriateness of contractual arrangements and monitoring compliance with Luxembourg regulatory and internal requirements as well as internal requirements relating to the outsourcing of activities. The Authorised Management has veto rights on any decision made by the committee. This committee reports to the BBH Luxembourg Executive Committee.
- **BBH Luxembourg Bank Recovery and Resolution Directive Committee ("BRRD Committee")** – is responsible for oversight, guidance and coordination of the recovery and resolution related activities as well as relevant initiatives that might impact BBH Luxembourg's recovery and resolution planning. Similar to other oversight committees, the BRRD Committee is a specialized committee supporting the BBH Luxembourg Executive Committee. The Authorised Management has veto rights on any decision made by the committee. This committee reports to the BBH Luxembourg Executive Committee

## Section 5. Risk Management Infrastructure

BBH Luxembourg's risk management infrastructure is supported by First, Second and Third Line of Defence control functions including Enterprise Risk Management, Compliance, Office of the General Counsel and Internal Audit.

### Sub-section 1. Risk Management

As noted, Enterprise Risk Management facilitates the development of best practice risk mitigation strategies across the Firm as well as enhancing the monitoring, measuring and reporting of risk. The primary elements of the Enterprise Risk Management program are to:

- Facilitate the continuous assessment, communication and understanding of the Firm-wide risk tolerance and appetite;
- Promote enhanced risk transparency and management reporting to enable informed decision-making; and
- Enhance the ability of personnel to focus on proactively balancing risk and return to create partnership value.

In order to accomplish the above, the responsibilities of the Enterprise Risk Management group include, but are not limited to:

- Coordinating enterprise-wide risk oversight activities;
- Managing the Regulatory Examination Management program;
- Manage and continuously enhance the enterprise wide RCSA Programme;
- Managing the central enterprise-wide database for tracking and reporting risk events, risk issues and incidents;
- Management and implementation of programs designed to identify, report and manage key risks Firm-wide.

BBH Luxembourg has a Chief Risk Officer, who is based in Luxembourg and registered with the CSSF in accordance with regulatory requirements. The BBH Luxembourg Chief Risk Officer provides reports on a regular basis to the BBH Luxembourg Executive Committee, the BBH Luxembourg Board and the Supervisory Board. Additional risk managers are based in Luxembourg and provide risk management coverage to the business areas, products and services.

Key risks and controls are continuously monitored by line management supported by risk manager(s) with oversight provided by business line senior management committees comprised of partners and senior executives. Members of management are required to establish, implement and maintain an effective risk management programme for their business to ensure the ongoing effectiveness of controls. This includes continuous monitoring and evaluation of the business unit's primary activities and major processes in order to identify, document, and implement appropriate control mechanisms for all material risks. It also includes promoting an environment that encourages employees to promptly identify and escalate any risk issues to be addressed in a timely fashion. Managing risk is a continuous process whereby Enterprise Risk Management and business management are identifying and evaluating risks, establishing limits for those risks and building controls to remain within those limits.

### Sub-section 2. Compliance

The Compliance function's role is to protect BBH Luxembourg from any consequence that might result from the failure to comply with legal and regulatory rules and to contribute to the efficient management of ensuing risks. The Compliance Department satisfies this objective through the establishment and performance of their annual Compliance Monitoring Program and Compliance Training Plan at BBH Luxembourg. Progress with respect to the annual Compliance Monitoring Program and Compliance Training Plan as well as the status of corrective actions taken by management to address compliance recommendations is reported on a regular basis to BBH Luxembourg Executive Committee, the BBH Luxembourg Audit & Compliance Committee, the BBH Luxembourg Board and the BBH Luxembourg Supervisory Board.

BBH Luxembourg's Compliance Program is designed to identify and mitigate regulatory risks. Where practical, the BBH Compliance Department develops and implements global compliance policies across the Firm. In accordance with BBH's philosophy, responsibility for compliance rests directly with each line of business, with oversight and guidance provided by the Compliance Department.

The mission of the Compliance Department includes: (i) serving in an advisory capacity to BBH Luxembourg departments/functions with respect to the structure, conduct and management of their business activities; (ii) educating BBH Luxembourg personnel regarding the laws and regulations applicable to their businesses; and (iii) conducting periodic assessments to ensure that BBH Luxembourg's compliance program continues to remain effective.

Compliance policies are designed to address and mitigate BBH Luxembourg's compliance risks. Compliance policies and relevant procedures are made available to all BBH Luxembourg employees via the BBH Intranet. Compliance training and annual attestations by BBH Luxembourg employees helps to ensure knowledge of and compliance with the Compliance policies.

Compliance also maintains risk assessment and testing policies to ensure that compliance risk is identified, assessed and reported consistently across BBH Luxembourg. On an annual basis, Compliance personnel conduct reviews to ensure that line of business personnel understand the regulatory framework applicable to their business and conduct their activities in conformity with applicable law and regulation. An annual testing plan is developed based on the risk ratings assigned to the compliance obligations set forth in the BBH Luxembourg's compliance risk matrices. In developing a testing plan, Compliance considers findings reported by Internal Audit, comments received from the regulators and auditors, if any, control gaps identified by the line of business through the RCSA process, regulatory pronouncements and actions, litigation and market and regulatory developments. The results of Compliance's reviews are communicated to senior managers in each line of business, Risk Management, Internal Audit and the BBH Governance, Risk and Compliance Oversight Committee.

BBH Luxembourg has a Chief Compliance Officer, who is based in Luxembourg and registered with the CSSF in accordance with related regulatory requirements. The Chief Compliance Officer has full and free access to all members of BBH Luxembourg Governance Committees. The Chief Compliance Officer is entitled to raise concerns, if any, directly to the CSSF.

### **Sub-section 3. Office of the General Counsel (OGC)**

OGC provides legal and regulatory support for the Firm and BBH Luxembourg's global businesses. This group facilitates contract negotiations with clients, counterparties and service providers and provides legal support for the development of new products and services. The group also monitors legal developments and provides guidance to lines of business with respect to legal risks and developments affecting BBH Luxembourg's standing products and services. OGC has dedicated resources based in Luxembourg to support BBH Luxembourg.

### **Sub-section 4. Internal Audit**

Internal Audit provides an independent assessment function over all the Firm's activities to ensure that controls are adequate and continues to be effective in mitigating risks in BBH Luxembourg and across BBH. Internal Audit is independent from the other internal control functions which are subject to audits.

Internal Audit has unrestricted access to all records, documents and facilities necessary for the optimal performance of its duties. All areas of the Firm can be subject to an audit review. Internal Audit has the authority to allocate resources, set audit review frequency, select auditable areas/entities, determine scope of work, and apply the required internal audit techniques to accomplish its objectives. The department operates in accordance with the Institute of Internal Auditors (IIA) standards and industry best practices.

Using a risk-based methodology, the Audit Plan includes a review of those areas that play key roles in supporting BBH Luxembourg's business objectives. Open communication between the audit team and the business line is an important component of the audit process. The Internal Audit team works closely with the management of the various business units to understand business objectives and goals, confirm key risk areas,

and identify emerging issues, if any. Communication with management is continuous throughout the audit review process.

Each audit review includes, where applicable, an evaluation and test of the key systems, procedures and controls related to the operating and control environment. The results of each audit are summarised in a report which is presented to BBH Luxembourg's Executive Committee, the BBH Luxembourg Audit & Compliance Committee, and the BBH Luxembourg Board and Supervisory Board. Any corrective actions arising from these reports are tracked and monitored with the status of unresolved issues regularly reported to BBH Luxembourg Executive Committee and the BBH Luxembourg Audit & Compliance Committee at their regularly scheduled meetings.

Internal Audit has full and free access to all members of BBH Luxembourg Governance Committees. The Chief Internal Auditor is entitled to raise concerns, if any, directly to the CSSF.

The below Table OVB provides additional information about governance arrangements.

**Table EU OVB - Disclosure on governance arrangements**

Legal basis	Row number	Free format
Point (a) of Article 435(2) CRR	(a)	<p>The number of directorships held by members of the management body:</p> <p>Sub-section 2 below (Number of directorships held by the members of BBH Luxembourg Board) provides detail about this topic.</p>
Point (b) of Article 435(2) CRR	(b)	<p>Information regarding the recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise:</p> <p>Sub-section 1 (BBH Luxembourg Board recruitment and selection process) provides detail about this topic.</p>
Point (c) of Article 435(2) CRR	(c)	<p>Information on the diversity policy with regard of the members of the management body:</p> <p>BBH is committed to building an environment where the unique perspective and ideas of our employees of all backgrounds and abilities are drawn on to help the Firm and our clients succeed. We strive to foster an inclusive culture where every employee can be themselves, take pride in their unique background, and be respected and valued for their contributions. We require the highest of ethical standards and maintain a strong personal code of conduct, while creating an environment that supports our employees without regard to race, color, creed, national origin, citizenship, age, religion, sex, sexual orientation, gender identity and/or expression, marital or parental status, or disability. Within the firmwide framework, BBH Luxembourg is committed to ensure fair treatment in terms of remuneration on the basis of the role, the scope of responsibilities, performance outcomes and the overall quality of the contribution to business results, regardless of an employee's gender, identity, or any other personal characteristic.</p> <p>Furthermore, performance reviews of all Vice Presidents, Managing Directors and above include a diversity, equity and inclusion performance goal that clearly indicates actions and behaviours they should demonstrate to foster a culture where all employees can succeed.</p>
Point (d) of Article 435(2) CRR	(d)	<p>Information whether or not the institution has set up a separate risk committee and the frequency of the meetings:</p> <p>BBH Luxembourg has a separate risk committee as explained under Section 4 about Risk Governance and LRCC; this Committee met 10 times in 2024.</p>
Point (e) Article 435(2) CRR	(e)	<p>Description on the information flow on risk to the management body:</p> <p>Section 10, Sub-section 2 about Risk Dashboard, Metrics and Reporting provides detail about this topic.</p>

## **Section 6. BBH Luxembourg Board recruitment and selection process and number of directorships**

### **Sub-section 1. BBH Luxembourg Board recruitment and selection process**

BBH Luxembourg has implemented a governance infrastructure which provides for the effective, accountable and prudent management of business activities in accordance with regulatory guidance and industry best practices. With respect to the recruitment, selection and appointment of senior management, BBH Luxembourg has incorporated policies and procedures, which ensure that all members of management possess appropriate qualification and respectability in line with CSSF 12/552, as amended. Formal screening procedures for all candidates include a background investigation comprised of identification verification, employment history for the previous 5 years and an education verification. For high level employment candidates, a credit/bankruptcy check and criminal check is performed as well. On-going assertions are required relative to outside business obligations so as to maintain the appropriate level of independence in compliance with the Firm's Conflict of Interest Policy. In addition, BBH Luxembourg is committed to attracting, developing, rewarding and retaining employees to ensure that the Firm has a strong, diverse workforce capable of addressing all current and future business needs. BBH Luxembourg has achieved relatively low turnover levels through employee development and maintaining a challenging, supportive and creative work environment. Additional strategic retention efforts include a robust performance management process, innovative leadership training and targeted development for key talent. BBH Luxembourg strives to continually improve diversity across all levels of management and its employee population. While BBH Luxembourg does not set out formal diversity targets, it believes that the workplace, business and clients are greatly enriched by diversity in the Firm's workforce. Different perspectives and disparate backgrounds provide valuable input to our decision making, maintaining a positive culture and enhancing the Firm's industry standing. BBH Luxembourg, is committed to the principles of diversity and equal employment opportunity for all employees and applicants at all levels.

Additionally, the appointment of a member of the Management Body must be preceded by the assessment of the candidate. Such assessment must comply with the requirements of the EBA Guidelines and must be documented in a written assessment report. Information obtained in this assessment addresses all aspects of EBA Guidelines and includes suitability, reputation and integrity, verification of previous employment and criminal background checks as well as potential conflicts of interest. In addition, in order to assess the suitability of the candidate, the Bank assess the criteria and items listed in Title VII as well as in Annex II and Annex III of the EBA Guidelines.

These criteria include that:

- The members of the Management Body must be composed by a sufficient number of members with appropriate professional and personal skills, including adequate knowledge, skills, experience and appropriate integrity requisites for meeting its responsibilities.
- The personal qualities of the Management Body members enable them to properly perform their mandate, with the required commitment, availability, objectivity, critical thinking and independence.
- Section 4.2.2 of the CSSF Circular 12/552 as amended further requires that the members of the authorised management, i.e. of the Board of Managers, shall, both individually and collectively, have the necessary professional qualifications (knowledge, skills and experience), the good repute and personal qualities to permit them to manage the Bank and determine the business direction effectively.

In addition, the assessment of the members of the Supervisory Board should in particular fulfil the requirements regarding the balance of composition of the Supervisory Body set out in Section 4.1.2., Part II. of the CSSF Circular 12/552 as amended.

The following principles must also be strictly complied with:

- A member of the Management Board cannot be a member of the Supervisory Board at the same time.
- Members of the Management Body have to ensure that their mandate is and remains compatible with any other position or interest they may have, in particular in terms of conflicts of interest and availability. In this respect, they inform the Supervisory Board of the mandates they have outside the Bank. The Bank shall involve its Compliance Department, in respect of the assessment of the compatibility of the appointment of a candidate with the conflicts of interest policy of the Bank.



- The chairperson of the Supervisory Body shall ensure a balanced composition thereof, in particular in terms of diversity, to ensure its proper functioning, to promote a culture of informed discussion in which all parties are heard within the supervisory body and to propose the appointment of independent members. The chairperson of the Supervisory Board shall not exercise executive functions within the Bank
- Appropriate measures, including professional training, have to be taken in order to ensure that the members of the Management Body are and remain qualified throughout their mandate.
- The induction and training programs and necessary training measures for Management Body members shall be established and determined in more detail by the Management Body with input from the HR function and the function responsible for the budgeting and organization of training as well as relevant internal control functions, where appropriate.

The impact of an appointment on the collective suitability of the Management Body must be assessed in

accordance with the criteria set out in Chapter 4 of the CSSF Circular 12/552 as amended , and the EBA Guidelines. The Bank must in particular assess whether the diversity (meaning the characteristics of the members of the management body, including their age, gender, geographical origin and educational and professional background) and the collective knowledge, skills and experience within these bodies remain adequate considering the Bank's business model and the nature, scale and complexity of its activities and inherent risks. While the Board of Managers should collectively have a high level of managerial skills, the Supervisory Board should collectively have sufficient management skills to organise its tasks effectively and to be able to understand and challenge the management practices applied and decisions taken by the Board of Managers (the authorized management) of the Bank). For collective suitability assessments, the Bank shall use the template for the assessment of collective suitability enclosed as Annex I to the EBA Guidelines. The diversity assessment shall be made, and diversity objectives shall be reached in accordance with the Diversity and Inclusion policy of the Bank.

The assessments of persons concerned or of the relevant Management Body as a whole as well as re-assessments (including in each case also the conclusions of such assessments) and appointment decisions shall be documented in writing in accordance with CSSF Circular 12/552 as amended.

## **Sub-section 2. Number of directorships held by the members of BBH Luxembourg Board**

Please find below the number of directorships held by members of the BBH Luxembourg Board :

Name	Number
Jean-Marc Crépin	7
Geoffrey M. Cook	5
Seán Páircéir	9
Kevin W. Stone*	16
Sarah O'Donnell	4
Christopher Adams	1
Manuel Dienhart**	3
Joseph E. Hendry III	1
Nicholas Graybrook	1

\* 2 of these directorships are for non-affiliated entities of BBH

\*\* 1 of these directorships is for non-affiliated entities of BBH

## Section 7. Risk Culture

The BBH Luxembourg Board and senior management work diligently to cultivate an environment that instils in all employees their responsibility for pro-actively identifying, assessing, and mitigating operational, cyber, regulatory, and other business risks, including emerging risks. This culture is foundational in nature, underlying BBH Luxembourg's hard and soft controls.

The culture and infrastructure emphasise compliance and the escalation and mitigation of issues. Employees are encouraged to speak up when they identify a risk issue. This is embedded in the employee's performance evaluation process as employees are assessed on their risk and control mindset and activities. In addition, BBH Luxembourg's remuneration policy and practices are consistent with and promote sound and effective risk management.

While dedicated risk management functions exist, each employee is considered a 'risk manager,' and is expected to ensure that activities and processes are executed in accordance with best practices and regulatory expectations and that they are continuously monitored, evaluated, and enhanced. This aligns with BBH Luxembourg's Core Values, which requires that all employees act in a principled manner, using teamwork (succeeding through partnership and collaboration), integrity (acting in an ethical and principled manner), and excellence (achieving outstanding performance and results).

BBH Luxembourg is committed to fostering a culture of inclusion, creating an environment where employees feel safe and supported to "speak up" and raise any risks, issues or concerns, and improving the diversity of its workforce. BBH Luxembourg's ability to draw on all dimensions of diversity – race, gender, abilities, cultures, education, personality, backgrounds, and life experiences – ensures it brings more brainpower, insight, and creativity to generate innovative products and solutions while creating the best place to work for its employees.

The Employee Development and Performance (EDP) process and programme supports the risk management programme, as employees are assessed on their performance relating to risk and control matters, such as compliance with BBH Luxembourg's Risk Appetite Statement, policies and ethical standards, conduct risk matters and whether they identify, escalate and resolve risk issues. BBH Luxembourg has also a Risk Culture Case Studies Program in place.

## Section 8. Statement of Risk Appetite

BBH is the oldest and largest privately-owned bank in the United States. The partnership structure, in which partners are jointly and severally liable for all business activities at BBH, is a significant motivator in the risk management culture and infrastructure of the Firm. The partners are committed to preserving the long-term value of the Firm, have active involvement in daily management activities, and continuously communicate the Firm's risk appetite and approach.

BBH's 'tone at the top' promotes a collaborative and transparent structure, where the best ideas and collective concerns rise quickly to the top. BBH expects all BBH Personnel to act in a principled manner in alignment with this Risk Appetite Statement and the Firm's Core Values (i.e., Teamwork, Integrity, and Excellence).

BBH Luxembourg's business model and risk profile is conservative in nature, which translates into an overall low risk appetite.

BBH Luxembourg uses the Financial Stability Board definition of Risk Appetite for a shared understanding of its risk appetite: the aggregate level and types of risk BBH Luxembourg is willing to assume within its risk capacity to achieve its strategic objectives and business plan. Setting BBH Luxembourg's risk appetite is not about the elimination of all risks; rather it is about managing risks to acceptable levels in areas where BBH Luxembourg has the appropriate skills, knowledge and experience to take advantage of the opportunities presented. This Risk Appetite Statement is designed to provide a framework to properly align BBH Luxembourg, personnel and business activities with the risk appetite; it facilitates the management of what BBH Luxembourg does and does not want to do, to provide that BBH Luxembourg takes only the appropriate amount of manageable risk in order to achieve its strategic objectives.

Risk management is a fundamental, highly important aspect of everything BBH Luxembourg does; it is a continuous process whereby BBH Luxembourg Personnel are responsible for identifying and evaluating risks, operating and building controls to remain within those defined levels, and for escalating where defined levels are breached. BBH's low risk appetite is a key component of its risk culture, its decision-making and escalation processes, and the understanding of its own performance.

1. BBH Luxembourg Personnel are aware of the existence of the defined levels of acceptable risk, are formally assessed on their ability to operate within the framework of this Risk Appetite Statement in their Year-End Employee Development and Performance (EDP), and understand the associated consequences (i.e., among other things, subject to local laws, may be disciplined, up to and including termination, for conduct that is in contravention of the Statement). Specifically, BBH Personnel are assessed on: Operating within the framework of BBH Luxembourg's Risk Appetite Statement, including (i) being aware of and complying with laws, regulations, BBH policies and ethical standards applicable to that person's business activities and job responsibilities, including policies and procedures maintained by Compliance, Human Resources, Office of the General Counsel, Systems and the Lines of Business; and (ii) ensuring all clients, products and services are subject to a robust risk assessment and appropriate approval processes.
2. Taking appropriate steps to ensure BBH Luxembourg policy violations and risk management issues are promptly identified, appropriately escalated to, and worked on with, management, Enterprise Risk Management and/or Compliance, as applicable, so that matters are resolved in a timely fashion.
3. Completing mandatory BBH training and certifications (for self and staff, as applicable) within the mandated timeframes, as required by Compliance, Human Resources, Systems and LOBs, and/or obtaining and maintaining applicable registrations, licenses, and other relevant professional certifications.

The Risk Appetite Statement leverages Line of Business and Firmwide oversight and governance structures and their policies and procedures in setting qualitative and quantitative limits and monitoring compliance therewith.

The Risk Appetite Statement is reviewed and approved by the BBH Luxembourg Executive Committee and Board at least annually. Enterprise Risk Management facilitates the continuous review and updating of this statement as well as reporting as appropriate. BBH Luxembourg's Risk Appetite Statement includes risk appetite statements about top risk categories including Business Interruption Risk, Counterparty/Credit Risk, Cyber Risk, Fraud Risk, AML/CFT/Sanctions/Financial Crimes Risk, Legal/Regulatory Risk, Operational Risk, Strategic/Competitive Risk, Technology and Data Management and Privacy Risk, and Workforce Risk.

This Risk Appetite Statement outlines BBH Luxembourg's risk appetite in each of the following risk categories to arrive at an overall low risk appetite:

**Compliance Risk:** BBH Luxembourg's appetite for Compliance Risk is low. To protect BBH Luxembourg and its clients from legal, financial, operational and reputational risks, all BBH Luxembourg personnel act in a principled manner aligned with the Risk Appetite Statement for Risk, Statement of Principles Regarding Anti-Money Laundering and Sanctions, and Core Values. To this end, employees, Principals and Partners are evaluated in their Year-End EDP in relation to the compliance with policies, procedures and ethical standards and identification and prompt escalation of risk matters.

**Strategic and Reputational Risk:** All BBH Luxembourg associates are committed to preserving the reputation and long-term value of one of the oldest privately-owned banks in the United States. As previously noted, the Partners are jointly and severally liable for all business activities, inherently leading to a low appetite for Strategic Risk and Reputational Risk.

BBH Luxembourg recognizes the need to support a clear linkage among business strategy, reputational risk and risk management to be able to effectively identify and manage risks globally. BBH Luxembourg strives for mutual trust in relationships with clients, counterparties and third-party providers and manages Strategic Risk and Reputational Risk through a comprehensive governance, risk and compliance framework.

**Climate Risk:** BBH Luxembourg has a low risk appetite for Climate Risk due to the limited nature of BBH Luxembourg's related business activities; BBH Luxembourg does not engage in lending, investment banking or investment activities that could potentially be impacted by climate change.

**Credit Risk:** BBH Luxembourg's appetite for Credit Risk is low as BBH Luxembourg does not extend credit. Credit Risk is primarily inherent in exposures resulting from client receivables/accruals, funds placed with financial institutions.

**Market and Interest Rate Risk:** BBH Luxembourg's appetite for Market Risk is low. BBH Luxembourg has no proprietary trading activities. Market Risk at BBH Luxembourg is comprised of Interest Rate Risk and Foreign Exchange Risk. Interest Rate Risk is low and associated with interest-bearing assets that are short term in nature. On the liability side, the financial liabilities measured at amortised cost are leasing liabilities. Foreign Exchange Risk is low and is associated with payables and receivables denominated in a currency other than the United States Dollar.

**Liquidity Risk:** BBH Luxembourg's appetite for Liquidity Risk is low as evidenced by the balance sheet structure and the high quality of assets. The assets of BBH Luxembourg consist mainly of short-term assets (receivables and overnight deposits placed with BBH&Co. and short-term deposits placed with credit institutions approved by Luxembourg Risk and Credit Committee).

**Operational Risk:** BBH Luxembourg has a low appetite for Operational Risk. Operational Risk is defined, utilizing the Basel standards, as the risk of loss resulting from inadequate or failed internal processes, people, systems and/or external events. The definition includes legal risk, which is the risk of loss resulting from failure to comply with laws, prudent ethical standards and contractual obligations. While Operational Risk cannot be completely eliminated, it is the objective of BBH Luxembourg to minimize, to the extent possible, the occurrence of operational losses and operational risk events. BBH Luxembourg's internal control infrastructure, including policies, procedures and systems, are designed to mitigate the impact and/or probability of the occurrence of operational risks inherent in its activities.

**Technology, Cyber and Enterprise Data Management Risk:** BBH Luxembourg relies heavily on technology to carry out our core mission. Information systems and policies surrounding technology must support BBH Luxembourg functions with sufficient capability, capacity, resiliency, and security from internal and external threats. BBH Luxembourg will ensure that a robust technological infrastructure with effective and enforceable controls meet the operational needs while maintaining a low to moderate risk profile. Cybersecurity Risk is inherent in BBH Luxembourg activities. BBH Luxembourg's cyber risk management program is continuously evolving to meet the constantly changing and increasingly sophisticated, cyber risk environment. While cyber risk cannot be fully mitigated, BBH has implemented a global program that is designed to proactively address threats and the changing global cyber landscape through mitigating activities including technology solutions,

policy and procedural controls as well as on-going training and awareness of all associates. In addition, BBH Luxembourg has a regulated client base that is required to maintain appropriate cyber defenses as well.

As a summary, BBH&Co. and BBH Luxembourg has no external financing or borrowing requirements. BBH Luxembourg does not trade on its capital base or take principal trading positions. The overall appetite of BBH Luxembourg for credit, market (including interest rate risk), liquidity and operational (including technology, cyber and electronic data management) risks is low and the main drivers for all these risk types are detailed in the relevant sections of the ICLAAP document.

BBH Luxembourg targets maintenance of an internal capital ratio of 14% and a Minimum Requirement for own funds and Eligible Liabilities ("MREL") ratio of 23%. This approach is designed to provide both a buffer for unexpected events or financial results as well as to accommodate future business growth and expansion.

Enterprise Risk Management provides the framework for and ongoing guidance associated with the risk management. At a strategic level, the Program is designed to identify risks that may affect BBH Luxembourg to ensure that these risks are being managed in line with the BBH Luxembourg's risk appetite.

## **Section 9. Risk Assessment and Analysis**

BBH Luxembourg, working with Enterprise Risk Management, have reviewed and assessed the risks inherent in the business. This included an analysis of the results of the RCSA process, BBH Luxembourg's Compliance Monitoring Programme and an analysis of BBH Luxembourg's metrics. As a result of this assessment and analysis, BBH Luxembourg is considered not to have significant residual risk exposures requiring additional capital in any risk category. A descriptive analysis of BBH Luxembourg's main risk exposures follows.

## Section 10. Overall Risk Assessment

### Sub-section 1. Risk and Control Self Assessment Process (“RCSA”)

The business activities discussed in detail in the ICLAAP are subject to the RCSA process. The RCSA is a key component in the identification, assessment and management of business operational risks by business management. Significant business operational risks are identified and assessed initially on an inherent risk basis. The design and effectiveness of existing internal controls is then evaluated, taking into consideration relevant Internal Audit, Compliance, regulatory, and external audit findings; financial and non-financial risk events related to a control limitation or deficiency are also evaluated. Finally, a residual risk rating is determined. Moderate, Elevated and High residual risk ratings may require further evaluation, specifically to identify if escalation of a control gap and remedial action plans are required.

The RCSA is updated on an ongoing basis to reflect changes to the business operations and associated risks and control environment and are required to undergo a formal review by business management and various independent areas at least annually. A rollup of the results of the RCSAs are presented to the Executive Committee annually for review and approval. The Risk & Credit Committee (via the BBH Luxembourg Risk, Control and Governance Forum) monitors progress of open RCSA control gaps, and the Executive Committee receives periodic status updates of control gaps.

### Sub-section 2. Risk Dashboard, Metrics and Reporting

Risk related matters and risk related metrics are reported monthly to the BBH Luxembourg Executive Committee and quarterly to BBH Luxembourg Board. Risk Dashboards include reporting on risks relating to the regulatory environment, production availability & cyber security, data governance / incidents, the workforce, Anti-Money Laundering CFT Sanction matters, outsourcing, new clients/products/services, and operational matters. These risk categories are aligned to global risk reports and are reviewed periodically to ensure they remain relevant. Additional items are also discussed during and reported to the LRCC; with the LRCC having met 10 times during 2024.

Material risks are also escalated to the BBH Luxembourg Board and/or other relevant oversight committees by various functions, including Enterprise Risk Management via the following means:

- Management information reporting by departments
- Audit observations and remedial action plans;
- Enterprise Risk Management reporting;
- Compliance reports
- Finance Department reports including Large Exposures reports.

### Sub-section 3. Stress Testing Framework

BBH Luxembourg has implemented a Board-approved Stress Testing Framework. The Stress Testing Framework is reviewed on an ongoing basis to consider and reflect operating conditions and relevant stress testing requirements. The Stress Testing Framework was presented to and approved by the BBH Luxembourg ICLAAP and BRRD (“Banking Recovery and Resolution Directive”) Working Groups, Authorised Management/BBH Luxembourg Executive Committee and the BBH Luxembourg Board the latest in March 2025.

The Stress Testing Framework includes:

- Background information
- Detail related to Scenarios, Sensitivity Analysis and Reverse Stress Tests
- Responsibilities, Authorities and Delegated Authorities
- Timing and Frequency for Stress Testing
- Stress Testing/Scenario Generation Process
- Reverse Stress Testing Process

Stress tests are considered an important part of BBH Luxembourg's risk management practices and are seen by senior management as a means to better understand the potential risks facing BBH Luxembourg. BBH Luxembourg's stress tests are forward looking, employ multiple scenarios and inform decision-making. They assist in providing BBH Luxembourg the ability to spot emerging risks, may highlight areas in need of attention and allow management to take appropriate preventative actions, where appropriate.

BBH Luxembourg stress tests facilitate a determination as to whether BBH Luxembourg has sufficient capital that could result from adverse situations and/or stressed economic conditions. BBH Luxembourg views stress testing as one source of forward-looking information that can help identify downside risks and assess the potential impact of adverse outcomes on capital adequacy.

The BBH Luxembourg Board, as well as senior management, use the results of the stress tests when conducting capital planning, assessing capital adequacy and liquidity, evaluating risk management processes/practices and making strategic decisions. Senior management might also use the stress test results to determine whether additional analytical techniques and exercises are appropriate to employ in identifying, measuring, and monitoring risks. The Board and senior management are engaged in the stress testing process and there is ongoing collaboration with various governance groups and business functions. Business/strategy planning of BBH Luxembourg takes into account, and is aligned with ICLAAP, where applicable. The stress testing and scenario process also inform decisions relating to risk appetite and de-risking. BBH Luxembourg continuously enhances its stress testing/scenario modeling process.

The BBH Luxembourg Board and senior management also use stress testing as a risk management and oversight tool. While senior management reviews and challenges the final results, they are also actively involved in the process, including scenario design, assumptions, implications and results, understanding model limitations and formulation of potential management actions where applicable.

ICLAAP is subject to the review of senior management, as well as independent review by other control functions including Internal Audit, Compliance and Enterprise Risk Management. Senior management and the Board have the necessary experience and knowledge to provide robust input into the stress testing process.

BBH Luxembourg's Stress Testing Framework is administered under the joint guidance of the Chief Risk Officer and Finance Department. There is integration between the stress testing process and other disciplines, such as business/strategy planning and risk management. Stress testing is also aligned to other strategic management processes such as competitive positioning, asset growth, pricing and distributions and risk appetite.

#### **Sub-section 4. Stress Test Scenarios**

As evidenced through actual financial results and the ICLAAP process, BBH Luxembourg's business model and risk profile is conservative in nature, which translates into an overall low risk appetite. BBH Luxembourg's business strategy is focused on core Custody, Depositary, Fund Accounting, Fund Administration and Transfer Agency services; activities that are relatively stable in different market environments as evidenced by recent performance.



BBH Luxembourg has conducted stress analysis using multiple scenarios that include:

- a significant and unexpected growth in revenues and income;
- a significant recession;
- the loss of a major client and loss of multiple clients;
- a large operational loss;
- aggregation of the significant recession, loss of client and operational loss scenarios;
- client receivables not received over an extended period; and
- restitution obligation of the depositary set out under AIFMD and UCITS V Directive.

BBH Luxembourg's minimum regulatory capital requirement is calculated to be 11%. Corresponding to an 8% minimum requirement, an additional conservation buffer of 2.5% and a countercyclical buffer of 0.5% on Luxembourg exposures). BBH Luxembourg's internal capital planning includes an additional capital buffer of 3% to the minimum regulatory capital requirement, bringing the internal target capital ratio to 14%. The Minimum Requirement for own funds and Eligible Liabilities for 2024 amounts to 18.50%, with the additional countercyclical and conservation buffers requirements reaching 21.50%. BBH Luxembourg's internal MREL requirement is set at 23%.

- Results of stress testing indicates that BBH Luxembourg is well positioned, resilient and appropriately capitalised to withstand the effects of stress events.
- From a **Solvency perspective**, BBH Luxembourg is well positioned, resilient and appropriately capitalised to withstand the effects of stress events:
  - In all scenarios tested, with the exception of the 2027 growth scenario, capital levels remain above the minimum regulatory capital/MREL requirement excluding the buffer requirements (18.50%) during 2025, 2026 and 2027,
  - In all scenarios tested, with the exception of the growth scenario and the most severe liquidity scenario (scenario 6b) in 2027, the minimum regulatory capital/MREL requirement including the buffer requirements (21.5%) is met over the 3-year period,
  - The internal minimum capital/MREL target of 23% would be met in all scenarios over the 3-year period with the exception of the growth scenario in 2026/2027 and in the most severe liquidity scenario (6b) in 2027.
- From a **Liquidity perspective**, BBH Luxembourg is well positioned and resilient to withstand the effects of stress events:
  - In all scenarios tested, except in the most severe liquidity scenario (6b) in 2027, the liquidity regulatory requirements are met,
  - In all scenarios tested, except in the most severe liquidity scenario (6b) in 2026 and 2027, the liquidity situation of the Bank remains well above the internal targeted LCR (RP EWI 150%) and NSFR (RP EWI: 170%).
  - In scenario 6b, the Bank will need additional stable funding in 2026 and 2027 to achieve the NSFR internal target. The additional stable funding will also cover the LCR liquidity deficit expected in 2027 to achieve the LCR internal target of 150%.

BBH Luxembourg closely monitors its operating environment and capital requirements and would take the actions necessary to both mitigate risks and minimize the impact to capital, where appropriate.

BBH Luxembourg has the following frameworks/documents reviewed, updated and approved by BBH Luxembourg Board on an annual basis:

- BBH Luxembourg Stress Testing Framework
- BBH Luxembourg Concentration Risk Management Framework
- BBH Luxembourg Asset Encumbrance Risk Management Framework
- BBH Luxembourg Interest Rate Risk Management Framework
- BBH Luxembourg IT and Cyber Risk Management Framework
- BBH Luxembourg ICLAAP and Pillar III Procedure

## Section 11. Adoption and Review of the ICLAAP

Utilisation of the ICLAAP methodology relates to enhanced capital planning, scenario analysis, and risk management practices and continues to evolve to accommodate both regulatory and market changes.

As a result of the continuous enhancement of the ICLAAP process, BBH Luxembourg conducts an RCSA at the legal entity level. This exercise supplements the various business and product level RCSAs. In addition, the ICLAAP process and methodology is being continually integrated into BBH Luxembourg's overall decision-making process; specifically, as it relates to new business review and approval, and capacity planning. Management continues to explore opportunities to leverage the ICLAAP to align strategic objectives with the risk appetite and influence related behaviours.

Testing and review of the ICLAAP processes have taken place on multiple levels. The management team of BBH Luxembourg, in conjunction with Finance Department and the Enterprise Risk Management, have reviewed all components of the ICLAAP. BBH Luxembourg's Compliance function provides on-going oversight of changes to ICLAAP regulatory guidance to ensure that BBH Luxembourg continues to comply with requirements and best practice guidelines. Presentations and update of capital calculations are provided to the BBH Luxembourg Board on a quarterly basis.

The Firm's Internal Audit group has developed an audit plan as detailed within the ICLAAP requirements. Internal Audit has provided independent oversight and testing of critical components of the ICLAAP program and provided formal reports to the BBH Luxembourg Board and to the BBH Luxembourg Audit and Compliance Committee. In addition, BBH Luxembourg has engaged external consultant groups to review its ICLAAP methodology and provide feedback related to best practices.

BBH Luxembourg cultivates an environment that ensures all BBH personnel take responsibility for managing risk, including ensuring that effective risk management policies and procedures are implemented within their respective areas of responsibility and that such policies, procedures and controls are continually monitored and assessed. This includes annual update and approval of risk related policies and procedures, as well as the continuous monitoring and evaluation of the business unit's primary activities and major processes in order to identify, document, and implement appropriate control mechanisms for all material risks.

BBH Luxembourg has processes in place to ensure all Risk Events (error and omissions that may or may not have a financial impact, including 'near misses') are recorded in the Firmwide Risk Event Database in line with the Risk Event Management Policy. The Risk Event Programme is a foundational component of BBH Luxembourg's risk management program and is designed to provide a process to (i) capture and report identified Risk Events in a consistent and timely basis and (ii) identify, analyse and minimise risks and control deficiencies to prevent reoccurrence. Risk Event data summary updates are reported to senior management on a monthly basis within the Legal Entity Risk Dashboard and quarterly to the Board. Details are also discussed in various risk and governance related forums.

In addition, escalation protocols are in place to ensure timely communication and resolution of Risk Events, Fraud Attempts and Data Incidents.

Monthly reports produced by Enterprise Risk Management that include metrics and trends, as well as causal factors and risk mitigation action plans, if required, are provided to the BBH Luxembourg Executive Committee and Board, Enterprise Risk Management, Compliance and Internal Audit.

## Section 12. Material Risks and Risk Mitigation

The risks inherent in BBH Luxembourg's business activities are primarily Operational Risk and Credit Risk. Market Risk is relatively immaterial due to the limited scope and nature of related exposures. Liquidity Risk is low due to the nature of activities conducted and structure and composition of the balance sheet.

### Sub-section 1. Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events. This definition includes legal risk but excludes strategic and reputational risk. Subcategories of Operational risk are defined as follows:

- **Process:** The risk of loss resulting from a lack of processes, inadequately designed processes or ineffectively implemented process.
- **People:** The risk of loss resulting from insufficient staff resources, inadequately skilled staff, ineffectively managed staff, unethical or illegal staff behaviour (including internal fraud) or staff health and safety issues.
- **Systems:** The risk of loss resulting from inadequately designed systems, inadequate capacity of systems, ineffectively implemented or maintained systems, system intrusion or unauthorised access or information security violation.
- **External Event / Business Continuity Planning (BCP):** The risk of loss resulting from natural disasters, human initiated damage or disasters, external fraud or theft or vendor/supplier interruption, withdrawal, or termination of service. The Event Response Management Process focuses on monitoring significant events that may impact investment or related activities in a given market.
- **Legal Risk:** The risk of loss resulting from: failure to comply with laws as well as prudent ethical standards and contractual obligations, product defects or flaws, improper business or market practices or breach of fiduciary, suitability, or disclosure obligations.

Operational Risk is monitored on a continuous basis by line of business management, dedicated risk managers, the responsible oversight committee(s) and through the RCSA process for each business and area of operations. Policies and procedures have been established for various operational functions/activities and they are updated continually in response to changes in the operating environment. The adequacy and effectiveness of policies and procedures are also tested on an ongoing basis through the internal audit process, the internal Compliance Monitoring Program, the Report on Controls over Custody and Securities Lending Services, the Report on Controls over Fund Accounting and Fund Administration Services and the Report on Controls over Transfer Agency Services.

Operational Risk is inherent in the primary businesses of BBH Luxembourg (Custody and Depositary, Fund Accounting, Fund Administration and Transfer Agency). These are also the primary business activities conducted by BBH&Co. on a global basis. In an effort to leverage operational efficiencies, as well as the risk and control infrastructure in place at BBH&Co., BBH Luxembourg is supported in executing certain processes relating to these primary businesses by BBH&Co. The ICLAAP includes a detailed analysis of Operational Risk, including Outsourcing Risk, and includes a review of BBH Luxembourg's risk infrastructure, and an overview of the RCSA process, Legal Entity Risk Dashboard, Internal Audit and Compliance Monitoring Programs. Results of this assessment, including the controls and processes in place at BBH&Co., indicate that residual Operational Risk is considered low and that no additional capital is required to support it. An analysis of historical operational loss data validates this conclusion.

Operational Risk is one of BBH Luxembourg's principal risks with timeliness and accuracy key within the daily deliverables. Operational risk failures can lead to the inability to exercise control over fund assets, including failure to perform cash flow monitoring, verification of ownership of fund assets, and safekeeping of fund assets. Operational risk failures can lead to the requirement to replace, or compensate the market value of, financial instruments lost from its safekeeping. Suitably designed processes and controls are implemented to reduce operational risk. Outsourcing is a key element of Operational Risk within BBH Luxembourg, as a number of processes relating to daily deliverables are outsourced to various locations, including other BBH entities.

BBH Luxembourg incurs Legal, Regulatory and Fiduciary Risk in its provision of regulated depositary services. The Depositary is responsible for cash flow monitoring, verification of ownership of fund assets, and safekeeping of fund assets. It is subject to near strict liability on loss of financial instruments held by it in

custody, responsible for returning identical financial instruments or the corresponding value to the Fund without undue delay, even if the instruments were held in custody by a sub-custodian.

BBH Luxembourg recognizes the potential threat of cybercrime to its business and has therefore engaged the extensive Cyber Security Program of its parent company, BBH&Co. In order to meet the objective of increased cyber resiliency, the Firm established and continues to enhance its Cyber Security Program, which follows the core tenets of govern, protect, detect, respond and recover. The program coordinates a broad range of constituents across the bank, such as Systems, Systems Risk, Cyber security, Security Operations Team, the Privacy Officer, Compliance, Office of General Counsel, Enterprise Risk Management, and the lines of business globally to maintain and enhance cyber security policy, procedures and functions.

The Cyber Security program was designed to proactively address new threats and a quickly changing global regulatory landscape. Industry best practices, guidance and regulations are used as benchmarks by the cyber security program to assess and improve the Firm's posture.

BBH&Co. manages cyber risk as a business risk, not purely as an IT risk. There is consistent and coordinated communication of the Cyber Security Program across the lines of business and offices globally, resulting in awareness and common strategy. BBH&Co. consider cyber risks during many of our business processes such as, but not limited to, the New Product Launch Process (NPLP), Vendor & Network management, and Firm-wide training and awareness. BBH Luxembourg has a regulated institutional client base, which are also required to have appropriate cyber defences.

## **Sub-section 2. Credit Risk**

Credit risk is low and primarily inherent in exposures resulting from client receivables/accruals and funds placed with Banque et Caisse d'Epargne de l'Etat ("BCEE"), Banque Internationale à Luxembourg ("BIL"), Hong Kong and Shanghai Banking Corporation ("HSBC") Continental Europe, Banque Centrale du Luxembourg ("BCL") and BBH&Co, and lastly, exposures resulting from tangible assets (including leased assets following the implementation of IFRS 16 – Leases).

Deposits placed with BCEE, BIL, BCL, HSBC Continental Europe and BBH&Co: Monitoring the creditworthiness of these counterparties and/or related risk matters is performed by Institutional Risk Analysis and Administration. The creditworthiness is monitored through a combination of credit reviews and the inclusion of relevant issues in an internal weekly publication, as applicable. This work is overseen by IRCC and LRCC.

## **Sub-section 3. Market Risk**

BBH Luxembourg has no proprietary trading activities. Market Risk at BBH Luxembourg is comprised of Interest Rate Risk and Foreign Exchange Risk.

Interest Rate Risk is associated with interest-bearing assets that are short term in nature. On the liability side, the financial liabilities measured at amortised cost are leasing liabilities.

Market Risk is also comprised of Foreign Exchange Risk associated with payables and receivables denominated in a currency other than the United States Dollar.

For the purpose of the Pillar I capital assessment, only Foreign Exchange risk is included in the Market Risk calculation. Interest Rate risk is addressed in the Bank's Interest Rate and Credit Spread Risk Management Framework as well as in the capital planning activities as detailed in the ICLAAP document.

An assessment of Market Risk indicates that inherent and residual Market Risk is not considered material and no additional capital is required to support it.

### **Interest Rate Risk**

Interest-bearing assets mainly consisted of overnight balances and short-term balances with credit institutions. Although not interest bearing, the receivables from client classified in the Loans and advances measured at the amortised cost are also considered in the Bank's quantitative analysis. Given the short-term nature of interest-

bearing assets, fair value valuation of these items due to a shift in interest rates was not considered significant. On the liability side, the financial liabilities measured at amortised cost are leasing liabilities.

### Foreign Exchange Risk

Net exposures in currency other than the USD are mainly made of fees receivable, fee accruals as well as of financial lease liabilities in Euro.

BBH Luxembourg does not trade in foreign exchange or otherwise maintain foreign exchange positions other than to pay for foreign currency related expenses.

### Sub-section 4. Liquidity Risk

Liquidity Risk is the risk to earnings or capital arising from the Firm's inability to meet obligations when they come due, without incurring unacceptable losses. Liquidity Risk includes the inability to manage unplanned decreases or changes in funding sources. Liquidity Risk also arises from the Firm's failure to recognise or address changes in market conditions that affect the ability to liquidate assets quickly and with minimal loss in value.

Liquidity risk at BBH Luxembourg is low as evidenced by the balance sheet structure and the high quality of assets. The assets of BBH Luxembourg consist mainly of short-term assets; receivables, overnight deposits placed with BBH&Co., short term deposits placed with credit institutions (approved by LRCC) and tangible assets (including leased assets following the implementation of IFRS 16 – Lease).

Short term liabilities mainly consist of payables to BBH&Co. for services rendered, and various staff/vendor payables and accruals. On the liability side, the financial liabilities measured at amortised cost are leasing liabilities resulting from the implementation of IFRS 16 – Lease.

In addition, risks associated with US dollar denominated funding are considered low as related funding is provided by BBH&Co. and considered long term in nature to support primarily short-term assets.

BBH Luxembourg does not extend or receive loans.

## Section 13. Key metrics as of 31 December 2024

Table EU KM1 including key metrics is as follows:

		a	e
		2024	2023
	<b>Available own funds (amounts)</b>		
1	Common Equity Tier 1 (CET1) capital	119,112,663	98,769,149
2	Tier 1 capital	119,112,663	98,769,149
3	Total capital	119,702,663	99,359,149
	<b>Risk-weighted exposure amounts</b>		
4	Total risk exposure amount	377,529,626	379,002,623
	<b>Capital ratios (as a percentage of risk-weighted exposure amount)</b>		
5	Common Equity Tier 1 ratio (%)	31.55%	26.06%
6	Tier 1 ratio (%)	31.55%	26.06%
7	Total capital ratio (%)	31.71%	26.22%
	<b>Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)</b>		
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	-	-
EU 7b	of which: to be made up of CET1 capital (percentage points)	-	-
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	-	-
EU 7d	Total SREP own funds requirements (%)	8.00%	8.00%
	<b>Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)</b>		
8	Capital conservation buffer (%)	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-
9	Institution specific countercyclical capital buffer (%)	0.52%	0.51%
EU 9a	Systemic risk buffer (%)	-	-
10	Global Systemically Important Institution buffer (%)	-	-
EU 10a	Other Systemically Important Institution buffer (%)	-	-
11	Combined buffer requirement (%)	3.02%	3.01%
EU 11a	Overall capital requirements (%)	11.02%	11.01%
12	CET1 available after meeting the total SREP own funds requirements	23.71%	18.22%
	<b>Leverage ratio *</b>		
13	Total exposure measure	184,639,324	165,691,724
14	Leverage ratio (%)	64.51%	59.61%
	<b>Additional own funds requirements to address the risk of excessive leverage (as a percentage of total)</b>		
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-
EU 14b	of which: to be made up of CET1 capital (percentage points)	-	-
EU 14c	Total SREP leverage ratio requirements (%)	3%	3%
	<b>Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure)</b>		
EU 14d	Leverage ratio buffer requirement (%)	-	-
EU 14e	Overall leverage ratio requirement (%)	3%	3%
	<b>Liquidity Coverage Ratio **</b>		
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	8,262,544	8,812,145
EU 16a	Cash outflows - Total weighted value	7,213,150	19,287,821
EU 16b	Cash inflows - Total weighted value	102,195,206	71,420,350
16	Total net cash outflows (adjusted value)	1,803,288	4,821,955
17	Liquidity coverage ratio (%)	458.19%	182.75%
	<b>Net Stable Funding Ratio ***</b>		
18	Total available stable funding	134,127,277	116,682,552
19	Total required stable funding	52,930,842	58,873,074
20	NSFR ratio (%)	253.40%	198.19%

\* The difference between the total exposure measure included in the leverage ratio and the audited financial statements/IFRS reporting is described under Table EU CC2.

\*\* The average monthly Liquidity Coverage Ratio for 2024 amounts to 471.7%

\*\*\* The average quarterly Net Stable Funding Ratio for 2024 amounts to 242.2%

The numerator of the Leverage ratio is comprised of fully phased in Tier 1 Capital

## Section 14. Scope of application, capital structure and capital ratios as of 31 December 2024

Table EU CC1 including the own funds eligible to cover the risks, the capital ratios and the reference to the own funds included in the audited financial statements of the Bank is as follows (some sections of the EU CC1 template were omitted because not applicable to the Bank):

		(a)	(b)
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
<b>Common Equity Tier 1 (CET1) capital: instruments and reserves</b>			
1	Capital instruments and the related share premium accounts	36,500,000	
	of which: Instrument type 1	11,500,000	(1)
	of which: Instrument type 2	25,000,000	(2)
2	Retained earnings	34,122,863	(3)
3	Accumulated other comprehensive income (and other reserves)	48,752,287	(4)
6	<b>Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>	<b>119,375,150</b>	
<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>			
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)	(183,580)	
27a	Other regulatory adjustments	(78,906)	
28	<b>Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>	<b>(262,487)</b>	
29	<b>Common Equity Tier 1 (CET1) capital</b>	<b>119,112,663</b>	
45	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>119,112,663</b>	
<b>Tier 2 (T2) capital: instruments</b>			
46	Capital instruments and the related share premium accounts	590,000	(1)
51	<b>Tier 2 (T2) capital before regulatory adjustments</b>	<b>590,000</b>	
58	<b>Tier 2 (T2) capital</b>	<b>590,000</b>	
59	<b>Total capital (TC = T1 + T2)</b>	<b>119,702,663</b>	
60	<b>Total Risk exposure amount</b>	<b>377,529,626</b>	
<b>Capital ratios and requirements including buffers</b>			
61	Common Equity Tier 1 capital	31.55%	
62	Tier 1 capital	31.55%	
63	Total capital	31.71%	
64	Institution CET1 overall capital requirements	7.52%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical capital buffer requirement	0.52%	
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	<b>Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements</b>	<b>23.71%</b>	

References in EU CC1 table are made to EU CC2 table.

Paid up capital instruments included in common equity Tier 1 are ordinary shares (1). Paid up capital instruments included in Tier 2 capital are preference shares (1). The Bank has no additional Tier 1 capital instruments.

BBH Luxembourg has no subsidiaries and there is no accounting consolidation. No prudential filters pursuant to articles 32 to 35 of the CRR are applicable to BBH Luxembourg.

The Bank deducts all deferred tax assets from eligible own funds as well as the unsecured part of exposures classified as non performing for more than 2 years according to the prudential treatment.

BBH Luxembourg does not calculate ratios on a basis other than the one set by the CRR.

BBH Luxembourg has no trading book and no prudent valuation adjustment was required.

No additional own funds requirements based on the supervisory review process were required.



## Table EU CC2

Comparing the balance sheet included in the published financial statements of the Bank (LUX GAAP) with the balance sheet under the regulatory scope (IFRS) is as follows:

	Balance sheet as in published LUX GAAP financial statements	Balance Sheet under regulatory scope (IFRS)	
	31 December 2024	31 December 2024	References
Cash in hand, balances with central banks and post offices	8,262,544	8,262,544	
Loans and advances to credit institutions - repayable on demand	102,195,206	102,195,206	
Shares and other variable-yield securities	2,568	2,568	
Financial assets at amortised cost - Loans and advances		28,445,020	
Tangible assets	2,937,066	16,030,359	
Deferred tax assets		183,580	
Other assets	28,440,307		
Prepayment and accrued income	29,281,075	29,511,817	
<b>Total assets</b>	<b>171,118,766</b>	<b>184,631,094</b>	
Financial liabilities measured at amortised cost		15,182,560	
Other liabilities	18,195,133	28,390,445	
Accruals and deferred income	1,429,696		
Provisions for taxation	2,247,524		
Current tax liabilities		2,247,523	
Deferred tax liabilities		58,722	
Other provisions	10,122,169	3,375	
<b>Total liabilities</b>	<b>31,994,522</b>	<b>45,882,626</b>	
Subscribed capital	12,090,000	12,090,000	(1)
Share premium	25,000,000	25,000,000	(2)
Reserves	48,752,287	48,752,287	(4)
Profit brought forward	35,135,130	42,411,810	(3)
Profit for the financial year	46,646,827	38,994,370	
Interim dividend	(28,500,000)	(28,500,000)	
<b>Shareholders' equity</b>	<b>139,124,244</b>	<b>138,748,468</b>	
<b>Total liabilities and shareholders' equity</b>	<b>171,118,766</b>	<b>184,631,094</b>	

The differences between LUX GAAP and IFRS total balance sheet result from the application of:

- IFRS 16 - Leases (recognition of the right of use and discounted future lease payments at inception, with subsequent amortisation of the asset, interest recognition for the passage of time and cash outflows). The tangible assets exposure used for the regulatory capital ratio is increased by USD 13 093 293 to account for the right of use.
- IFRS 9 - Financial Instruments (Impairment calculation). The application of IFRS 9 results in a decrease of the value adjustments associated with the Loans and advances (corresponding to client receivables) for USD 235 455)
- IAS 12 – Taxes. The cumulative IFRS adjustments lead to the recognition of a deferred tax asset of USD 183 580 that was deducted from the own funds in the regulatory capital ratio.
- The profit brought forward (3) difference between Lux GAAP and IFRS results from:
  - the historical adjustments relative to IFRS (- USD 1 012 267) made of IFRS 16 (- USD 1 148 713), IFRS 9 (USD 200 344) and IAS 12 (USD – 63 898);
  - the recognition in profit brought forward under IFRS of a retroactive adjustment for past years that was fully recognised in the 2024 profit and loss account under LUX GAAP for USD 8 288 947. This adjustment was not included in the eligible own funds (See EU CC1) before the external audit was finalised.

The total Leverage exposure measure as of 31 December 2024 corresponds to the IFRS regulatory total balance sheet (USD 184 631 094) and the guarantee issued (USD 270 716) after deduction of deferred tax assets (USD 183 580), of the unsecured part of non performing exposures in accordance with prudential treatment (USD 78 906).



## Section 15. Summary of risk weighted assets as of 31 December 2024

Table EU OV1 including a summary of the risk weighted assets is as follows (some sections of the EU OV1 template were omitted as they are not applicable to the Bank):

The Bank makes no use of internal models to calculate the risks it is exposed to and does not use credit risk mitigation techniques. The Bank uses the standardised approach to calculate its credit risk and its market risk (limited to the foreign exchange risk) and the basic indicator approach to calculate its operational risk.

The Bank has no trading book, no securitisation positions or specialised lending and does not support any counterparty, commodity or settlement risk.

		Total risk exposure amounts (TREA)		Total own funds requirements
		a	b	c
		2024	2023	2024
1	Credit risk (excluding CCR)	96,376,969	101,399,386	7,710,158
2	Of which the standardised approach	96,376,969	101,399,386	7,710,158
20	Position, foreign exchange and commodities risks (Market risk)	7,402,330	7,652,507	592,186
21	Of which the standardised approach	7,402,330	7,652,507	592,186
23	Operational risk	273,750,326	269,950,730	21,900,026
EU 23a	Of which basic indicator approach	273,750,326	269,950,730	21,900,026
29	<b>Total</b>	<b>377,529,626</b>	<b>379,002,623</b>	<b>30,202,370</b>

## 15.1 Credit Risk capital requirements as at 31 December 2024 – Standardized Approach

The credit risk as at 31 December 2024 is itemized as follows:

Exposure class	Gross exposures (In USD)	Value adjustments	Net Exposure	Risk Weight	Risk Weighted Exposure	Capital requirement (8%)
Central Governments/Central Banks	8,262,544		8,262,544	0%	-	
Institutions	102,249,329		102,249,329	20%	20,449,866	1,635,989
Corporate	54,227,072		54,227,072	100%	54,227,072	4,338,166
Exposures in default	3,599,303	-	3,599,303	150%	5,398,955	431,916
Other items	42,939,484	(26,638,408)	16,301,076	100%	16,301,076	1,304,086
					<b>96,376,969</b>	<b>7,710,157</b>

Other items are mainly composed of tangible fixed assets including leased assets following the implementation of IFRS 16 – Lease. Value adjustments on other items are made of depreciation on tangible assets (including leased assets) for USD 26.6 million.

As of 31 December 2024, the cumulative IFRS 9 impairment amounted to KUSD 24. These value adjustments are associated with exposures that are in default for more than 2 years and that are Luxembourg domiciled exposures. As such, these value adjustments as well as the unsecured part of exposures classified as non performing for more than 2 years have been deducted from the eligible own funds according to the prudential treatment.

The distribution of credit risk by location by exposure class as at 31 December 2024 is as follows:

Exposure class	Net Exposure	Net exposure by country									
		LU (0.50%)	US (0%)	GB (2%)	DE (0.75%)	FR (1%)	BE (1%)	DK (0.25%)	IE (1.5%)	NL (2%)	Other (without Countercyclical buffer)
Central Governments/Central Banks	8,262,544	8,262,544	-	-	-	-	-	-	-	-	-
Institutions	102,249,329	94,789,425	7,459,903	-	-	-	-	-	-	-	-
Corporate	54,227,072	52,643,307	303,336	667,543	41,345	233,086	45,625	1,794	2,429	49,803	238,804
Exposures in default	3,599,303	3,098,004	39,530	203,637	150,151	-	-	-	-	-	107,981
Other items	16,301,076	16,301,076	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>184,639,323</b>	<b>175,094,356</b>	<b>7,802,769</b>	<b>871,179</b>	<b>191,496</b>	<b>233,086</b>	<b>45,625</b>	<b>1,794</b>	<b>2,429</b>	<b>49,803</b>	<b>346,785</b>
Total excluding Central Gov/Central Bank and Institutions	74,127,451	72,042,387	342,866	871,179	191,496	233,086	45,625	1,794	2,429	49,803	346,785
Weighted Countercyclical buffer (CcyB) rate excluding Central Gov/Central Bank and Institutions	0.517%	0.49%	0.00%	0.02%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Total Risk Weighted Assets</b>	<b>377,529,626</b>										
Weighted CcyB rate excluding Central Gov/Central Bank and Institutions	0.517%										
Countercyclical buffer requirement	1,950,286										

The 2024 quarterly average exposures (net of value adjustments) by exposure class are as follows:

Exposure class	in USD
Central Governments/Central Banks	8,580,413
Institutions	93,202,078
Corporate	63,646,653
Exposures in default	3,426,117
Other items	17,538,474

Additional credit risk information on industry sector, maturity and location is disclosed hereafter:

- Corporate exposures and exposures in default are made of fees receivables from clients (investment funds sector) and related accruals for 99% of the amount.
- Exposures in default are defined as such when the balance is due for more than 90 days. The total past due exposures as at 31 December 2024 amounts to USD 3.7 Mio. IFRS 9 value adjustments on exposures in default amount to USD 24K as at 31 December 2024 which is considered not significant (USD 22K as at 31 December 2023). Exposures in default that are classified as non performing for more than 2 years amounted to USD 103k and associated impairment of USD 24k have been deducted from eligible own funds.
- The net value adjustment recorded in 2024 amounts to USD 2K. Past due exposures, impaired exposures and related impairment are not considered significant given the global amount of fees receivables from clients.
- The Bank does not extend any loans to its clients.
- All cash balances placed with the Central Bank of Luxembourg and with credit institutions are performing; as are the majority of client receivables.
- While a portion of client receivables are aged beyond 90 days and thus classified as nonperforming, the history of actual losses for the Bank is de minimis as these exposures are ultimately being paid to the Bank.
- Exposures to central banks and to institutions consist of cash accounts on demand. Fees receivables from clients (Corporate exposures) are due at the reception of the invoice.
- BBH Luxembourg utilizes External Credit Assessment Institutions (Fitch, Standard and Poor's and Moodys) in the context of institution exposure ratings. Institutional overnight credit institution exposures are assigned a 20% risk weighting.
- As at 31 December 2024, the equity position is not material (USD 3K).
- As per the BBH Luxembourg Asset Encumbrance Framework, it is assessed that BBH Luxembourg does not have any encumbered assets as at 31 December 2024.
- Fiduciary operations recognized in the off-balance sheet amount to USD 9.2 billion as of 31 December 2024.

## 15.2. Operational risk capital requirements as at 31 December 2024 – Basic Indicator Approach

BBH Luxembourg applies the Basic Indicator Approach for calculating Operational risk capital requirements.

Year -3	Year -2	Year -1	3 years average gross income (in USD)	Weighting	Total risk exposure (in USD)	Capital requirement (8%) (in USD)
158,036,164	140,559,276	139,405,082	146,000,174	15%	273,750,326	21,900,026

## 15.3 Market risk – Foreign Exchange risk capital requirements as at 31 December 2024 – Standardized Approach

The below table summarizes the foreign exchange risk calculation under the standardized approach:

Exposure type	Currency Exposures (In USD)	Total Risk Exposure	Capital requirement (8%)
Net Long currency positions	7,402,330	7,402,330	592,186
Net Short currency positions	6,371	-	-

In accordance with CSSF circular 24/848 (and associated EBA/GL/ guidelines 2022/14), the Bank also monitors its interest rate risk by calculating the supervisory outlier stress tests (Economic Value and Risk to Earnings tests). As of end of Q4 2024, the estimated outcome of the Risk to Earnings test ranges from USD -1.9 million to USD +1.7 million while the Economic Value stress tests’ results from USD -11k to USD +9k. Interest Rate Risk is considered not significant, well below the 15% limit of Tier 1 Capital.

## **Section 16. Remuneration Policy**

BBH Luxembourg has also assessed its remuneration practices in accordance with guidelines promulgated by the CSSF. The results of this assessment indicate that BBH Luxembourg's remuneration program is in compliance with guidelines and promotes a sound business environment with no inappropriate risk taking. The Remuneration disclosure is available on <https://www.bbh.com/en-us/contact-us/office-locations/luxembourg-office>