Pillar 3 Report 2023

Foreword

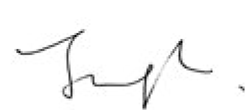
"Unless otherwise stated, the figures disclosed in this report are expressed in millions of euros. Data are provided at a consolidated level, including subsidiaries and branches of BIL Group."

Banque Internationale à Luxembourg (hereafter "BIL" or "the Bank") is a banking group located in Luxembourg at 69, route d'Esch, L-2953 Luxembourg and has a workforce count of 1,850 employees. It is the ultimate parent company of BIL Group. BIL is present in Luxembourg, Zurich, Geneva, Lugano, Hong Kong and Beijing.

This report meets the consolidated disclosure requirements related to the Part Eight of Regulation (EU) No 575/2013 (EBA/GL/2016/11 and EBA/ITS/2020/04), known as the Capital Requirements Regulation (CRR), as well as the Commission de Surveillance du Secteur Financier (CSSF) Circular 23/830 and CSSF Regulation 18-03 (as amended) on the adoption of the European Banking Authority (EBA) Guidelines, thereby satisfying the regulatory prudential framework applicable to credit institutions. The final Guidelines on Disclosure of Non-Performing and Forborne Exposures (EBA/ GL/2022/13) and the Technical Standards (ITS) on prudential disclosures on Environmental, Social and Governance (ESG) risks in accordance with Article 449a CRR are also considered.

Unless otherwise stated, the figures disclosed in this report are expressed in millions of euros. Data are provided at a consolidated level, including subsidiaries and branches of BIL Group.

In addition to this document, the annual report is available on the BIL's website:(https://www.bil.com/fr/groupe-bil/ documentation/Pages/donnees-financieres.aspx).



Jing Li
Chair of the Board

Marcel Leyers
Chief Executive Officer

Introduction

"It should be noted that BIL also publishes its Pillar 3 report on a semi-annual and quarterly basis."

BIL Group's Pillar 3 disclosure report is divided into eight sections and three appendices as follows:

- The first section describes the structure and functioning of the risk organisation and governance;
- The second section covers capital management and capital adequacy;
- The third section is dedicated to credit risk management;
- The fourth section describes methodological procedures for the management of market risk and discloses the Bank's corresponding risk profile;
- The fifth and sixth sections are related to the operational risk, information security and business continuity frameworks and the corresponding key risk figures;
- The seventh section is dedicated to the remuneration policy;
- The eighth section relates to the ESG risk framework.

It should be noted that BIL also publishes its Pillar 3 report on a semi-annual and quarterly basis.

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01. Risk Management

Risk Management

1.1 Risk Management

The main objectives of the Risk Management function within the Bank are to:

- Ensure that all risks are under control by identifying, measuring, assessing, mitigating, and monitoring them on an on-going basis. Risk charters, policies and procedures define the framework for controlling all types of risks by describing the methods and the limits defined, as well as escalation procedures;
- Provide the Management Body (the Board of Directors including its sub-committees and the Management Board) and all other relevant stakeholders with a comprehensive, objective and relevant overview of risks;
- Ensure that the risk limits are compatible with the Risk Appetite Framework (RAF), which defines the level of risk that the Bank is willing to take to achieve its strategic and financial objectives;
- Ensure compliance with banking regulation requirements related to risk management by submitting regular reports to the supervisory bodies, taking part in regulatory discussions and analysing all new requirements.

1.2 Risk Organisation and Governance

BIL Group's risk management framework is based on a clear organisational structure with a transparent decision-making process that facilitates the prudent management of risks.

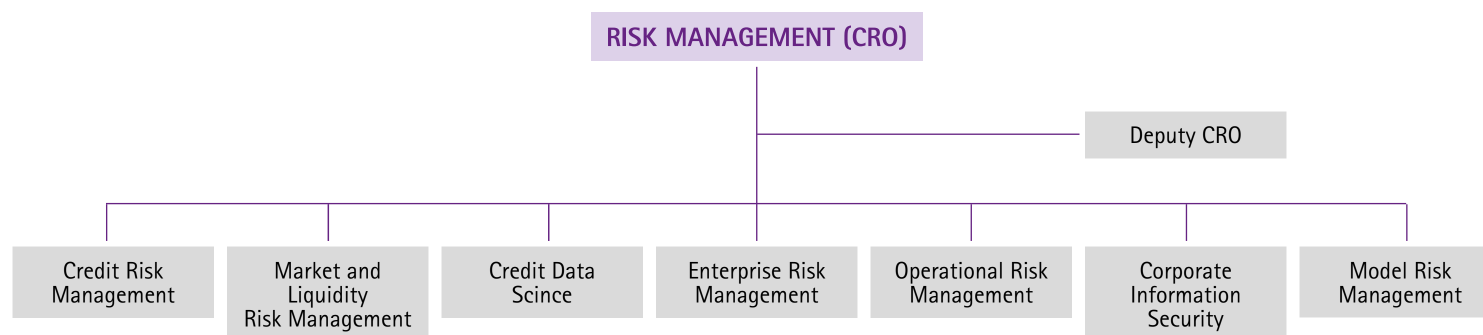
The Bank's risk management model is based on the following principles:

- Independence of the risk function from the business (three lines of defence model);
- Collective decision-making process in order to challenge the different opinions and views;
- Precise policies and procedures detailing risk limits, responsibilities, monitoring and reporting of risks across the Group;
- Central control, whereby all departments, subsidiaries and branches report both organisational and technical matters to Risk Management at BIL's Head office;
- Considering the proportionality principle, implementation of the same risk monitoring and data control system in all entities of BIL Group.

1.2.1. Organisation

To reflect a sound Risk Management framework and to develop an integrated risk culture, the Bank has set up an effective Risk Management function that is consistent with its activities and encompasses the relevant risks associated with its activities. The Risk Management function has been designed to support the Management Board in both achieving the defined objectives underpinning the Bank's strategy as well as complying with regulatory requirements.

Risk Management organisational chart



The Chief Risk Officer (CRO) is responsible for the Risk Management framework, challenge and oversight of the risks assumed by the business and for providing any relevant information on risks to the Management Board, thereby enabling the management of the Bank's overall risk profile.

The CRO has direct functional and hierarchical reporting lines with the risk teams located within BIL SA as well as a functional reporting line with BIL Suisse CRO.

To fulfil its aims and objectives, the Bank reinforced its staff force and performed some changes within the Risk Management organisation during 2023:

- New Chief Risk Officer joined BIL effective 16 January 2023;
- New Chief Information Security Officer joined BIL in November 2023;
- New Head of Credit Data Science ("CDS") unit joined BIL in December 2023. The CDS unit merges the IFRS9 Models and the IRBA Models functions.

Since the end of 2023, the Bank has established a new Management-level Audit, Risk and Compliance Committee (ARCC) tasked with providing an aggregated view of the Bank's risk profile while maintaining robust risk management practices, enhancing the risk culture in the Bank's overall operations and strengthening cooperation between the three lines of defence functions.

The specific units are described in further details hereafter.

CREDIT RISK MANAGEMENT

This department is composed of six different teams:

- The **Banks & Countries Analyses** team is responsible for assessing and monitoring the risk related to banks and sovereign counterparts;
- The **Wealth Management Analyses** team is responsible for assessing and monitoring the risk related to private banking counterparts;
- The **Corporate Analysis** team is in charge of the assessment and the monitoring of the risk related to corporate and institutional counterparts, including providing support for complex files to the other teams;
- The **Retail, Midcorp, Real Estate Analysis** team is in charge of the assessment and the monitoring of retail and midcorp (SME) counterparts and for the real estate specialised lending counterparts (property developments and professional real estate investments);
- The **Gestion Intensive et Préventive** team identifies and manages credit files showing early signs of difficulties and proactively proposes, in collaboration with business lines, specific action plans to mitigate the identified risks and assist front-office teams in managing complex non-performing exposures (NPEs). These require thorough negotiations of solutions in order to minimize the potential losses for the Bank in case of default;
- The **Credit Support** team acts as a control and monitoring hub, ensuring that the Credit Charter, policies and procedures remain current and effective. The team processes audit and supervisory recommendations and provides support on decisions related to the principles and methodologies underpinning credit risk. The team also participates in the integration of ESG factors into the credit framework.

CREDIT DATA SCIENCE

This department focusses on the development of credit risk models underpinning various processes including credit-granting, regulatory reporting, the Internal Capital Adequacy Assessment Process (ICAAP) and stress tests. In particular:

- The **IRBA models** team is in charge of the development, monitoring and implementation of internal models for Pillar 1 credit risk parameters, in line with the pertinent regulatory guidelines;
- The **IFRS9 team** is in charge of all modelling activities related to the Internal Financial Reporting Standards 9 (IFRS9) and the forecasting of risk parameters used in the stress test process.

MODEL RISK MANAGEMENT

This department is composed of three teams:

- The **Internal Validation** team primarily performs the independent validation of models as prescribed by regulations. The models falling within the scope of Internal Validation are those that carry model risk, i.e. models whose deficiencies or improper use may lead to financial losses. As a secondary function, Internal Validation performs the validation of other calculations on an ad hoc basis. Finally, Internal Validation performs the review of the ICAAP and Internal Liquidity Adequacy Assessment Process (ILAAP) in addition to validating the models used for ICAAP and ILAAP;
- The **Model Governance** team oversees all model-related governance as part of the Bank's Model Risk Management Framework. This unit drafts, reviews, and otherwise maintains policies and procedures. In addition to governance matters, Model Governance also maintains the Model Inventory, coordinates the submission of applications and notifications to the regulatory authorities, participates in the Bank-wide regulatory watch on the impact of new regulations and performs internal controls of the model risk management (i.e., model lifecycle) process.
- The **Rating Systems Control** team performs controls on the correct and consistent use of the Bank's models, in particular Pillar I rating and Loss Given Default (LGD) models. The controls range from the consistency and quality of input data to the proper mapping of asset classes and timely rating of clients. The scope of this team's control also covers the correct calculation of Risk-Weighted Assets (RWA) and will expand to cover Expected Credit Losses (ECL) calculation as well.

ENTERPRISE RISK MANAGEMENT

The Enterprise Risk Management (ERM) department has a key role within the Risk Management function for maintaining and developing the Group Risk Appetite principles in the Bank. ERM aims to ensure the Group strategy is correctly embedded within its risk device through the deployment and monitoring of the various components of the Supervisory Review and Evaluation Process (SREP). ERM has strong interlinkages with the top management and the regulatory bodies and is also involved in all major Bank transversal projects.

To cover a wide range of ERM topics and SREP requirements, the department has been divided into three sub-teams (i) **ERM Quantitative team**, (ii) **ERM Transversal team** and (iii) **ERM Project Office**. The main tasks of ERM are (i) the analysis of the Business Model of the Bank through its Risk Appetite and Risk Cartography; (ii) the establishment of a framework for risk governance; (iii) the deployment of the Bank's ICAAP and ILAAP; (iv) the reinforcement of the Capital and Liquidity planning and modelling approach; (v) the development of a transversal stress testing framework and (vi) the development of the Bank's recovery planning, resolution planning and crisis management capabilities in terms of both documentation and operationalisation, including testing exercises.

The work conducted by the three teams that jointly constitute the ERM unit is greatly intertwined. In this context, each team is responsible for specific workstreams that, when combined, allow ERM to perform its designated role within the Risk Management function:

- The **Quantitative** team ensures (i) the development and deployment of the quantitative and functional model approaches in line with SREP requirements, (ii) periodic monitoring and reporting on the risk models underpinning Economic Capital (ECAP), (iii) model back-testing and stress testing analysis, (iv) maintenance of datasets and providing support other departments and (v) calculation of the Bank's Risk-Adjusted Return On Capital (RAROC).
- The **Transversal** team ensures (I) the review and development of the Global Risk Charter (GRC), (ii) the production and coordination of all the Bank's cross-functional reports including the Pillar III Report, Annual Report, Long Form Report and the Risk Management Annual Summary Report, (iii) the monitoring of the Risk Dashboard, (iv) the coordination of the entities risk oversight meetings and (v) the development, maintenance and deployment of BIL's ICAAP, ILAAP, Recovery Plan and Resolution Plan.
- The **ERM Project Office** team is set up to tackle upcoming regulatory challenges on ESG and reinforce the ESG risk management framework for BIL Luxembourg and BIL Group. ERM Project Office contributes to the ESG Project Team that is tasked with overseeing the Bank's Sustainability Program. This program has been launched in order to integrate ESG considerations into BIL's strategy and support BIL's product and service ESG transformation. Moreover, the team is also in charge of the coordination, the development and the deployment of different risk elements linked to models, Risk Cartography, RAF / Recovery Plan indicators, Capital and Liquidity Planning, regulatory scenarios, Pillar II framework and Pillar III report.

MARKET AND LIQUIDITY RISK MANAGEMENT

The mission of the Market and Liquidity Risk Management (MLRM) department is to organise independently the identification, measurement, monitoring, mitigation, supervision and reporting of the market and liquidity risks undertaken by BIL and its subsidiaries. MLRM also oversees the measurement, monitoring and reporting of counterparty risk. Furthermore, MLRM is functionally responsible for the tools (Kondor+ and Bloomberg), interfaces of the Dealing Room and the Financial Risk Management Datamart (FRMD).

MLRM is composed of four different teams, as described below:

- The **Market Data Management** & **Risk Engineering** team oversees:
  - Ensuring the operational management of the Dealing Room and MLRM tools and implementing the methodologies of revaluation models for the positions of the Bank (and specific clients);
  - Designing and maintaining the intelligence tools (FRMD);
  - Managing the definition and the availability of the market data for the Bank;
  - Designing, implementing and testing new software solutions and system migration (e.g., GL 22 developments for Kondor+);
  - Implementing changes or new activities in the Dealing Room;
  - Implementing regulatory projects related to market risks (e.g., Fundamental Review of the Trading Book (FRTB) and Initial Margin);
  - Monitoring the operational and fraud risks for operations booked in Kondor+).
- The **Financial Markets Monitoring** team oversees:
  - Identifying, measuring and monitoring the market risks linked to the trading and banking book activities;
  - Measuring and monitoring counterparty risk;
  - Informing and alerting the Bank's Management of the market and counterparty risks to which BIL Group is exposed.
- The **Liquidity Risk Management** team is in charge of:
  - Implementing the regulatory standards pertaining to liquidity by defining the technical and functional framework;
  - Developing, producing and monitoring the liquidity regulatory indicators (Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) and Additional Liquidity Monitoring Metrics (ALMM)) and liquidity stress tests;
  - Informing and alerting the Bank's Management of the liquidity risks to which BIL Group is exposed.
- The **Interest Rate in the Banking Book (IRRBB) Management** team oversees:
  - Implementing the IRRBB and Credit Spread Risk in the Banking Book (CSRBB) regulatory standards by defining the technical and functional framework;
  - Developing, producing and monitoring the IRRBB indicators (Economic Value and Earnings) and the interest rate gap of the Bank.

INFORMATION SECURITY AND BUSINESS CONTINUITY

This department is in charge of:

- Analysing and monitoring Information and Communication Technology (ICT) & Security Risks;
- Defining the minimum measures to be implemented on ICT & Security domains;
- Controlling the effectiveness of the deployed ICT & Security measures.

This team chairs the ICT & Security Risk Management Committee (ISRC) to:

- Oversee the ICT & Security risks (as defined in the ICT & Security Risk Management Charter) linked to BIL's use of information technologies and that of its subsidiaries;
- Oversee the ICT & Security controls in place to mitigate the ICT & Security risks;
- Take a position on the identified risks in order to provide adequate protection to BIL's Information and IT assets;
- Oversee the ICT and Security incidents;
- Ensure that the implementation and the support of a global Business Continuity Plan respects the strategy defined by the BIL Management Board.

The **Business Continuity** team establishes and maintains the Business Continuity Plan (BCP), ensures its alignment with the IT Recovery Plan (Disaster Recovery Plan) and performs an annual review of Business Impact Analysis with business lines in order to maintain an updated plan set out in Business Continuity and Crisis Management Charter.

OPERATIONAL RISK MANAGEMENT

The Operational Risk Management function aims to provide risk assurance by:

- Promoting a strong control environment, coupled with risk-based decision making, that contributes to the creation, optimisation, and protection of shareholder value, through the proactive management of operational risks;
- Influencing operating functions, such that all staff become increasingly aware of the correlation between risk and control, leading to the embedment of risk concepts in the Bank's culture and its daily processes;
- Empowering managers to make more informed decisions through comprehensive analysis and intuitive reporting.

To achieve the above, the Operational Risk Management function is responsible for the design and oversight of the Operational Risk Management Framework (ORMF) and its components which include:

- Defining the guiding standards that describe controls and how they should apply within BIL;
- Normalising the classification of issues arising from control failures and the procedure to follow where it is not possible to comply with the ORMF or where a breach has occurred;
- Identifying risks through the periodical analysis of operational risk events to establish the key root causes for operational failures;
- Conducting the annual Risk and Control Self-Assessment (RCSA) to assess the control strength of the operating environment and the regular examination of external events that occur within the industry to establish if the underlying issues could materialise within BIL;
- Understanding, describing, and quantifying the issues that have been identified through risk identification techniques to allow for risk-based decision making;
- Providing the infrastructure necessary that supports the comprehensive treatment of risks, where action plans are defined and monitored;
- Establishing the monitoring processes over the control environment to help detect challenges and potential deteriorations in the operating processes so that proactive remedial actions may be taken promptly;
- Implementing the necessary reporting mechanisms that will provide the necessary information that supports the escalation of issues, risk-based decision making, and visibility over the status of risk mitigating measures;
- Providing the necessary training and support to help with the smooth implementation of the ORMF and its components.

1.2.2. Roles and Responsibilities of the Committees

With respect to BIL's risk management framework, **the Board of Directors (BoD)** is responsible for setting and overseeing the overall business strategy, the overall risk strategy and policy including the risk tolerance/appetite and the risk management framework.

According to CSSF circular 12/552 (as amended), the BoD makes a critical assessment of the internal governance mechanisms. These assessments may be prepared by dedicated internal committees and may be based on information received from the Management Board, the ICAAP and ILAAP reports, and the summary reports of the internal control functions which the BoD is called upon to approve on this occasion, or any other information the BoD requests from business and control functions.

The BoD acknowledges full responsibility for oversight of BIL's Risk Management and, as part of the RAF, defines general principles, responsibilities, and processes. BIL Group's Risk Management framework relies on a robust governance allowing a prudent and sound management of risks to support the Management Board in its implementation, in compliance with the strategies and guiding principles laid down by the BoD.

The BoD is responsible for BIL's risk management and thereby for ensuring:

- That all risks are controlled with processes in place for identifying, measuring, assessing, mitigating, managing and monitoring them on an on-going basis. Global risk policies and procedures define the framework for controlling all types of risks by describing the methods used and the defined limits, as well as the escalation procedures in place;
- That the risk limits are compatible with the strategy, the business model and the structure of the Bank through an effective RAF, which defines the level of risk that the institution is willing to take in order to achieve its strategic and financial objectives;
- Compliance with banking regulatory requirements by reviewing regular reports, participating in regulatory discussions and analysing all new requirements related to Risk Management that affect the Bank's activities (i.e., regulatory watch).

With respect to the RAF, the BoD:

- Approves BIL's Risk Appetite Statement (RAS) and ensures it remains consistent with the Bank's short- and medium-term strategy, business and capital plans, risk capacity as well as compensation programs;
- Holds the Chief Executive Officer (CEO) and other members of the Bank's Senior Management accountable to effectively implement a risk management framework that aligns with the Risk Appetite, including the timely identification, management and escalation of breaches in risk limits and of material risk exposures;
- Includes an assessment of Risk Appetite in its strategic discussions including decisions regarding mergers, acquisitions, growth in business lines or products, budget forecasting etc.;
- Regularly reviews and monitors the actual risk profile and risk limits to ensure BIL's compliance with the defined Risk Appetite;
- Ensures that appropriate mechanisms are in place to allow Senior Management to act in a timely manner to effectively manage, and where necessary mitigate, material adverse risk exposures.

The **Board Risk Committee (BRC)** supports and advises the BoD on any risk-related questions or activities. Among other things, the BRC is responsible for proposing BIL Group's risk policies to the BoD. This Committee also ensures that BIL's activities are consistent with its risk profile and makes positive recommendations to the BoD with regards to the level of global limits for the main risk exposures.

The BRC is a committee that supports the BoD on risk-related matters by, among other things:

- Reviewing the BIL Group risk management framework, the global risk limits and capital allocation;
- Reviewing the BIL Group risk exposures and risk profile, ensuring their alignment with the Bank's Risk Appetite and maintain oversight over other key risk management matters on a Group-wide basis;
- Reporting regularly to the BoD and making recommendations with respect to any of the above-mentioned matters.

The **Management Board (MB)** (also known as the Authorised Management) is responsible for implementing strategies as approved by the BoD and for establishing a sound management and Risk Management framework, in accordance with the principles and objectives established by the BoD.

The Management Board oversees the effective, sound and prudent day-to-day business (and inherent risk) management. This management is exercised in compliance with the strategies and guiding principles laid down by the BoD and the existing laws and regulations, considering and safeguarding the Bank's long-term financial interests, solvency, liquidity and profitability situation. The Authorised Management implements the business strategy and orientation as well as the Bank's risk strategy and appetite.

Among its roles and responsibilities, the Management Board:

- Reviews and recommends changes to the BIL Group Risk Management framework, the global risk limits and capital allocation;
- Reviews BIL Group's risk exposures, their alignment with the Bank's risk appetite (including capital adequacy) and other key Risk Management matters on a Group-wide basis while prescribing global limits for the Bank's main risk exposures;
- Reviews, assesses and discusses with the external auditor any significant risk or exposure and relevant risk assessments, if the need arises;
- Reports regularly to the BoD and makes recommendations with respect to any of the above or other risk-related matters.

The Management Board ensures that rigorous and robust processes for Risk Management and internal controls are in place and that the Bank is staffed in a manner that ensures a sound management of its activities. These processes include the establishment of a strong Risk Management function.

The **Executive Committee (ExCo)** is a Committee composed of the CEO, the Authorised Management as well as designated heads of support functions and business lines. The Chief Compliance Officer (CCO) as well as the Chief Internal Auditor (CIA) are permanent invitees to the ExCo. The ExCo exercises its duties under the supervision of the BoD. The role and responsibilities of the ExCo are further defined in the Terms of Reference (ToR) of the ExCo / MB and in the Articles of Association and applicable laws.

Management Committees stand and receive their mandates from the Management Board within a precise scope. They facilitate the development and implementation of sound corporate governance and decision-making practices. Their responsibilities and roles, their memberships and other rules defining their working practices are described in a specific form (i.e., ToR). At least one member of the Management Board is part of each Management Committee. These Management Committees may make decisions related to the overall business and risk process within their defined scope of action.

SUBJECT AND ATTRIBUTIONS OF THE MANAGEMENT COMMITTEES RELATED TO RISK TOPICS[1] :

Committee	Topics
Internal Control Committee	This Committee is mandated by the Management Board to strengthen the cooperation between the three lines of defence through coordination of the activities of each Internal Control function and decision on transversal issues related to Internal Control.
Credit Risk Committees	Employees Credit Committee: This Committee is mandated by the Management Board to decide for BIL and its domestic subsidiaries on all employee commitments regardless of their level; Default Committee: This Committee is mandated by the Management Board to deal with the incidents of default and to define the principles to apply to BIL and its subsidiaries; Commitments Committee: This Committee is mandated by the Management Board to grant and decide for BIL on (i) all commitments exceeding certain amounts as defined in the Credit Guide Charter (CGC) (ii) credit applications with specific features that make them eligible for this body pursuant to the CGC, (iii) some risk policy matters. Credit Committee: This Committee is mandated by the Management Board to decide on (i) certain commitments in line with the CGC and (ii) some loans that meet specific criteria.
Risk Policy sub-Committee	This Committee, a sub-committee of the Commitments Committee, is mandated by the Management Board to decide for BIL and its subsidiaries / branches some Risk Policy matters (e.g., Charters, Policies, Procedures). The Risk Policy sub-committee decides on the supervision of the perimeters of Risk: • Changes in credit-related policies; • Procedures and decisional powers regarding credits, overdrafts; • Changes in credit procedures, internal rating systems and RWA computations as well as principles and methodologies referring to credit risk more generally; • Advice on risks topics requiring transversal opinion, issues of regulatory monitoring and results of stress-testing exercises, among other things.
ALM Committee (ALCO)	This Committee is mandated by the Management Board to decide on the structural positioning of the BIL Group balance sheet in terms of rates, foreign exchange and liquidity.
ICT & Security Risk Committee	This Committee is mandated by the Management Board to oversee the risks linked to the BIL's ICT and security risks, controls and incidents, and take a position on the risks identified in order to provide adequate protection to BIL's Information and IT assets.
New Products Committee	This Committee is mandated by the Management Board to (i) address the development and take decisions on new products/services, including changes to existing ones, while checking the relevance of the underlying business case and its alignment with the Bank's strategy and (ii) monitor products/services that are manufactured and/or distributed by BIL.

1. As previously mentioned, the Bank has established since the end of 2023 a new Management-level Audit, Risk and Compliance Committee (ARCC) tasked with providing an aggregated view of the Risk Profile of the Bank while maintaining robust risk management practices, observing best practices around risk management, enhancing the risk culture in the Bank's overall operations and strengthening cooperation between the 3 lines of defence functions.

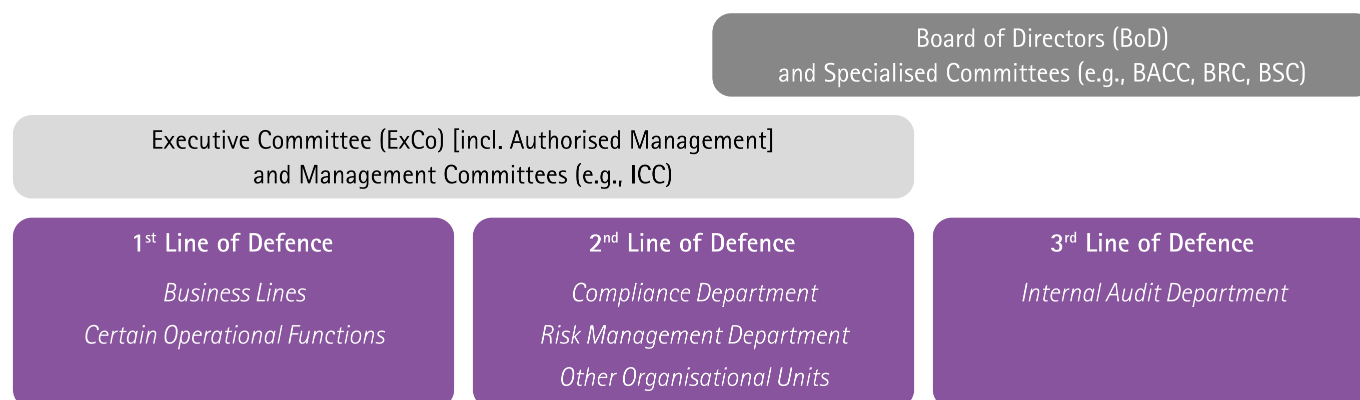
Committee	Topics
Disciplinary Committee	This Committee is mandated by the Management Board to ensure that disciplinary measures taken towards employees in case of fraud, significant non-respect of internal policies and procedures and serious behavioural misconduct are fair and balanced.
Crisis Committee*	A Crisis Committee may be set up to address and manage crisis situations (liquidity, funding, capital, BCP scenarios). This Committee can be considered as an extension of the Management Board. It is in the heart of the Recovery Plan governance.
Project Portfolio Management Committee	This Committee is mandated by the Management Board to manage the Bank's strategic project investment.
ICAC International Client Acceptance Committee	This Committee is mandated by the Management Board to: • Discuss and decide the acceptance of Political Exposed Persons (PEP), Media Exposed Persons (MEP) and Ultra High Net Worth Individuals (UHNWI) clients within BIL Group; • Review PEP/MEP/UHNWI clients on a regular basis with possible decision as regards the termination of the business relationship.
Go-Live 2022 Management Committee	This Committee gathers all relevant program / business / control & support function representatives and ensures decision taking in relation to GL22 scope management, business simplification, change & rollout management and changes to the Bank's operating model.

Discussions and decisions related to risk management are also governed by **additional internal committees**. These committees ensure, among other things, that the processes set up for the Bank's risk management framework are in line with regulatory requirements and that the corresponding tools are used in an appropriate way, specifically:

- The Model Risk Committee is responsible for managing all matters related to models and model risk, including but not limited to methodology, back-testing, validation, implementation, model change, model inventory and audit recommendations;
- The Operational Risk Committee is responsible for implementing and overseeing the Operational Risk Management Framework, thereby ensuring an efficient monitoring of the Bank's Operational risk exposures and managing those exposures within the parameters of BILs Risk Appetite.

Responsibility for Risk Management across all "Lines of Defence"

BIL Group has chosen to embed the 'three-lines-of-defence' (3LoD) framework as a fundamental principle of the Group's internal governance and its operational model. It articulates the 3LoD principles that provide an organisational instrument on a Group-wide basis to ensure effective and efficient risk management. The 3LoD framework helps determine the responsibilities of different parts of the Group for identifying, addressing and managing risks. Each of the lines in the framework has well-defined organisational responsibilities, as illustrated in the below figure[2].



The Risk Management Department, together with the Compliance Department, constitutes the Bank's second line of defence which controls risks on an independent basis and support the first LoD, which owns the risks, in complying with Group policies and procedures.

2. BACC refers to the "Board Audit & Compliance Committee", BRC refers to the "Board Risk Committee" and BSC refers to the "Board Strategy Committee".

Risk Management facilitates and ensures the implementation of a sound risk management framework throughout the Bank. It ensures that the internal risk objectives and limits are robust and compatible with the regulatory framework, the internal strategies embedded in the Bank's Charters and Policies, the activities, and the organisational and operational structure of the Group.

1.2.3. Risk Charter and Policies

The Risk Management framework is governed by an integrated set of Charters and Policies. Internal BIL policies and procedures are required to comply with regulatory requirements and must be aligned with BIL Group's Charters.

All charters, policies and procedures are centrally stored. Charters are reviewed annually or in an ad-hoc fashion. Policies and procedures are reviewed at least once every three years (unless otherwise mentioned in the respective document) and more frequently if a material change necessitates a review.

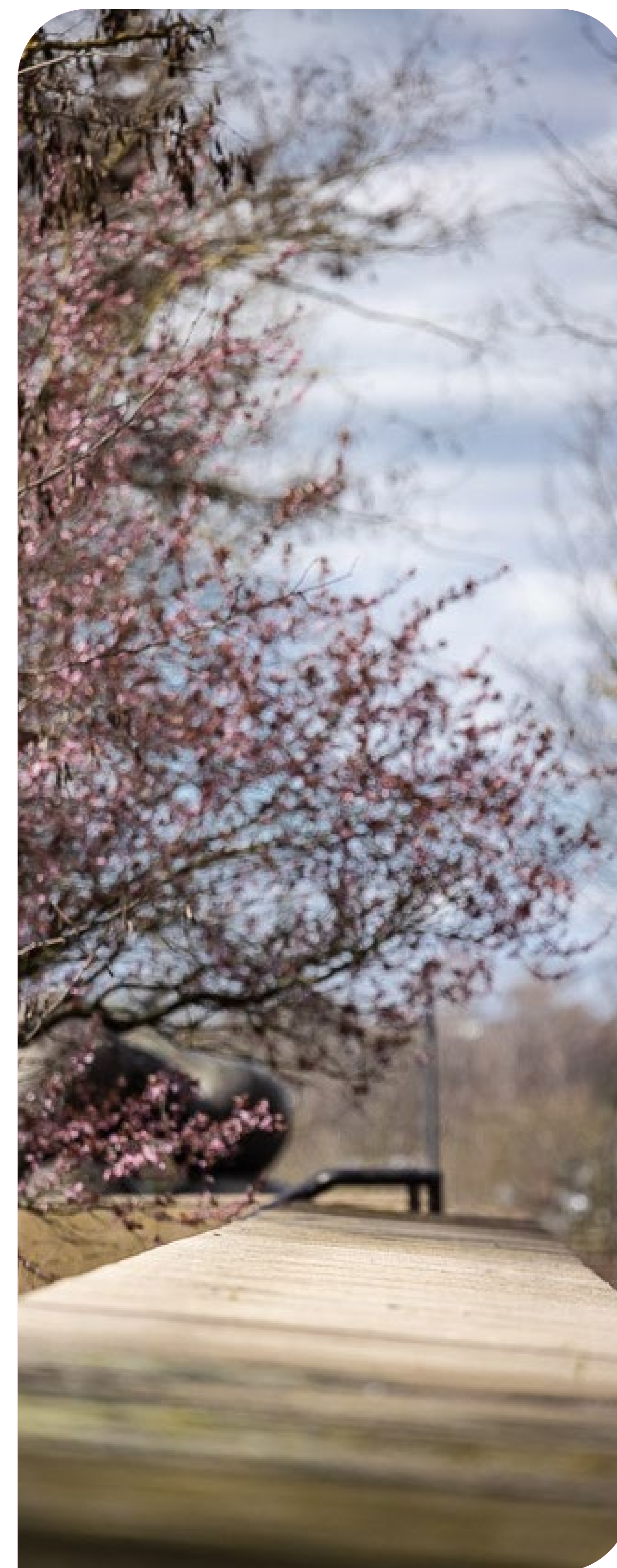
These documents allow a uniform methodology and terminology to be applied within BIL Group Risk Management and control functions.

They clarify risk identification, risk assessment and risk monitoring processes, as required under CSSF Circular 12/552 (as amended). This set of documents ensures that the risks are adequately described and that the appropriate controls are well implemented across the Group.

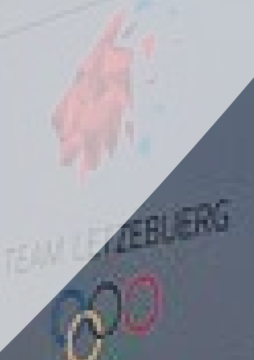
1.2.4. Overview of main BRC topics

The BRC reviews and recommends to the BoD the risk management framework of BIL Group, including but not limited to the following elements:

- The risk governance structure, including the Risk Appetite Statement and the Risk Appetite Framework;
- The Global Risk Charter and other risk-related charters, policies and procedures;
- The BIL Group Risk Dashboards, including internal triggers, limits and tolerances;
- The risk management strategy in relation with the Bank's business strategy and business model, including due diligence analysis or reports with regard to proposed strategic transactions such as acquisitions or divestitures;
- The organisation of the Risk Management function at BIL Group and the adequacy of resources (funding, staff and technologies) dedicated to this function;
- The risk awareness and culture within the Bank.



02. Own funds and capital adequacy



Own funds and capital adequacy

The table below provides a comprehensive view of key prudential metrics covering the Bank's available capital (including buffer requirements and ratios), RWA, Leverage Ratio (LR), LCR and NSFR.

TEMPLATE EU KM1 - KEY METRICS TEMPLATE

		31/12/2023	31/12/2022
	(In EUR million)	T	T-1
	Available own funds (amounts)		
1	Common Equity Tier 1 (CET1) capital	1,585,631,684	1,462,818,173
2	Tier 1 capital	1,760,631,684	1,637,818,173
3	Total capital	2,094,543,906	1,881,055,132
	Risk-weighted exposure amounts		
4	Total risk exposure amount	11,787,072,390	10,425,514,075
	Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	13.45%	14.03%
6	Tier 1 ratio (%)	14.94%	15.71%
7	Total capital ratio (%)	17.77%	18.04%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)		
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.25%	2.00%
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.27%	1.13%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	1.69%	1.50%
EU 7d	Total SREP own funds requirements (%)	10.25%	10.00%
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)		
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 (%)	0%	0.00%
9	Institution specific countercyclical capital buffer (%)	0.49%	0.36%
EU 9a	Systemic risk buffer (%)	0%	0.00%
10	Global Systemically Important Institution buffer (%)	0%	0.00%
EU 10a	Other Systemically Important Institution buffer (%)	0.50%	0.50%
11	Combined buffer requirement (%)	3.49%	3.36%
EU 11a	Overall capital requirements (%)	13.74%	13.36%
12	CET1 available after meeting the total SREP own funds requirements (%)	7.69%	8.41%
	Leverage ratio		
13	Total exposure measure	31,930,084,094	34,792,921,926
14	Leverage ratio (%)	5.51%	4.71%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)		
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0%	0%
EU 14b	of which: to be made up of CET1 capital (percentage points)	0%	0%
EU 14c	Total SREP leverage ratio requirements (%)	3%	3%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)		
EU 14d	Leverage ratio buffer requirement (%)	0%	0%
EU 14e	Overall leverage ratio requirement (%)	3%	3%
	Liquidity Coverage Ratio		
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	10,526	11,413
EU 16a	Cash outflows - Total weighted value	7,388	8,613
EU 16b	Cash inflows - Total weighted value	694	612
16	Total net cash outflows (adjusted value)	6,694	8,001
17	Liquidity coverage ratio (%)	158.38%	142.76%
	Net Stable Funding Ratio		
18	Total available stable funding	18,125	18,550
19	Total required stable funding	14,516	14,983
20	NSFR ratio (%)	124.86%	124%

* According to the disclosure instructions, the LCR disclosed in the EU KM1 and EU LIQ1 template is calculated as the simple average of month-end observations over the previous twelve months. At the end of 2023 considering the current view, the LCR amounted at 174%.

Following a reassessment of the Common Equity Tier 1 and Risk Weighted Assets, the Common Equity Tier 1 ratio has been restated from 14.41% to 13.45 % as of 31 December 2023 after profit allocation. RWAs have been restated from EUR 11.4 billion to EUR 11.8 billion as of 31 December 2023.

The aim of capital management is to guarantee BIL's solvency and sustain its profitability, while ensuring compliance with internal capital objectives and capital regulatory requirements.

BIL monitors its solvency by computing three capital ratios, namely the Common Equity Tier 1, Tier 1 and Total Capital ratios, in line with the requirements set out in the European Capital Requirements Directive (CRD) and CRR, and in tandem with international standards issued by the Basel Committee on Banking Supervision. The three capital ratios compare the amount of regulatory capital, eligible in each category, with BIL Group's total weighted risks.

As at 31 December 2023, the breakdown of prudential capital requirements was the following:

Capital Requirement	31/12/2023	31/12/2022
Mimimum requirements (Pillar 1): CET1	4,50%	4,50%
Pillar 2 requirement: CET1	1,27%	1,13%
Combined buffer requirement	3,49%	3,36%
of which capital conservation buffer	*2,50%*	*2,50%*
of which O-SII buffer	*0,50%*	*0,50%*
of which countercyclical capital buffer	*0,49%*	*0,36%*
OVERALL CET1 CAPITAL REQUIREMENT	9,26%	8,99%
Mimimum requirements (Pillar 1): Tier 1	6,00%	6,00%
Pillar 2 requirement: Tier 1	1,69%	1,50%
Combined buffer requirement	3,49%	3,36%
OVERALL TIER 1 CAPITAL REQUIREMENT	11,18%	10,86%
Mimimum requirements (Pillar 1): Total capital	8,00%	8,00%
Pillar 2 requirement: Total capital	2,25%	2,00%
Combined buffer requirement	3,49%	3,36%
OVERALL TOTAL CAPITAL REQUIREMENT	13,74%	13,36%

At the end of 2023, the Bank's CET1 ratio (13.45%), Tier 1 ratio (14.94%) and Total Capital ratio (17.77%) exceeded their respective minimum regulatory requirements. The supervisory authorities (European Central Bank (ECB) and CSSF) require BIL to disclose the calculation of capital necessary for the performance of its activities in accordance with the prudential banking regulations on one hand, and in accordance with the prudential regulations on financial conglomerates on the other. BIL has complied with all regulatory capital rules for all periods reported.

2.1 Regulatory capital adequacy (Pillar I)

2.1.1. Accounting and regulatory equity

This section provides information about the linkage between the carrying values presented in the financial statements and the Bank's regulatory exposures. As required under the CRR, the following table provides a breakdown of the balance sheet into the risk frameworks used to calculate the regulatory capital requirements.

TABLE EU LI1 - DIFFERENCES BETWEEN ACCOUNTING AND REGULATORY SCOPES OF CONSOLIDATION AND THE MAPPING OF FINANCIAL STATEMENT CATEGORIES WITH REGULATORY RISK CATEGORIES

	a	b	c	d	e	f	g
(In EUR)	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items				
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and balance at central banks and demand deposits	2,981,518,726	2,981,518,726	2,981,518,726				
Financial assets held for trading	19,345,375	19,345,375	0			19,345,375	
Financial investments measured at FV	581,678,327	581,678,327	581,678,327				67,758,306
Loans and advances to credit institutions	674,274,516	674,274,516	445,907,866	228,366,650			
Loans and advances to customers	16,328,530,371	16,328,530,371	16,328,530,371				
Financial investments measured at amortised cost	8,629,112,546	8,629,112,546	8,629,112,546		486,924,694		
Derivatives	547,153,628	547,153,628	0	547,153,628			
Fair value revaluation of portfolios hedged against interest rate risk	0	0	0				
Investments in associates	0	0	0				
Investment property	39,815,961	39,815,961	11,889,801				27,926,160
Property,plant and equipment	108,214,376	108,214,376	108,214,376				
Intangible fixed assets and goodwill	398,800,773	398,800,773	292,960,541				105,840,232
Current tax assets	953,109	953,109	953,109				
Deferred tax assets	128,102,833	128,102,833	21,996,434				106,106,399
Other assets	97,756,938	97,756,938	84,073,938				13,683,000
Non-current assets and disposal groups held for sale	0	0	0				
Total assets	**30,535,257,479**	**30,535,257,479**	**29,486,836,035**	**775,520,278**	**486,924,694**	**19,345,375**	**321,314,096**

	a	b	c	d	e	f	g
(In EUR)	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items				
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Liabilities							
Amounts due to credit institutions	3,720,728,528	3,720,728,528					3,720,728,528
Amounts due to customers	18,455,039,645	18,455,039,645					18,455,039,645
Other financial liabilities	25,908,177	25,908,177					25,908,177
Financial liabilities measured at fair value through profit or loss	2,836,485,340	2,836,485,340					2,836,485,340
Derivatives	316,493,915	316,493,915					316,493,915
Fair value revaluation of portfolios hedged against interest rate risk	-	-					-
Debt securities	2,034,068,527	2,034,068,527					2,034,068,527
Subordinated debts	345,756,383	345,756,383					345,756,383
Provisions and other obligations	54,265,447	54,265,447					54,265,447
Current tax liabilities	1,063,915	1,063,915					1,063,915
Deferred tax liabilities	11,214,380	11,214,380					11,214,380
Other liabilities	320,867,001	320,867,001					320,867,001
Liabilities included in disposal groups held for sale	-	-					-
Subscribed capital	146,108,270	146,108,270					146,108,270
Additional paid-in-capital	760,527,961	760,527,961					760,527,961
Treasury shares	-	-					-
Other equity instruments	174,550,419	174,550,419					174,550,419
Reserves and retained earnings	901,002,600	901,002,600					901,002,600
Net income for the year	201,767,951	201,767,951					201,767,951
Gains and losses not recognised in the consolidated statement of income	229,409,020	229,409,020					229,409,020
Total liabilities	**30,535,257,479**	**30,535,257,479**					**30,535,257,479**

The following table illustrates the key differences between regulatory exposure amounts and accounting carrying values under the regulatory scope of consolidation. The carrying value of financial Instruments includes impairments whereas for the regulatory calculation, only the exposures falling under the standardised approach include impairments. Commitments related to securities given in collateral (repos) or securities lent are off-balance sheet information. Regulatory exposures also include reverse repos.

TABLE EU LI2 - MAIN SOURCES OF DIFFERENCES BETWEEN REGULATORY EXPOSURE AMOUNTS AND CARRYING VALUES IN FINANCIAL STATEMENTS

(In EUR)	Total	Items subject to			
		Credit risk framework	CCR framework	Securitisation framework	Market risk framework
Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	30,535,257,479	29,486,836,035	775,520,278	486,924,694	19,345,375
Liabilities carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	18,329,445	-	-	-	18,329,445
Total net amount under the regulatory scope of consolidation	30,516,928,034	29,486,836,035	775,520,278	486,924,694	1,015,930
Off-balance-sheet amounts	5,003,664,386	5,003,664,386			
Differences in valuations	-89,413,667	121,989,749	-216,531,968		5,128,552
Differences due to different netting rules, other than those already included in row 2					
Differences due to consideration of provisions	188,502,083	188,502,083			
Differences due to prudential filters	-321,314,096	-321,314,096			
Securities Financing Transactions	-		-		
Exposures amounts considered for regulatory purposes	35,298,366,740	34,479,678,156	558,988,311	486,924,694	6,144,482

During 2023, shareholders' equity increased by EUR 136 million (+5.9%). This increase was mainly due to the 2023 net profit of EUR 201 million, partially offset by the coupon payments on Additional Tier 1 (AT1) instruments and 2023 dividend payment.

TABLE EU LI3 - OUTLINE OF THE DIFFERENCES IN THE SCOPES OF CONSOLIDATION (ENTITY BY ENTITY)

a	b	c	d	e	f	g
		Method of regulatory consolidation				
Name of the entity	Method of accounting consolidation	Full consolidation	Equity Method	Neither consolidated nor deducted	Deducted	Description of the entity
IB Finance SA	Full Consolidation	X				Other entity type
Société Luxembourgeoise de Leasing - BIL Lease SA	Full Consolidation	X				Immaterial leasing company
BIL Reinsurance SA	Full Consolidation		X			Insurance undertaking
BIL Manage Invest SA	Full Consolidation	X				Investment firm
Belair House SA	Full Consolidation	X				Investment firm
Société du 25 Juillet 2013 SA	Full Consolidation	X				Other entity type
Banque Internationale à Luxembourg (Suisse) SA	Full Consolidation	X				Credit Institution
Banque Internationale à Luxembourg SA (BIL)	Full Consolidation	X				Credit Institution
BIL Wealth Management Ltd	Full Consolidation	X				Other entity type

SHAREHOLDERS' EQUITY	31/12/2022		31/12/2023	
(In EUR)	Accounting scope of consolidation	CRR scope of consolidation	Accounting scope of consolidation	CRR scope of consolidation
Subscribed capital	146,108,270	146,108,270	146,108,270	146,108,270
Additional paid-in capital	760,527,961	760,527,961	760,527,961	760,527,961
Treasury shares	0	0	0	0
Other equity instruments	174,315,856	174,315,856	174,550,419	174,550,419
Reserves and retained earnings	817,236,900	817,236,900	901,002,600	901,002,600
Other reserves	275,863,990	275,863,990	275,863,990	275,863,990
Retained earnings	541,372,910	541,372,910	541,372,910	541,372,910
Net income for the year	152,932,361	152,932,361	201,767,951	201,767,951
CORE SHAREHOLDERS' EQUITY	**2,051,121,348**	**2,051,121,348**	**2,183,957,201**	**2,183,957,201**
Gains and losses not recognised in the consolidated statement of income	226,742,260	226,742,260	229,409,020	229,409,020
Financial instruments at FV through OCI	238,292,334	238,292,334	246,006,027	246,006,027
Other reserves	(11,550,074)	(11,550,074)	(16,597,007)	(16,597,007)
GROUP EQUITY	**2,277,863,608**	**2,277,863,608**	**2,413,366,221**	**2,413,366,221**
Non-controlling interests	0	0	0	0
TOTAL SHAREHOLDERS' EQUITY	2,277,863,608	2,277,863,608	2,413,366,221	2,413,366,221

During 2023, shareholders' equity increased by EUR 136 million (+5.9%). This increase was mainly due to the 2023 net profit of EUR 201 million, partially offset by the coupon payments on Additional Tier 1 (AT1) instruments and 2023 dividend payment.

2.1.2. Regulatory capital

In line with the Basel III rules and the phasing-out of pertinent prudential filters, the Bank's regulatory capital consists of:

- CET 1 capital: capital instruments, share premiums, retained earnings, including partial current year profit (in accordance with article 26 (2) of Regulation 575/2013 in conjunction with commission regulated delegation EU 241/2014 and ECB decision ECB/2015/4), foreign currency translation adjustment less intangible assets, defined benefit pension fund and deferred tax assets that rely on future probability;
- Tier 1 capital: CET 1 capital and Additional Tier 1 capital. The AT1 capital is represented by the issuance of EUR 175 million in Fixed Rate Resettable Callable Additional Tier 1 Capital Notes at rate of 5.250% on 14 November 2019;
- Tier 2 capital: eligible portion of subordinated long-term debt.

The following table details the transitional own funds disclosure in accordance with Annex VI of the Regulation (EU) No 1423/2013:

TEMPLATE EU CC1 - COMPOSITION OF REGULATORY OWN FUNDS

		(a) Amount at disclosure date	(b) regulation (eu) no 575/2013 article reference	(c) amounts subject to pre-regulation (eu) no 575/2013 treatment or prescribed residual amount of regulation (eu) 575/2013
Common Equity Tier 1 capital: instruments and reserves				
1	Capital instruments and the related share premium accounts	906.6	26 (1), 27, 28, 29, EBA list 26 (3)	N/A
	of which: Instrument type 1	*906.6*	*EBA list 26 (3)*	*N/A*
2	Retained earnings	901.0	26 (1) (c)	N/A
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	229.4	26 (1)	N/A
3a	Funds for general banking risk		26 (1) (f)	N/A

		(a) Amount at disclosure date	(b) regulation (eu) no 575/2013 article reference	(c) amounts subject to pre-regulation (eu) no 575/2013 treatment or prescribed residual amount of regulation (eu) 575/2013
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1		486 (2)	N/A
	Public sector capital injections grandfathered until 1 January 2018		483 (2)	N/A
5	Minority interests (amount allowed in consolidated CET1)		84, 479, 480	N/A
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	118.4	26 (2)	N/A
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	2,155.4		N/A
Common Equity Tier 1 capital: regulatory adjustments				
7	Additional value adjustments (negative amount)	-71.5	34, 105	N/A
8	Intangible assets (net of related tax liability) (negative amount)	-105.8	36 (1) (b), 37, 472 (4)	N/A
9	Empty set in the EU			N/A
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-106.1	36 (1) (c), 38, 472 (5)	N/A
11	Fair value reserves related to gains or losses on cash flow hedges	-2.0	33 (a)	N/A
12	Negative amounts resulting from the calculation of expected loss amounts	-194.9	36 (1) (d), 40, 159, 472 (6)	N/A
13	Any increase in equity that results from securitised assets (negative amount)		32 (1)	N/A
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-1.8	33 (1) (b) (c)	N/A
15	Defined-benefit pension fund assets (negative amount)	-13.7	36 (1) (e), 41, 472 (7)	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-	36 (1) (f), 42, 472 (8)	
17	Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		36 (1) (g), 44, 472 (9)	
18	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10)	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79, 470, 472 (11)	
20	Empty set in the EU			
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		36 (1) (k)	
20b	of which: qualifying holdings outside the financial sector (negative amount)		36 (1) (k) (i), 89 to 91	
20c	of which: securitisation positions (negative amount)		36 (1) (k) (ii) 243 (1) (b) 244 (1) (b) 258 "	
20d	of which: free deliveries (negative amount)		36 (1) (k) (iii), 379 (3)	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	N/A
22	Amount exceeding the 15% threshold (negative amount)		48 (1)	N/A
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		36 (1) (i), 48 (1) (b), 470, 472 (11)	N/A
24	Inclusion in Common Equity Tier 1 capital of transitory prescriptions of the article 473bis of the EU Regulation 2017/2395 (as modified by the EU Regulation 2020/873)	-	473 bis	N/A
25	of which: deferred tax assets arising from temporary differences		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	N/A

		(a) Amount at disclosure date	(b) regulation (eu) no 575/2013 article reference	(c) amounts subject to pre-regulation (eu) no 575/2013 treatment or prescribed residual amount of regulation (eu) 575/2013
25a	Losses for the current financial year (negative amount)		36 (1) (a), 472 (3)	N/A
25b	Foreseeable tax charges relating to CET1 items (negative amount)		36 (1) (l)	N/A
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment			N/A
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468			N/A
	Of which: … filter for unrealised loss 1		*467*	*N/A*
	Of which: … filter for unrealised loss 2		*467*	*N/A*
	Of which: … filter for unrealised gain 1		*468*	*N/A*
	Of which: … filter for unrealised gain 2		*468*	*N/A*
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	-	481	N/A
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)		36 (1) (j)	N/A
27a	Other regulatory adjusments	-73.9		
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-569.8		N/A
29	Common Equity Tier 1 (CET1) capital	1,585.6		N/A
Additional Tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts	175.0	51, 52	N/A
31	of which: classified as equity under applicable accounting standards			N/A
32	of which: classified as liabilities under applicable accounting standards	175.0		N/A
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1		486 (3)	N/A
	Public sector capital injections grandfathered until 1 January 2018		483 (3)	N/A
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties		85, 86, 480	N/A
35	of which: instruments issued by subsidiaries subject to phase out		486 (3)	N/A
36	Additional Tier 1 (AT1) capital before regulatory adjustments	175.0		N/A
Additional Tier 1 (AT1) capital: regulatory adjustments				
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)		52 (1) (b), 56 (a), 57, 475 (2)	N/A
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		56 (b), 58, 475 (3)	N/A
39	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 (c), 59, 60, 79, 475 (4)	N/A
40	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 (d), 59, 79, 475 (4)	N/A
41	Regulatory adjustments applied to Additional Tier 1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)			N/A
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013		472, 473(3)(a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	N/A

		(a) Amount at disclosure date	(b) regulation (eu) no 575/2013 article reference	(c) amounts subject to pre-regulation (eu) no 575/2013 treatment or prescribed residual amount of regulation (eu) 575/2013
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013		477, 477 (3), 477 (4) (a)	N/A
41c	Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre CRR		467, 468, 481	N/A
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		56 (e)	N/A
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital			N/A
44	Additional Tier 1 (AT1) capital	175.0		N/A
45	Tier 1 capital (T1=CET1+AT1)	1,760.6		N/A
Tier 2 (T2) capital: instruments and provisions				
46	Capital instruments and the related share premium accounts	333.9	62, 63	N/A
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2		486 (4)	N/A
	Public sector capital injections grandfathered until 1 January 2018		483 (4)	N/A
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 and 34) issued by subsidiaries and held by third parties		87, 88, 480	N/A
49	of which: instruments issued by subsidiaries subject to phase out		486 (4)	N/A
50	Credit risk adjustments		62 (c) & (d)	N/A
51	Tier 2 (T2) capital before regulatory adjustments	333.9		N/A
Tier 2 (T2) capital: regulatory adjustments				
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		63 (b) (i), 66 (a), 67, 477 (2)	N/A
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		66 (b), 68, 477 (3)	N/A
54	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		66 (c), 69, 70, 79, 477 (4)	N/A
54a	*Of which new holdings not subject to transitional arrangements*			*N/A*
54b	*Of which holdings existing before 1 January 2013 and subject to transitional arrangements*			*N/A*
55	Direct and indirect synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		66 (d), 69, 79, 477 (4)	N/A
56	Regulatory adjustments applied to Tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)			N/A
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013		472, 472(3)(a), 472 (4), 472 (6), 472 (8), 472 (9), 472 (10) (a), 472 (11) (a)	N/A
	Of which items to be detailed line by line, e.g. material net interim losses, intangibles, shortfall of provisions to expected losses, etc			*N/A*
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013		475, 475 (2) (a), 475 (3), 475 (4) (a)	N/A

		(a) Amount at disclosure date	(b) regulation (eu) no 575/2013 article reference	(c) amounts subject to pre-regulation (eu) no 575/2013 treatment or prescribed residual amount of regulation (eu) 575/2013
	Of which items to be detailed line by line, e.g. reciprocal cross holdings in AT1 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc			*N/A*
56c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre CRR		467, 468, 481	N/A
	Of which: ... possible filter for unrealised losses		*467*	*N/A*
	Of which: ... possible filter for unrealised gains		*468*	*N/A*
	Of which:...		*481*	*N/A*
57	Total regulatory adjustments to Tier 2 (T2) capital			N/A
58	Tier 2 (T2) capital	333.9		N/A
59	Total capital (TC=T1+T2)	2,094.5		N/A
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)			N/A
	Of which:... items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc)		*472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b)*	*N/A*
	Of which:...items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)		*475, 475 (2) (b), 475 (2) ©, 475 (4) (b)*	*N/A*
	Items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc)		477, 477 (2) (b), 477 (2) (c), 477 (4) (b)	N/A
60	Total risk weighted assets	11,787		N/A
Capital ratios and buffers				
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	13.45%	92 (2) (a), 465	N/A
62	Tier 1 (as a percentage of risk exposure amount)	14.94%	92 (2) (b), 465	N/A
63	Total capital (as a percentage of risk exposure amount)	17.77%	92 (2) (c)	N/A
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	3.49%	CRD 128, 129, 140	N/A
65	of which: capital conservation buffer requirement	2.50%		N/A
66	of which: countercyclical buffer requirement	0.49%		N/A
67	of which: systemic risk buffer requirement	0.00%		N/A
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.50%	CRD 131	N/A
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	7.69%	CRD 128	N/A
69	[non relevant in EU regulation]			
70	[non relevant in EU regulation]			
71	[non relevant in EU regulation]			

		(a) Amount at disclosure date	(b) regulation (eu) no 575/2013 article reference	(c) amounts subject to pre-regulation (eu) no 575/2013 treatment or prescribed residual amount of regulation (eu) 575/2013
Amounts below the thresholds for deduction (before risk weighting)				
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	3.9	36 (1) (h), 45, 46, 472 (10)56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)	N/A
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	34.5	36 (1) (i), 45, 48, 470, 472 (11)	N/A
74	Empty set in the EU			N/A
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	22.0	36 (1) (c), 38, 48, 470, 472 (5)	N/A
Applicable caps on the inclusion of provisions in Tier 2				
76	Credit risk adjustments included in Tier 2 in respect of exposures subject to standardized approach (prior to the application of the cap)		62	N/A
77	Cap on inclusion of credit risk adjustments in T2 under standardized approach	38.1	62	N/A
78	Credit risk adjustments included in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)		62	N/A
79	Cap on inclusion of credit risk adjustments in T2 under internal ratings-based approach	43.3	62	N/A
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)				
80	Current cap on CET1 instruments subject to phase out arrangements		484 (3), 486 (2) & (5)	N/A
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		484 (3), 486 (2) & (5)	N/A
82	Current cap on AT1 instruments subject to phase out arrangements		484 (4), 486 (3) & (5)	N/A
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		484 (4), 486 (3) & (5)	N/A
84	Current cap on T2 instruments subject to phase out arrangements		484 (5), 486 (4) & (5)	N/A
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		484 (5), 486 (4) & (5)	N/A

Reconciliation between Regulatory Capital and Shareholders' equity as per Financial Statements, as required by Annex I of the Regulation (EU) No 1423/2013:

TEMPLATE EU CC2 - RECONCILIATION OF REGULATORY OWN FUNDS TO BALANCE SHEET IN THE AUDITED FINANCIAL STATEMENTS

Solvency Ratios (in EUR)	31/12/2023	References to 2023 Financial Statements	Comments
Subscribed capital	146,108,270	Consolidated balance sheet	
Additional paid-in capital	760,527,961	Consolidated balance sheet	
Treasury shares	0	Consolidated balance sheet	
Reserves and retained earnings	901,002,600	Consolidated balance sheet	
Eligible Net Income included in regulatory capital	118,377,786	Consolidated balance sheet	The ECB published on February 4, 2015, its decision ECB/2015/4 referring to the condition under which credit institutions are permitted to include interim or year-end profits in Common Equity Tier 1 capital in accordance with Article 26(2) of Regulation EU 575/2013 and in conjunction with commission regulated delegation EU 241/2014.
Gains and losses not recognised in the consolidated statement of income	229,409,019	Consolidated balance sheet	
Regulatory and transitional adjustments1	(569,793,952)	cf hereunder	
TOTAL CET1	**1,585,631,684**		
Additional Tier 1 instrument (issued on November 14, 2019)	175,000,000	Consolidated balance sheet	Notional amount is taken into consideration.
TOTAL Tier 1	**1,760,631,684**		
Subordinated liabilities	333,912,221	Note 5.6 of the consolidated fiinancial statements	Difference due to the application of Article 64 of Regulation EU 575/2013.
TOTAL CAPITAL	**2,094,543,906**		

[1] Regulatory and transitional adjustments – common Equity Tier 1	31/12/23		
Goodwill and intangible assets	(105.840.232)	Note 4.11 of the consolidated fiinancial statements	Difference due to prudential treatment of sofware assets - Application of amended Delegated Regulation EU 241/2014.
Deferred tax assets that rely on future probability	(106.106.399)	Note 6.2 of the consolidated fiinancial statements	Difference due to application of Article 38 (3) of Regulation EU 575/2013.
Fair value reserves related to gains or losses cash flow hedges	(1.992.645)	Note 6.1.13 of the consolidated fiinancial statements	
Gains or losses on liabilities at fair value resulting from own credit risk	(1.812.138)	Note 9.2.2.8 of the consolidated fiinancial statements	
Additional Value Adjustment	(71.510.339)		Information not disclosed in the financial statements - Application of Article 34 of Regulation EU 575/2013,
Defined benefit pension fund assets	(13,683,000)	Note 4.13 of the consolidated fiinancial statements	
Transional provisions related to IFRS 9	0		Information not disclosed in the financial statements - Application of Article 473bis of Regulation EU 2017/2395 as modified by Regulation EU 2020/873.
IRB shortfall	(194,943,865)		Information not disclosed in the financial statements.
Unrealized gains on investment properties	(20,961,376)	Note 4.10 of the consolidated fiinancial statements	
Other Regulatory adjustments	(52,943,959)		Insufficient coverage for non-performing exposures and Irrevocable Payment Commitment filter.
TOTAL REGULATORY AND TRANSITIONAL ADJUSTMENTS ON COMMON EQUITY TIER 1	**(569,793,952)**		

3. REGULATORY AND TRANSITIONAL ADJUSTMENTS - COMMON EQUITY TIER 1

AVAILABLE DISTRIBUTABLE ITEMS AS AT END OF 2023 – IN EUR

BIL Group figures – in EUR	31/12/2023
Number of shares	2,087,261
Total Equity	2,413,366,221
DISTRIBUTABLE RESERVES[4] (AVAILABLE DISTRIBUTABLE ITEMS)	870,922,959

Nature	Balance	Reason for exclusion
Subscribed Capital	146,108,270	Art 72-1 Law 10 August 1915
Share Premium	760,527,961	Art 72-1 Law 10 August 1915
Treasury Shares (-)	-	Own shares
Other equity instruments	174,550,419	AT1 instrument issued on November 2019
Statutory Reserves	14,610,827	Art 72-1 Law 10 August 1915 & art 30 of BIL's articles of association
Untaxed unavailable reserves	-	Art 49-5 Law 10 August 1915
Reserves	149,410,185	
Consolidation Reserves	170,019,761	CSSF Regulation 14-02 art3 § (1) b
ow reevaluation Bourse de Luxembourg net	26,255,628	CSSF Regulation 14-02 art3 § (1) b
ow reevaluation investment properties net	20,961,376	
Retained earnings	571,343,718	
Realised gains/losses on equities	-4,381,891	
2022 Income	201,767,951	
ow reevaluation investment properties net	-	CSSF Regulation 14-02 art3 § (1) b
Non realised performance - Debt instruments - Gross	-1,797,440	CSSF Regulation 14-02 art3 § (1) b

4. Based on the law of 10 August 1915, CSSF regulation 14-02 and the Bank's Articles of Association.

Nature	Balance	Reason for exclusion
Non realised performance - Debt Instruments - Transfer to deferred tax	448,282	CSSF Regulation 14-02 art3 § (1) b
Non realised performance - Equity & var. rev. instr. - Gross	244,031,019	CSSF Regulation 14-02 art3 § (1) b
Non realised performance - Equity & var. rev. instr. - Transfer to deferred tax	3,324,167	CSSF Regulation 14-02 art3 § (1) b
Hedging reserve - CF Hedges - Gross	2,654,736	CSSF Regulation 14-02 art3 § (1) b
Hedging reserve - CF Hedges - Transfer to Deferred Tax	-662,091	CSSF Regulation 14-02 art3 § (1) b
Net FX investment Hedge - Gross	-	CSSF Regulation 14-02 art3 § (1) b
Net FX investment Hedge - Transfer to Deferred Tax	-	CSSF Regulation 14-02 art3 § (1) b
Non realised performance - Associates	-	CSSF Regulation 14-02 art3 § (1) b
Reserve SORIE	-11,588,386	CSSF Regulation 14-02 art3 § (1) b
Reserve SORIE - Transfer to Deferred tax	2,337,641	CSSF Regulation 14-02 art3 § (1) b
Non realised performance - Translation reserve (Consolidation)	-17,231,216	CSSF Regulation 14-02 art3 § (1) b
Non realised performance - Lands and Buildings	6,080,171	CSSF Regulation 14-02 art3 § (1) b
Own Credit Risk	1,812,138	CSSF Regulation 14-02 art3 § (1) b
TOTAL EQUITY	2,413,366,221	

2.1.3. Overview of RWAs

In accordance with Article 438 (d) of the CRR, the following table presents the Risk Weighted Exposure Amounts (RWEAs) and regulatory capital requirements broken down by risk types and model approaches compared to the previous year-end. The capital requirement amounts are obtained by applying 8% to the corresponding weighted risks.

TEMPLATE EU OV1 – OVERVIEW OF TOTAL RISK EXPOSURE AMOUNTS

		Total risk exposure amounts (TREA)		Total own funds requirements
		a	b	c
	(In EUR)	T	T-1	T
1	Credit risk (excluding CCR)	10,441,52	9,290,48	835.32
2	Of which the standardised approach	2,892,46	2,742,01	231.40
3	Of which the Foundation IRB (F-IRB) approach	980.29	1,154.97	78.42
4	Of which slotting approach	2,010.34	2,198.70	160.83
EU 4a	Of which equities under the simple riskweighted approach	0.13	0.22	0.01
5	*Of which the Advanced IRB (A-IRB) approach*	4,022.59	2,729.78	321.81
6	*Counterparty credit risk - CCR*	117.31	97.82	9.38
7	Of which the standardised approach	11.76	19.36	0.94
8	Of which internal model method (IMM)	0.00	0.00	0.00
EU 8a	Of which exposures to a CCP	7.93	48.89	0.63
EU 8b	Of which credit valuation adjustment - CVA	11.79	5.04	0.94
9	Of which other CCR	85.83	24.53	6.87
10	Not applicable	0.00	0.00	0.00
11	Not applicable	0.00	0.00	0.00
12	Not applicable	0.00	0.00	0.00
13	Not applicable	0.00	0.00	0.00
14	Not applicable	0.00	0.00	0.00
15	Settlement risk	0.00	0.00	0.00
16	Securitisation exposures in the non-trading book (after the cap)	50.17	19.41	4.01
17	Of which SEC-IRBA approach	0.00	0.00	0.00
18	Of which SEC-ERBA (including IAA)	50.17	19.41	4.01
19	Of which SEC-SA approach	0.00	0.00	0.00
EU 19a	*Of which 1250% / deduction*	0.00	0.00	0.00
20	*Position, foreign exchange and commodities risks (Market risk)*	24.47	17.26	1.96
21	Of which the standardised approach	24.47	17.26	1.96
22	Of which IMA	0.00	0.00	0.00
EU 22a	Large exposures	0.00	0.00	0.00
23	Operational risk	1,153.60	1,000.54	92.29
EU 23a	Of which basic indicator approach	0.00	0.00	0.00
EU 23b	Of which standardised approach	1,153.60	1,000.54	92.29
EU 23c	Of which advanced measurement approach	0.00	0.00	0.00
24	**Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)**	0.00	0.00	0.00
25	Not applicable	0.00	0.00	0.00
26	Not applicable	0.00	0.00	0.00
27	Not applicable	0.00	0.00	0.00
28	Not applicable	0.00	0.00	0.00
29	**Total**	11,787.07	10,425.51	942.97

At the end of 2023, the Bank's total RWAs amounted to EUR 11.7 billion, up by 10% (EUR 1 billion) compared to EUR 10.4 billion at the end of 2022. RWA growth (including credit value adjustment risk) was mainly driven by credit risk due to the implementation of new retail models, the commercial loan portfolio's evolution, and the prudential treatment of intangible software assets (after the go-live of the new Core Banking System)

2.1.3.1. Weighted risks

The Bank is required since its application of the Basel III framework to calculate its capital requirements with respect to credit, market, operational and counterparty risk, and to publish its solvency ratios.

For credit risk, the Bank applies the Advanced Internal Rating Based (A-IRB) approach on SME and Retail counterparties for the assessment of its RWAs. Regarding Large Corporates exposures, the Bank applies the Foundation Internal Rating Based Approach (F-IRB). Regarding exposures to Institutions and Sovereign-related exposures, the Bank applies the Standardised Approach. The latter is also applied on corporate and retail exposures which do not meet the criteria for applying the IRB approach.

For Market Risk, the Bank has adopted the Standardised approach; this choice is based on the Bank's very moderate trading activity, whose sole purpose is to assist BIL's customers by providing the best service for the purchase or sale of bonds, foreign currencies, equities and structured products. The Standardised approach is also used for the calculation of the operational RWAs of the Bank.

2.1.4. Equity and Specialised Lending exposures in the banking book

To comply with the last paragraph of Article 438, the following table details the Bank's RWEA, in accordance with Article 155(2) regarding specialised lending and equity exposures using the simple risk-weighted approach.

TEMPLATE EU CR10.2 - SPECIALISED LENDING: INCOME-PRODUCING REAL ESTATE AND HIGH VOLATILITY COMMERCIAL REAL ESTATE (SLOTTING APPROACH)

Regulatory categories	Remaining maturity	On-balance sheet exposure	Off-balance sheet exposure	Risk weight	Exposure value	Risk weighted exposure amount	Expected loss amount
		a	b	c	d	e	f
Category 1	Less than 2.5 years	113.54	43.21	50%	145.95	71.89	-
	Equal to or more than 2.5 years	254.57	24.75	70%	261.62	190.65	1.05
Category 2	Less than 2.5 years	708.89	251.01	70%	897.15	642.82	3.59
	Equal to or more than 2.5 years	693.90	131.44	90%	727.44	658.66	5.82
Category 3	Less than 2.5 years	151.50	42.18	115%	183.14	214.74	5.13
	Equal to or more than 2.5 years	156,89	16.94	115%	158.63	190.29	4.44
Category 4	Less than 2.5 years	11.85	6.79	250%	16.94	41.38	1.36
	Equal to or more than 2.5 years	-	0.02	250%	-	-	-
Category 5	Less than 2.5 years	112.29	21.15	-	128.05	-	64.03
	Equal to or more than 2.5 years	93.22	1.57	-	93.22	-	46.61
Total	Less than 2.5 years	1,098.07	364.34		1,371.23	970.83	74.10
	Equal to or more than 2.5 years	1,198.59	174.72		1,240.92	1,039.60	57.92

TEMPLATE EU CR10.2 - SPECIALISED LENDING: INCOME-PRODUCING REAL ESTATE AND HIGH VOLATILITY COMMERCIAL REAL ESTATE (SLOTTING APPROACH)

Categories	On-balance sheet exposure	Off-balance sheet exposure	Risk weight	Exposure value	Risk weighted exposure amount	Expected loss amount
	a	b	c	d	e	f
Private equity exposures	0.07	-	190%	0.07	0.13	0.00
Exchange-traded equity exposures	-	-	290%	-	-	-
Other equity exposures	-	-	370%	-	-	-
Total	0.07	-		0.07	0.13	0.00

2.1.5 Countercyclical capital buffer disclosure template

In accordance with Article 440 (a) and (b) of the CRR, the following tables disclose the amount of the Bank's specific countercyclical buffer as well as the geographical distribution of credit exposures relevant for its calculation in the standard format as set out in Commission Delegated Regulation (EU) 2015/1555.

2.1.5.1 Institution specific

The following table shows an overview of the Bank's countercyclical exposure and buffer requirements (in EUR million):

TEMPLATE EU CCYB2 - AMOUNT OF INSTITUTION-SPECIFIC COUNTERCYCLICAL CAPITAL BUFFER

TOTAL RISK EXPOSURE AMOUNT	11,787.07
Institution specific countercyclical capital buffer rate	0.4947%
Institution specific countercyclical capital buffer requirement	58.31

The final bank-specific buffer add-on rate (i.e., the weighted average of countercyclical capital buffer rates in jurisdictions to which the Bank has private sector credit exposures) applies to bank-wide total RWA (including credit, market, and operational risk). Countercyclical capital buffer rates are determined by Basel Committee member jurisdictions.

As at 31 December 2023, the institution-specific countercyclical capital buffer stood at 0.49% and was stable compared to the previous year.

2.1.5.2 Geographical distribution of credit exposures relevant for the calculation

The geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer is disclosed in Appendix 3 (template EU CCyB1).

2.2. Non-deducted participations in financial sector entities

The Bank hereby discloses the information required under Article 438(c) and (d) of the CRR on exposures that are risk-weighted in accordance with Part Three, Title II, Chapter 2 or Chapter 3 of the aforementioned Regulation. The Bank specifies information regarding non-deducted risk-weighted participations in cases where it is allowed to not deduct its holdings of own funds instruments of a financial sector entity where the Bank has a significant investment in this kind of assets, in accordance with Article 49(1) of the CRR.

TEMPLATE FOR DISCLOSURE OF INFORMATION IN RELATION TO THE COMPLIANCE OF INSTITUTIONS WITH THE REQUIREMENT FOR A COUNTERCYCLICAL BUFFER

(in EUR)	VALUE
Holdings of own funds instruments of a financial sector entity where the institution has a significant investment not deducted from own funds (before risk-weighted)	4,735,538
TOTAL RWAs	14,369,252

TEMPLATE EU INS1 - INSURANCE PARTICIPATIONS

	(in EUR)	Exposure value	Exposure value
1	Own fund instruments held in insurance or re-insurance undertakings or insurance holding company not deducted from own funds	29,725,302	74,313,255

2.3. Leverage ratio

The leverage ratio (LR) was introduced by the Basel Committee to serve as a simple, transparent and non-risk-based ratio to complete the existing risk-based capital requirements.

The Basel III leverage ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as a percentage and required to exceed a minimum of 3%.

The capital measure for the leverage ratio is the Tier 1 capital, taking into account transitional arrangements, whereas the exposure measure corresponds to the sum of the following exposures: (a) on-balance sheet exposures; (b) derivative exposures; (c) Securities Financing Transaction (SFT) exposures; and (d) off-balance sheet (OBS) items.

As December 2023, BIL Group's leverage ratio amounted to 5.51% (fully phased-in definition, restated compared to 5.70% previously).

The Bank considers the leverage ratio in its capital and financial planning to review if its forecasted commercial growth is consistent with minimum requirements for the leverage ratio. The Bank also actively manages its balance sheet size through its Treasury and Asset Liability Management (ALM) departments and limits interbank transactions. The leverage ratio is discussed on a regular basis at Management Board level as it is part of the Bank's Risk Appetite framework (with internal triggers and limits set above the minimum requirement).

The European Union published on 15 February 2016 the Commission Implementing Regulation (EU) 2016/200 laying down implementing technical standards with regard to disclosure of the leverage ratio for institutions (according to Regulation (EU) No 575/2013 of the European Parliament and of the Council).

TEMPLATE EU LR1 - LRSUM: SUMMARY RECONCILIATION OF ACCOUNTING ASSETS AND LEVERAGE RATIO EXPOSURES

		a
		Applicable amount
1	Total assets as per published financial statements	30,535.26
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	0.00
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	0.00
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	0.00
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	0.00
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	0.00
7	Adjustment for eligible cash pooling transactions	0.00
8	Adjustment for derivative financial instruments	-104.13
9	Adjustment for securities financing transactions (SFTs)	-131.40
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	2,152.76
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-75.91
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	0.00
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	0.00
12	Other adjustments	-446.49
13	Total exposure measure	31,930.08

TEMPLATE EU LR2 - LRCOM: LEVERAGE RATIO COMMON DISCLOSURE

		CRR leverage ratio exposures	
		a	b
		T	T-1
	On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	29,612.76	31,451.09
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	0.00	0.00
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0.00	0.00
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	0.00	0.00
5	(General credit risk adjustments to on-balance sheet items)	(65.00)	(90.59)
6	(Asset amounts deducted in determining Tier 1 capital)	(569.79)	(659.36)
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	28,977.97	30,701.14
	Derivative exposures		
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	176.60	1.031.10
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	0.00	0.00
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	193.66	373.86
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	0.00	0.00
EU-9b	Exposure determined under Original Exposure Method	0.00	0.00
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	0.00	0.00
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	0.00	0.00
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)	0.00	0.00
11	Adjusted effective notional amount of written credit derivatives	0.00	0.00
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0.00	0.00
13	Total derivatives exposures	370.26	1.404.96
	Securities financing transaction (SFT) exposures		
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	686.42	1.093.75
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(353.97)	(769.82)
16	Counterparty credit risk exposure for SFT assets	203.15	80.15
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	0.00	0.00
17	Agent transaction exposures	0.00	0.00
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	0.00	0.00
18	Total securities financing transaction exposures	535.60	404.08
	Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	5,003.66	5,389.76
20	(Adjustments for conversion to credit equivalent amounts)	(2,861.82)	(3,043.73)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated associated with off-balance sheet exposures)	(10.91)	(10.23)
22	Off-balance sheet exposures	2,141.85	2,346.03
	Excluded exposures		
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	0.00	0.00
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet))	0.00	0.00
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)	0.00	0.00
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)	0.00	0.00
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	0.00	0.00
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	(95.59)	(81.92)
EU-22g	(Excluded excess collateral deposited at triparty agents)	0.00	0.00

		CRR leverage ratio exposures	
		a	b
		T	T-1
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	0.00	0.00
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	0.00	0.00
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	0.00	0.00
EU-22k	(Total exempted exposures)	(95.59)	(81.92)
	Capital and total exposure measure		
23	Tier 1 capital	1,760.63	1,619.19
24	Total exposure measure	31,930.08	34,774.29
	Leverage ratio		
25	Leverage ratio (%)	5.33%	4.66%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	5.33%	4.66%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	5.33%	4.66%
26	Regulatory minimum leverage ratio requirement (%)	3.00%	3.00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%
EU-26b	of which: to be made up of CET1 capital	0.00%	0.00%
27	Leverage ratio buffer requirement (%)	0.00%	0.00%
EU-27a	Overall leverage ratio requirement (%)	3.00%	3.00%
	Choice on transitional arrangements and relevant exposures		
EU-27b	Choice on transitional arrangements for the definition of the capital measure	Fully Phased-in	Fully Phased-in
	Disclosure of mean values		
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	358.03	284.93
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	332.45	323.93
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	31,955.67	34,735.29
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	31,955.67	34,735.29
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	5.51%	4.66%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	5.51%	4.66%

TABLE EU LR3 - LRSPL: SPLIT-UP OF ON BALANCE SHEET EXPOSURES (EXCLUDING DERIVATIVES, SFTS AND EXEMPTED EXPOSURES)

		a
		CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:t**	
EU-2	Trading book exposures	48.25
EU-3	Banking book exposures, of which:	
EU-4	Covered bonds	398.08
EU-5	Exposures treated as sovereigns	7,615.44
EU-6	Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns	1,278.91
EU-7	Institutions	1,621.34
EU-8	Secured by mortgages of immovable properties	8,473.39
EU-9	Retail exposures	2,339.82
EU-10	Corporates	5,329.04
EU-11	Exposures in default	465.17
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	1,897.32

2.4. Internal Capital Adequacy and Assessment Process (Pillar II)

2.4.1. ICAAP Framework

2.4.1.1. Definition of the ICAAP

Article 73 of the 2013/36/EU Directive defines the Internal Capital Adequacy Assessment Process (ICAAP) as a set of *"[...] sound, effective and comprehensive strategies and processes to assess and maintain on an on-going basis the amounts, types and distribution of internal capital that they consider adequate to cover the nature and level of the risks to which they are or might be exposed"*.

ICAAP is an internal process which allows BIL Group to hold the internal capital it deems appropriate to cover all the risks to which it is or could be exposed to as a result of its Business Model and Strategy Plan, this being framed by its Risk Appetite and its risk-bearing capacity. All those risks are clearly documented in a formal risk taxonomy.

In line with the above-mentioned article, the CSSF Circular 07/301 (as amended) specifies the object, the scope and the implementation of the ICAAP for credit institutions incorporated under Luxembourg law, the EBA final guidelines (EBA/GL/2016/10) and the 2018 ECB ICAAP guides on the collection of information related to the ICAAP and ILAAP[5]. These guidelines define a common approach and specify what information regarding ICAAP and ILAAP competent authorities should collect from institutions to perform their assessments of the ICAAP and ILAAP frameworks as well as the reliability of capital and liquidity estimates in a consistent manner.

The following chapters are a summary of the main elements regarding the Pillar II framework.

2.4.1.2. Purpose of the ICAAP

For the BoD, the main purpose of the ICAAP is to proactively make a strategic assessment of the Bank's capital (and liquidity) requirements and adequacy considering its strategies, the Bank's business model and current situation. Furthermore, the ICAAP establishes the capital required for economic purposes and helps identify the Bank's sources of capital to meet these objectives.

One of the benefits of the ICAAP includes enhanced corporate governance and improved risk assessment within banks, thereby increasing the stability of the overall financial system. It also helps maintain capital levels in accordance with the Bank's strategy, risk profile, governance structures and internal risk management systems.

For Senior Management, another important purpose of the ICAAP is to inform the BoD on the on-going assessment of the Bank's risk profile, risk appetite, strategic model and capital adequacy. It also includes the documentation as to how the Bank intends to manage these risks, and how current and future capital is necessary to meet its plan.

5. In Article 86 of Directive 2013/36/EU (CRD IV) and circular CSSF 20/759 lies the concept of ILAAP (Internal Liquidity Adequacy Assessment Process): "ILAAP refers to the process of the identification, measurement, management and monitoring of liquidity implemented by the institution".

2.4.1.3. ICAAP Components

BIL Group's ICAAP is based on the following building blocks:

- Risk Appetite Framework;
- Risk Identification and Cartography;
- Capital Structure Analysis;
- Risk Assessment;
- Capital Adequacy process;
- Stress testing;
- Business Integration.

RISK APPETITE FRAMEWORK (RAF)

a. Process

While defining the Bank's strategic priorities, it is necessary to gauge the changes the related strategic initiatives will have on the risk profile and the risk-bearing capacity while (re)defining (new) boundaries for its Risk Appetite.

b. Definition

In line with the principles developed in the FSB guidelines ("Principles for an Effective Risk Appetite Framework, November 2013"), BIL's Risk Appetite Statement designs in written form the aggregate level and types of risks that BIL is willing to accept, or to avoid, in order to achieve its business model and strategic objectives. It includes qualitative statements as well as quantitative measures expressed relative to different axes (e.g., solvency, earnings, liquidity). It also addresses types of risks that are more difficult to quantify such as reputational and operational risks, among others.

The RAS provides BIL with an objective and measurable view of whether or not the Bank is within its risk appetite boundaries related to the overall strategic objectives and the key current and future risks applicable to the Bank.

Among other features, BIL's RAS:

- Is easy to communicate;
- Is directly linked to the Bank's strategy;
- Addresses the material risks in a holistic fashion under both normal and stressed market and macroeconomic conditions;
- Sets clear boundaries and expectations by establishing quantitative limits in order to determine, for each material risk, the maximum level of risk the Bank is willing to accept;
- Sets the overall tone for the approach to risk-taking.
- The principles underpinning BIL's Risk Appetite Statement are translated in the escalation procedure:
- When it is applicable within the Risk Appetite Statement, a traffic light approach – based on Triggers and Limits – is adopted building on different levels of the chosen key metrics;
- The limits constitute boundaries requiring immediate escalation to the BoD. BIL has also implemented a complementary escalation mechanism for the breach of the trigger indicators, in order to potentially deploy appropriate actions in a timely manner;
- Moreover, all changes materially impacting the chosen key metrics between two consecutive periods are discussed and analysed by the Management Board, within the BRC and finally reported to the BoD.

c. 2023 Risk Appetite Statement

BIL's Risk Appetite Framework was updated in the first quarter of 2024 in a manner that aligns with the Bank's strategy. The update did not bring material changes to the Bank's risk profile:

- **Capital Adequacy:** Maintain sufficient capital in order to protect the Bank and cover all the relevant risks which the Bank is exposed to in order to ensure that the Bank can undertake its activities in both normal and crisis situations;
- **Earnings stability:** Generate a sustainable return on capital above the Bank's cost of capital, together with achieving the Bank's strategic targets;
- **Liquidity:** Maintain a strong liquidity position which allows the Bank to deploy the different aspects of its strategy;
- **Reputation:** Maintain a strong reputation in the targeted markets by focusing on relevant and innovative financial services. By doing so, the Bank aims at ensuring that clients have access to professional, fair and dedicated value propositions;
- **Operational Effectiveness:** Focus on operational efficiency by encouraging collaborative behaviours, thereby improving the operational setup and achieving service-level optimisation.

d. 2023 Risk Appetite Statement situation

BIL Group's updated Risk Appetite Framework includes, as described above, indicators to fit with the Bank's risk profile and comply with new regulatory requirements. The table below shows an extract of the main solvency, liquidity and profitability indicators and their evolution between year-end 2022 and 2023:

Risk Appetite Framework	2022	2023	Internal limit
CET1 ratio	14.03%	13.45%	11.85%
Total capital ratio	18.04%	17.77%	15.80%
Leverage ratio	4.71%	5.51%	3.30%
AFR/ECAP	124%	114%	105%
LCR	153%	174%	110%
NSFR	123%	124%	104%
ROE	7%	8.6%	2.5%

The figures presented above attest to BIL Group's sound capital adequacy, liquidity situation and profitability.

RISK IDENTIFICATION AND CARTOGRAPHY

According to Circular CSSF 07/301 (as amended), the Bank shall, "in order to determine its internal capital requirements for risks, [...] first identify twhe risks to which it is exposed. The permanent and total internal capital adequacy requires this identification to refer to all the risks to which the institution is or might be exposed. This is the comprehensive nature of the ICAAP."

BIL Group's risk cartography aims at complying with this principle. In line with the ICAAP, the risk cartography must be (i) exhaustive, (ii) cover the risks to which the Bank is or might be exposed and (iii) be forward-looking to take into account future developments which may affect its internal capital adequacy and risk management framework.

The risk identification cycle conducted internally is based on a four-steps process comprising:

- The establishment/update of a risk glossary;
- The identification of the Bank's risks in accordance with this glossary;
- The assessment of the identified risks materiality;
- The formalisation of the Bank's risk cartography.

RISK TAXONOMY

The risk taxonomy is an exhaustive list of risks the Bank is or might be exposed to because of its activities and overall environment. It serves as a basis for successful risk identification and assessment as it allows business lines to appropriately identify, map and classify risk scenarios into appropriate risk categories and (sub) risk types. The risk taxonomy incorporates both top-down and bottom-up approaches, as it includes (sub) risk types defined by the Risk Management function (top-down) or identified and added by business lines (bottom-up approach). Newly added (sub) risk types are approved by the relevant committees and subsequently included in the risk taxonomy. The risk taxonomy also includes the Risk Ownership at Senior Management level for each Risk Type.

BIL Group's risk taxonomy is based on nine main categories, detailed hereafter. Their definitions are drawn from banking supervision and non-banking organisations (e.g. BIS, EBA, ECB, CSSF, EU parliament, OECD, etc.), commonly admitted market practices and risk definitions previously used by BIL:

- **Credit Risks:** Potential that a bank, borrower, or counterparty will fail to meet its obligations in accordance with agreed terms;
- **Market and ALM Risks:** (i) Market risk is defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices. ALM risk stems from risk of losses inherent in the mismatch positions of the balance sheet. It is a risk associated with an ongoing process of formulating, implementing, monitoring and revising strategies related to assets and liabilities to achieve an organisation's financial objectives;
- **Pension Fund Risk:** Risk associated with pension funds that arises from inappropriate valuation methods and assumptions;
- **Operational Risks:** Operational risks are risks of losses due to breaches, errors, interruptions, and/or damages caused by inadequate and/or failure from internal processes, people, systems or external events;
- **Information Communication and Technology (ICT) and Security Risks:** ICT risk is defined as the risk of loss due to breach of confidentiality, failure of integrity of systems and data, inappropriateness or unavailability of systems and data, or inability to change IT within a reasonable time and costs when the environment or business requirements change.
- **Compliance Risks:** Compliance risks are defined as the risks of losses that an institution may suffer as a result of the failure to conduct its business in accordance with the rules in force including laws, regulations, circulars governing access to financial sector and conduct of business activities of banks and/or professionals of the financial sector and their professional obligations. Internal codes of conduct and ethics, codes of professional bodies and financial markets (stock markets or other regulated markets) shall also be taken into account;
- **Enterprise Risks:** Enterprise Risks are the risks that can strategically affect the organisation. They have a top-down impact that usually interferes with the organization's operations and objectives and/or lead to losses. Among others risks, Legal Risk and Tax Risk are classified as Enterprise Risks.

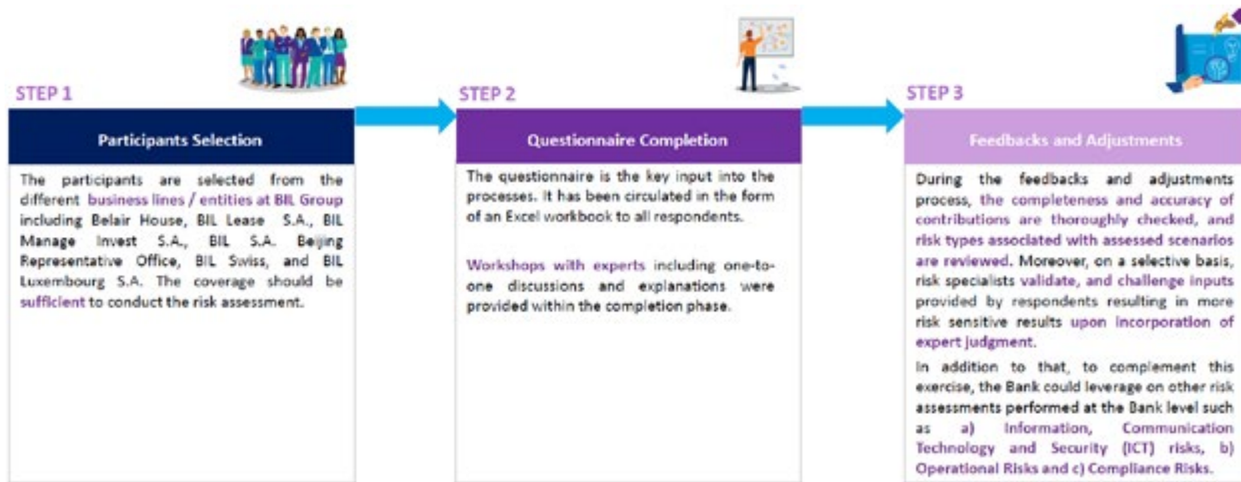
RISK IDENTIFICATION

In compliance with regulatory requirements stipulated in Principle 4 of the ICLAAP guidelines on risk identification and assessment published in November 2018 (with the subsequent report published in August 2020), the Risk Identification and Assessment Process needs to be conducted at least on an annual basis.

The risk identification and assessment framework are a key component for BIL Group to successfully perform its internal capital and liquidity adequacy assessments and to define the risk appetite of the Group. In a more specific context, the risk identification and assessment process can help BIL Group identify and assess its risks, including the material ones, under both economic and normative perspectives. This process encompasses both Financial Risks (FRs) and Non-Financial Risks (NFRs) and leverages on scenario analysis, subject matter experts' opinion and market developments. Scenario analysis is a forward-looking method used to identify, analyse and measure a range of potential scenarios. Scenario analysis is particularly useful to identify and evaluate risks characterised by low frequency and high severity (i.e., tail scenarios).

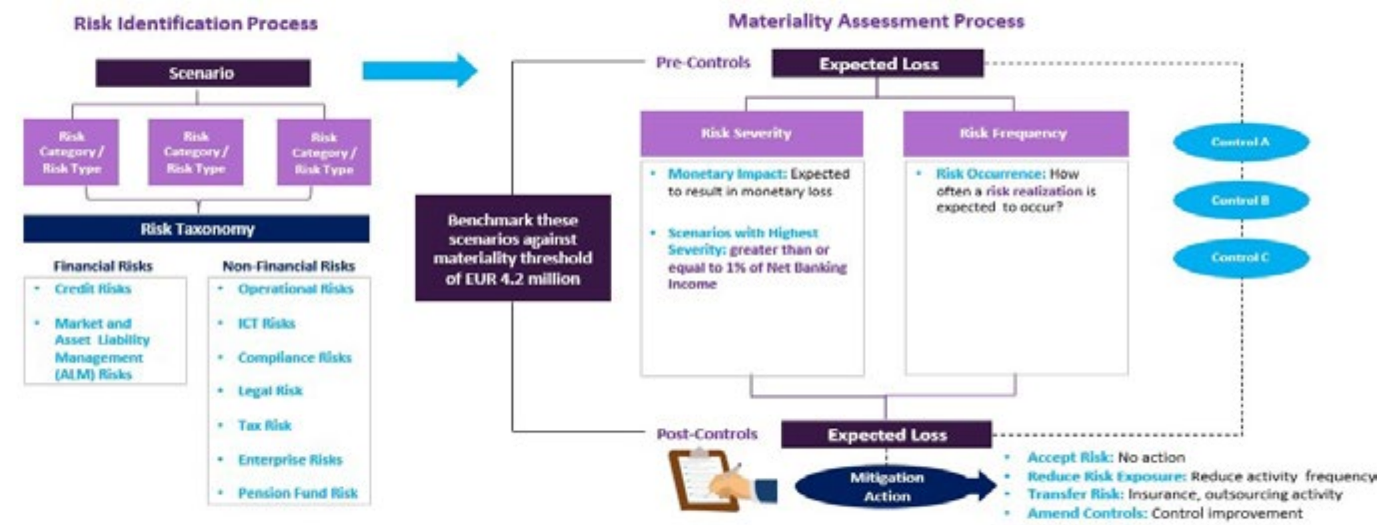
Identification and assessment processes have been carried out using a questionnaire approach sent to experts across the Bank's various business lines and lines of defence. The process follows an approach that is harmonised with the RCSA exercise.

The starting point for the risk identification process consists of the identification of specific scenarios to which the experts and business lines are exposed to, following a forward-looking perspective and having in mind both tail and non-tail scenarios that could affect the working environment.



RISK ASSESSMENT

Once the risk identification process is completed, the inherent risk could be derived by assessing the frequency and the monetary impact of the stress scenarios. For each scenario, the experts are asked to estimate the frequency (from infrequent to frequent) and the monetary impact (from insignificant to extreme) using a four-point scale approach.



Gross Risk Level: Frequency x Monetary Impact. Calibration should be based on the values assigned above in a way to reach the materiality threshold for the High and Very High Risk Levels. Values below are a simple multiplication (1 Very Low, 2 to 3 Low, 4 to 6 High and 8 and above Very High)

		Monetary Impact			
		Insignificant / Minor (1)	Moderate (2)	Major (3)	Extreme (4)
Frequency	Insignificant / Minor (1)	1 (VERY LOW)	2 (LOW)	3 (LOW)	4 (HIGH)
	Moderate (2)	2 (LOW)	4 (HIGH)	6 (HIGH)	8 (VERY HIGH)
	Probable (3)	3 (LOW)	6 (HIGH)	9 (VERY HIGH)	12 (VERY HIGH)
	Frequent (4)	4 (HIGH)	6 (VERY HIGH)	12 (VERY HIGH)	16 (VERY HIGH)

Once the inherent risks are assessed, the next step is to determine the existing controls for each scenario. Participants provide a description of the controls and then assess the quality of the controls in place, taking into account the type of controls (automatic/semi-automatic/manual) and the overall effectiveness.

Based on participants' assessments, the controls are classified as "ineffective", "partially effective", "highly effective" and "fully reliable". After filling the controls, the Residual Risk (i.e., Net Risk after considering the controls in place) is automatically determined based on the below criteria.

Residual or Net Risk Level: Compare the Gross Risk Level resulting from the tables above to the Control in Place or the Inexistent Control

		Control Level (Design x Performance)			
		Ineffective	Partially Effective	Highly Effective	Fully Reliable
Gross Risk Level	Very Low	VERY LOW	VERY LOW	VERY LOW	VERY LOW
	Low	LOW	LOW	VERY LOW	VERY LOW
	High	HIGH	HIGH	LOW	LOW
	Very High	VERY HIGH	HIGH	HIGH	LOW

RISK MATERIALITY

To differentiate between 'non-material' and 'material' risks, a materiality threshold is set in nominal terms. In the previous exercise, the materiality threshold was set at 0.75% of Gross Banking Income (Interest Income + Trading Income + Commission Income), with a floor of EUR 3 million. Gross Banking Income was considered as an appropriate metric reflecting revenues generated from the Bank's core business activities, and correlates positively with the Bank's risk exposures.

For this year's ICAAP exercise, **the materiality threshold was linked to the Bank's Business Indicator (BI).** The reasoning behind this amendment is that the Business Indicator is much broader, capturing various elements that reflect the Bank's size and volume of activities and, subsequently, risk profile. While the Gross Banking Income is a measure of interest trading and commission, the Business Indicator accounts for all the following:

- Interest income / expense;
- Interest earning assets;
- Dividend income;
- Operating income / expense;
- Fee income / expense;
- Net P&L Trading Book / Banking Book.

Materiality threshold=MIN[0, 75%.BI;3 MEUR]

2023 RISK CARTOGRAPHY

The ICAAP relies on the Risk Cartography established under both approaches - "gross risk approach' and "net risk approach":

- The "gross risk approach" determines the list of material risks that should be covered by internal capital allocations (or document the justification for the absence of capital). It corresponds to the level of risk exposure faced by the Bank without considering specific mitigants and techniques designed to mitigate the underlying risks;
- The "net risk approach" provides an additional dimension in the internal risk identification process that is essential to the Management Bodies in their assessment and formulation of the risk strategy. It reflects net risk exposures after controls, mitigation and hedging.

2023 Gross Risk Identification

2023 Net Risk Identification

2.4.2. Capital Adequacy Process

CAPITAL ADEQUACY PROCESS

The capital adequacy process mainly links the Economic Capital requirements with the Bank's Available Financial Resources (AFR) in order to allocate sufficient capital, taking into consideration the Bank's risk profile.

The following section summarises:

- The AFR calculation;
- The Economic Capital assessment; and
- The Pillar I and Pillar II capital adequacy.

AVAILABLE FINANCIAL RESOURCES

Definition

The AFR represent the loss-absorbing financial capacity and availability over a given time horizon (one year for BIL Group). AFR are materialised by the available financial capacity to cover the incurred risks and absorb the losses.

Core principles

Principle 1: Permanent, loss absorbing and available resources
All components of the AFR should pass the "permanence, loss absorption capacity and availability" test. According to that characteristic, the basis of the AFR measure is BIL Group's Core Equity, but with some adjustments to have an economic view of the Bank's available resources and to respect the second principle.

Principle 2: Consistency with Economic Capital.
ECAP is a measure of the Bank's unexpected losses. AFR therefore do not aim at absorbing the existing incurred losses for which provisions have been booked. One example for this principle is the treatment of P&L: the current P&L is not filtered for the AFR, contrary to the CET1 ratio and own funds.

Principle 3: Continuity of operations.
AFR includes strictly resources with a going-concern view.

Principle 4: Solidarity between the different constituents within the group.
Minority interests or excess capital in a subsidiary are considered to be part of AFR (up to a certain level in line with the current Basel III guidance).

AFR AS AT YEAR-END 2023

According to these principles and in line with Basel III requirements, the Bank's AFR are adjusted according to economic considerations in order to ensure consistency with the key principles of the ECAP measure.

As at 31 December 2023, BIL Group's AFR amounted to EUR 1,830 million.

BIL Group AFR (EUR M)	12/2022	06/2023	09/2023	12/2023
Core Equity	906,6	906,6	906,6	906,6
Retained earnings & Reserves (P&L included)	701,9	723,1	776,2	739,9
OCI	225,6	241,0	240,8	231,9
AT1	143,4	128,8	131,7	140,9
TOTAL RESSOURCES	**1.977,4**	**1.999,6**	**2.055,3**	**2.019,3**
Intangible & goodwill	- 357,5	- 373,3	- 381,7	- 398,8
Full deduction DTA Netting with DTL	- 122,6	- 113,4	- 97,5	- 106,1
TOTAL DEDUCTIONS	**- 480,2**	**- 486,7**	**- 479,2**	**- 504,9**
UCG on Equity after haircut 25%	176,5	189,3	189,2	185,8
UCG on real estate after haircut	137,4	105,7	106,5	105,4
TOTAL UCG	**313,8**	**295,0**	**295,8**	**291,2**
Financial investment HTC	**38,7**	**28,6**	**19,9**	**24,2**
TOTAL AFR (Available Financial Ressources)	**1.849,8**	**1.836,4**	**1.891,8**	**1.829,8**

ECONOMIC CAPITAL FRAMEWORK

In the context of BIL Group, ECAP can be defined as the amount of capital that would be necessary to cover the risks inherent to the Bank's activities, thereby ensuring the continuity of its business over a given time period (one year) with a certain confidence level (99.90%).

The process for quantifying economic capital is based on the following two steps:

- Measurement of risk capital by type of risk, on the basis of dedicated statistical methods, whereby each risk is individually assessed;
- Obtain a global ECAP figure and its reallocation to the various levels of risk (entities, business lines, etc.).

As at 31 December 2023, with a level of confidence of 99.90% and a 1-year time horizon, BIL Group's economic capital amounted to EUR 1,605 million allocated to different risks as presented in the table below:

Risk Type	Approach	2022 YE		2023 YE		Variations			
		Risk Capital (EUR million)	Economic Capital (EUR million)	Risk Capital (EUR million)	Economic Capital (EUR million)	*Risk Capital*		*Economic Capital*	
Credit Risk	IRBaEco	631.15	559.04	754.73	687.99	*123.58*	*19.6%*	*128.95*	*23.1%*
	Concentration Add-on	104.29	92.38	142.25	129.67	*37.96*	*36.4%*	*37.29*	*40.4%*
	Guarantee and Resolution Funds	82.20	72.81	74.27	67.70	*-7.93*	*-9.6%*	*-5.11*	*-7.0%*
	CVA	0.40	0.36	0.94	0.86	*0.54*	*133.9%*	*0.50*	*140.8%*
Price Risk	VaR Banking	140.68	72.38	155.16	77.64	*14.47*	*10.3%*	*5.26*	*7.3%*
	Real Estate	34.66	34.66	30.65	30.65	*-4.01*	*-11.6%*	*-4.01*	*-11.6%*
Interest Rate Risk	VaR Banking & Trading	26.27	18.19	112.51	73.29	*86.25*	*328.4%*	*55.11*	*303.0%*
Spread Risk	VaR Banking & Trading	472.78	327.39	390.74	254.54	*-82.04*	*-17.4%*	*-72.85*	*-22.3%*
Currency Risk	VaR limit	13.28	13.28	6.64	6.64	*-6.64*	*-50.0%*	*-6.64*	*-50.0%*
Funding Risk	Stress scenario	78.63	78.63	28.94	28.94	*-49.69*	*-63.2%*	*-49.69*	*-63.2%*
Behavioral Risk	Statistical approach	21.18	21.18	23.42	23.42	*2.24*	*10.6%*	*2.24*	*10.6%*
NFR Risk	Enhanced standardized approach	60.72	60.72	61.47	61.47	*0.75*	*1.2%*	*0.75*	*1.2%*
Pension Funds Risks	Credit Risk	1.97	1.74	3.02	1.38	*1.05*	*53.4%*	*-0.37*	*-21.1%*
	Credit Spread Risk	7.01	4.85	6.99	6.70	*-0.02*	*-0.3%*	*1.84*	*37.9%*
	Price Risk	16.34	8.41	6.53	3.54	*-9.82*	*-60.1%*	*-4.87*	*-57.9%*
	Interest Rate Risk	4.69	3.25	15.44	14.79	*10.75*	*229.2%*	*11.54*	*355.5%*
Business Risk	Statistical approach	44.79	44.79	86.45	86.45	*41.66*	*93.0%*	*41.66*	*93.0%*
Model Risk	Model risk add-on	82.51	82.51	49.28	49.28	*-33.23*	*-40.3%*	*-33.23*	*-40.3%*
TOTAL		**1823.55**	**1496.58**	**1949.43**	**1604.95**	***125.88***	***6.9%***	***108.37***	***7.2%***
Diversification rate		17.93%		17.67%					

CAPITAL ADEQUACY

BIL Group's capital adequacy is represented in the following table (in EUR millions):

Risk Category	Risk Type	ECAP
Credit	Credit Risk	689
	Concentration Risk	130
	Other Credit Risks	69
Market and ALM	Price Risk	112
	Interest Rate Risk	88
	Spread Risk	261
	Currency Risk	7
	Funding Risk	29
	Behavioural Risk	23
NFR Risk	NFR Risk	61
Enterprise Risk	Business Risk	86
	Model Risk	49
TOTAL ECAP		1,605
Available Financial Resources (AFR)		1,830
AFR/ECAP ratio		114%

At 2023 year-end, the ratio of economic capital resources to economic capital consumption (AFR/ECAP) stood at 114%.

2.4.3. Capital & Liquidity Planning

One of the main objectives of the ICAAP is to ensure the Bank has and will continue to have sufficient capital and liquidity to support its business model and strategy in the long run, under both normal and adverse circumstances.

In this context, Capital & Liquidity Planning can be defined as a tool which allows the Bank's Management to assess whether its capital and liquidity buffers levels (together with its funding structure) are adequate to support the strategy. Capital and Liquidity Planning takes into account various scenarios in a forward-looking perspective and incorporates stress testing. These principles are aligned with the best market practices and compliant with the regulatory requirements.

2.4.4. Stress testing

BIL's Stress Testing Charter aims at providing common organisational requirements, methodologies, and processes when conducting both regulatory and internal stress testing exercises and as part of the Bank's Risk Management Framework.

The Stress Testing Program covers the following information regarding each stress testing exercise:

- The stress test category: Recovery Plan stress test, EU-wide stress tests, Pillar I stress tests, Pillar II stress tests and others:
  - Recovery Plan stress tests: This category includes any stress testing exercise that is performed in the course of the development or maintenance of BIL's Recovery Plan;
  - EU-wide stress tests: The CRD IV requires competent authorities to carry out appropriate supervisory stress tests on institutions they supervise, to facilitate the review and evaluation process. This requirement serves as the basis of the EU-wide stress testing exercises. In 2023 a new bottom-up approach was deployed by the ECB. The outcomes of EU-wide stress testing exercise are the basis for supervisory decisions and are directly linked to the setting of Pillar 2 Guidance (P2G) capital requirements;
  - Pillar I stress tests: This category includes any stress testing exercise that is performed to assess the adequacy of internal models (A-IRB, F-IRB and slotting approaches) developed and used for the quantification of minimum capital requirements under Pillar I. The requirements for such stress testing exercises are set in the CRR;
  - Pillar II stress tests: The Bank also performs stress testing exercises as part of its ICAAP and ILAAP. This is necessary given that one of the main objectives of the ICAAP / ILAAP is to determine if the Bank has sufficient capital and funding to support its business model and strategy in the long run and under both normal and adverse circumstances;
  - Other stress tests: This category summarises any stress testing exercise that does not fit in the categories described above but are required from a regulatory or business perspectives. This may include specific stress testing exercises that cover market risk, IRRBB, and liquidity, among others.

2.5. Comparison of institution's own funds, and capital and leverage ratios

In line with the EBA Guidelines on uniform disclosures under the proposed draft Article 473a, paragraph Eight, of Regulation (EU) No 575/2013 as regards the transitional period for mitigating the impact on own funds of the introduction of IFRS 9, the Bank discloses each metric's value corresponding to the reporting period end. In the table below, regulatory own funds, risk-based capital ratios and the leverage ratio are compared to the same metrics.

OWN FUNDS, CAPITAL AND LEVERAGE RATIOS UNDER IFRS 9/ANALOGOUS ECLS TRANSITIONAL ARRANGEMENTS COMPARED TO FULLY LOADED IFRS 9/ANALOGOUS ECLS

(In EUR million)	31/12/2023 T	31/12/2022 T-1
Available capital (amounts)		
Common Equity Tier 1 (CET1) capital	1,585,631,684	1,462,818,173
Common Equity Tier 1 (CET1) capital as if IFRS9 transitional arrangements were not applied	1,585,631,684	1,444,190,839
Tier 1 capital	1,760,631,684	1,637,818,173
Tier 1 capital as if IFRS9 transitional arrangements were not applied	1,760,631,684	1,619,190,839
Total capital	2,094,543,906	1,881,055,132
Total capital as if IFRS9 transitional arrangements were not applied	2,094,543,906	1,862,427,798
Risk-weighted assets (amounts)		
Total risk-weighted assets	11,787,072,390	10,425,514,075
Total risk-weighted assets as if IFRS9 transitional arrangements were not applied	11,787,072,390	10,410,750,951
Capital ratio		
Common Equity Tier 1 (as a percentage of risk exposure amount)	13.45%	14.03%
Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS9 transitional arrangements were not applied	13.45%	13.87%
Tier 1 (as a percentage of risk exposure amount)	14.94%	15.71%
Tier 1 (as a percentage of risk exposure amount) as if IFRS9 transitional arrangements were not applied	14.94%	15.55%
Total capital (as a percentage of risk exposure amount)	17.77%	18.04%
Total capital (as a percentage of risk exposure amount) as if IFRS9 transitional arrangements were not applied	17.77%	17.89%
Leverage ratio		
Leverage ratio total exposure measure	31,930,084,094	34,792,921,926
Leverage ratio total exposure measure as if IFRS9 transitional arrangements were not applied	31,930,084,094	34,774,294,592
Leverage ratio	5.51%	4.71%
Leverage ratio as if IFRS9 transitional arrangements were not applied	5.51%	4.66%

2.6. Minimum Requirement for own funds and Eligible Liabilities (MREL)

Where the bail-in tool is envisaged as part of the resolution plan under the Bank Recovery and Resolution Directive (BRRD), the resolution authorities will require banks to maintains at all times sufficient eligible instruments to facilitate the implementation of the preferred resolution strategy. MREL serves to prevent a bank's resolution from depending on the provision of public financial support, and so helps ensure that shareholders and creditors contribute to loss absorption and recapitalisation. It ultimately supports the long-term viability, stability and efficiency of the financial system by promoting transparency, accountability and the better pricing of risk.

Banks must meet minimum regulatory requirements for two MREL ratios:

- MREL as the amount of own funds and eligible liabilities expressed as a percentage of the Total RWA (MREL RWA);
- MREL as the amount of own funds and eligible liabilities expressed as a percentage of the Total exposures of the leverage ratio (MREL TEM).

The table below presents BIL's MREL ratios as at year-end 2023 and compares them with the minimum regulatory requirements set by the Single Resolution Board (SRB), with which the Bank is compliant:

EU KM2: KEY METRICS - MREL AND, WHERE APPLICABLE, G-SII REQUIREMENT FOR OWN FUNDS AND ELIGIBLE LIABILITIES

G-SII requirements data are not applicable for the Bank.

(In EUR million)		Minimum requirement for own funds and eligible liabilities (MREL)	G-SII Requirement for own funds and eligible liabilities (TLAC)				
		a	b	c	d	e	f
		T	T	T-1	T-2	T-3	T-4
Own funds and eligible liabilities, ratios and components							
1	Own funds and eligible liabilities	4,955,348,729					
EU-1a	Of which own funds and subordinated liabilities	2,599,907,381					
2	Total risk exposure amount of the resolution group (TREA)	11,787,072,390					
3	Own funds and eligible liabilities as a percentage of TREA (row1/row2)	42%					
EU-3a	Of which own funds and subordinated liabilities	22%					
4	Total exposure measure of the resolution group	31,930,084,094					
5	Own funds and eligible liabilities as percentage of the total exposure measure	16%					
EU-5a	Of which own funds or subordinated liabilities	8%					
6a	Does the subordination exemption in Article 72b(4) of the CRR apply? (5% exemption)						
6b	Pro-memo item - Aggregate amount of permitted non-subordinated eligible liabilities in-struments If the subordination discretion as per Article 72b(3) CRR is applied (max 3.5% exemption)						
6c	Pro-memo item: If a capped subordination exemption applies under Article 72b (3) CRR, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised under row 1, divided by funding issued that ranks pari passu with excluded Liabilities and that would be recognised under row 1 if no cap was applied (%)						

(In EUR million)		Minimum requirement for own funds and eligible liabilities (MREL)	G-SII Requirement for own funds and eligible liabilities (TLAC)				
		a	b	c	d	e	f
		T	T	T-1	T-2	T-3	T-4
Minimum requirement for own funds and eligible liabilities (MREL)							
EU-7	MREL requirement expressed as percentage of the total risk exposure amount						
EU-8	Of which to be met with own funds or subordinated liabilities	21.31%					
EU-9	MREL requirement expressed as percentage of the total exposure measure						
EU-10	Of which to be met with own funds or subordinated liabilities	5.91%					

Following a reassessment of the prudential capital as previously mentioned, the new MREL ratios (TREA and TEM) are respectively at 15,51% and 42,03% compared to previously 15,68% and 43,83%.

During 2023, BIL received from the SRB the main features regarding the Resolution Plan. The SRB highlighted that that are no substantive impediments to the Bank's resolvability and that BIL is on track to become fully resolvable, in light of the phase-in of the Expectations for Banks (EfB) and MREL policy principles.

On October 18, 2023, BIL received a letter from the SRB outlining its working priorities for BIL during 2024. The SRB will shift the focus from resolution planning to the operationalisation of resolution strategies and testing of banks' resolvability in the coming years. The SRB is preparing a multi-annual strategic review laying down the foundations for enhanced crisis preparedness and a more efficient implementation of resolution tools. The new strategy, Vision 2028, was launched in February 2024.

For 2024, BIL is expected to maintain, test and adjust its resolvability capabilities regularly over time to ensure that resolution strategies are fully operational and sufficiently flexible to respond to any potential crisis event, including those driven by emerging risks. Effective resolution planning will remain a continuous process during which it is essential that BIL devotes sufficient resources to the effective implementation of the resolvability work programme.

The templates EU TLAC1, EU TLAC3a, EU TLAC 3b can be found in Appendix 3.

03. Credit Risk

Credit Risk

Credit risk represents the potential loss (reduction in value of an asset or payment default) that BIL may incur because of a deterioration in the solvency of any counterparty

3.1 Credit risk governance

3.1.1. Organisation

Please refer to section "1.2.1 Organisation" of this report.

3.1.2. Policy

BIL Group's Risk Management department has established a general policy and procedural framework in line with the Bank's Risk Appetite. This framework guides the analysis, decision-making and monitoring of credit risk. The Risk Management department manages the loan issuance process by chairing credit and risk committees and by delegating within the limits set by the Bank's internal governance. As part of its monitoring tasks, the Credit Risk Management (CRM) unit supervises changes in the credit risks with regards to the Bank's credit portfolio by analysing loan applications and reviewing counterparties' ratings. The Risk Management department also draws up and implements the policy on provisions, participates in the Default Committee which decides on specific provisions and assesses default cases.

3.1.3. Committees

BIL Group's Risk Management department oversees the Bank's credit risk, under the supervision of the Management Board and dedicated committees.

The Risk Policy Sub-Committee defines the general risk policies, as well as specific credit policies in different areas or for certain types of counterparties, and sets the rules for granting loans, supervising counterparties' ratings, and monitoring exposures. The Risk Policy Sub-Committee validates all changes in procedures or risk policies, principles and calculation methods referring to risk.

To streamline the decision-making process, the Management Board delegates its decision-making authority to credit committees or joint powers. This delegation is based on specific rules, depending on the counterparty's category, rating level and credit risk exposure. The BoD remains the ultimate decision-making body for the largest loan applications or those presenting a level of risk deemed to be significant. The Credit Risk Management department carries out an independent analysis of each credit application presented to the credit committees, including the counterparty's rating, and states the main risk indicators It also carries out a qualitative analysis of the envisaged transaction.

3.1.4. Scope and nature of credit risk reporting

The Credit Risk Reporting team is responsible for producing regulatory reports and internal reports which allow the Management to effectively assess the risks within the decision-making process and to provide the necessary information to the supervisor.

The main reports compiled are the following:

- Regulatory reporting (i.e., COREP, Large Exposures, Past Dues, Leverage ratio, credit risk information for the FINREP);
- External, on-demand or periodical credit risk reporting (EBA, CSSF, ECB, rating agencies);
- Internal credit risk reporting (residential mortgages follow-up, monitoring of Acquisition, Development and Construction (ADC) and Income Producing Real Estate (IPRE) exposures);
- Quarterly Credit Risk Dashboards;
- Risk-Weighted Assets projections within the context of planned investments;
- Monitoring of large exposures.

3.1.5. Risk measurement

Credit risk measurement is primarily based on internal systems introduced and developed within the Basel framework. Each counterparty is assigned an internal rating by credit risk analysts, using dedicated rating tools or by specialised systems. This internal rating corresponds to an evaluation of the level of default risk borne by the counterparty, expressed by means of an internal rating scale. Rating assessment is a key factor in the loan issuance process. Ratings are reviewed at least once a year, making it possible to identify counterparties requiring the close attention of the Default Committee.

To manage the general credit risk profile and limit concentration of risk, credit risk limits are set for each counterparty, establishing the maximum acceptable level for each one. Limits by country, economic sector and product may, for example, also be imposed by the Risk Management department. The latter actively monitors limits, which it can reduce at any time, in light of changes in related risks. The Risk Management department may freeze specific limits at any time in order to take the latest events into account.

METRICS

The metrics used to measure risk exposure may differ from accounting metrics. These include:

(1) Gross carrying amount: The accounting value before any allowance/impairments and CRM techniques are not taken into consideration. In the context of IFRS9, it refers to amortised cost of financial assets, before adjusting for any loss allowance;

(2) Net value of exposure: This metric corresponds to the amortised cost or Exposure at Default (EAD) before applying a Credit Conversion Factor (CCF), after deducting specific provision, financial collateral (e.g., security type collateral and cash) and netting agreement effect. Physical collateral such as commercial real estate and residential real estate are out of scope;

(3) EAD, which is used for the calculation of regulatory capital requirements, includes (a) current and potential future exposures and (b) credit risk mitigants covering those exposures (under the form of netting agreements, financial collateral for derivatives and repo exposures, and guarantees for others).

3.1.6. Credit Risk Rating Process

Credit Risk Management is responsible for determining the risk rating based on the results of the Bank's credit analytical model (i.e., the Internal Rating Systems (IRS)).

For retail models, the rating process is daily and fully automated (behavioural scores).

For non-retail models such as corporate exposures, the rating process is semi-automated with qualitative ratios estimated by the analysts. Furthermore, the model output can be overridden.

Real estate exposures falling under Specialised Lending Exposures are rated using a Slotting Criteria model, with given specific risk-weighted factors and qualitative and quantitative factors ratios estimated by the analysts as per EU Regulation 575/2013.

For these models, the rating assignment process is fully documented to provide the analysts with a robust framework for the estimation of the qualitative ratios.

These ratings must be evaluated at least once a year at the time of annual review of the borrower's credit and more frequently should there be a material change in creditworthiness during the year.

The development and maintenance of the rating models used by the Bank, their ongoing review, enhancement and calibration is the responsibility of Credit Data Science (CDS) and their validation is the responsibility of the Model Risk Management team.

3.2. Credit risk exposure

Several metrics will be used throughout this report to express different views on the Bank's risk exposures.

3.2.1. Credit quality of performing and non-performing exposures by past due days

In the application of Article 442 (c) of the CRR, the following tables present the credit quality of performing and non-performing exposures by past due days and the collateral valuation of loans and advances, performing and non-performing by past due days.

TEMPLATE EU CQ3: CREDIT QUALITY OF PERFORMING AND NON-PERFORMING EXPOSURES BY PAST DUE DAYS

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount / Nominal amount			Gross carrying amount / Nominal amount								
		Performing exposures			Non-performing exposures								
			Not past due or Past due < 30 days	Past due > 30 days < 90 days		Unlikely to pay that are not past-due or past-due < = 90 days	Past due > 90 days <= 180 days	Past due > 180 days < =1 year	Past due > 1 year <= 2 years	Past due > 2 year <= 5 years	Past due > 5 year <= 7 years	Past due > 7 years	Of which defaulted
005	Cash balances at central banks and other demand deposits	2,913,845,940	2,913,845,940	0	0	0	0	0	0	0	0	0	0
010	Loans and advances	16,499,282,111	16,422,105,126	77,176,986	776,557,624	402,296,043	63,694,358	94,563,905	39,550,903	71,846,665	8,340,445	96,265,305	773,805,544
020	Central banks	0	0	0	0	0	0	0	0	0	0	0	0
030	General governments	36,939,146	36,667,742	271,404	22,650	3,345	49			19,256			22,650
040	Credit institutions	674,387,226	674,385,525	1,702	0								0
050	Other financial corporations	2,365,709,228	2,362,031,428	3,677,800	116,909,612	25,234,182	7,928,144	13,394,556	48,189	10,497,023	97,685	59,709,833	116,909,612
060	Non-financial corporations	5,640,764,272	5,599,900,435	40,863,837	438,228,391	278,446,548	16,763,069	54,247,024	18,828,579	38,471,295	6,181,065	25,290,811	435,476,311
070	Of which SMEs	1,780,574,268	1,754,754,424	25,819,844	205,046,703	128,948,093	7,364,527	18,518,425	13,511,721	18,825,922	860,906	17,017,109	205,046,703
080	Households	7,781,482,239	7,749,119,996	32,362,243	221,396,971	98,611,968	39,003,096	26,922,325	20,674,135	22,859,091	2,061,695	11,264,661	221,396,971
090	Debt Securities	8,877,380,138	8,877,380,138	0	0	0	0	0	0	0	0	0	0
100	Central banks	139,822,658	139,822,658	0	0	0	0	0	0	0	0	0	0
110	General governments	5,339,609,711	5,339,609,711	0	0	0	0	0	0	0	0	0	0
120	Credit institutions	2,018,698,094	2,018,698,094	0	0	0	0	0	0	0	0	0	0
130	Other financial corporations	715,668,311	715,668,311	0	0	0	0	0	0	0	0	0	0
140	Non-financial corporations	663,581,365	663,581,365	0	0	0	0	0	0	0	0	0	0
150	Off-balance sheet exposures	4,800,826,940			33,109,355								2,677,222
160	Central banks	0			0								0
170	General governments	40,899,402			0								0
180	Credit institutions	406,911,250			0								0
190	Other financial corporations	1,143,997,328			1,591,846								0
200	Non-financial corporations	1,905,790,893			19,174,811								2,677,222
210	Households	1,303,228,067			12,342,698								0
220	Total	33,091,335,129	28,213,331,205	77,176,986	809,666,979	402,296,043	63,694,358	94,563,905	39,550,903	71,846,665	8,340,445	96,265,305	776,482,766

TEMPLATE EU CQ6: COLLATERAL VALUATION – LOANS AND ADVANCES

		a	b	c	d	e	f	g	h	i	j	k	l
		Loans and advances											
			Performing		Non-performing exposures								
				of which past due > 30 days <= 90 days		Unlikely to pay that are not past-due or past-due < = 90 days	Past due > 90 days <= 180 days	Past due > 180 days < =1 year	Past due > 1 year <= 2 years	Past due > 2 year <= 5 years	Past due > 5 year <= 7 years	Past due > 7 years	Of which defaulted
010	Gross carrying amount	17,275,839,735	16,499,282,111	77,176,986	776,557,624	402,296,043	374,261,581	63,694,358	94,563,905	39,550,903	71,846,665	8,340,445	96,265,305
020	Of which: secured	17,275,839,735	16,499,282,111	77,176,986	776,557,624	402,296,043	374,261,581	63,694,358	94,563,905	39,550,903	71,846,665	8,340,445	96,265,305
030	Of which: secured with Immovable property	8,325,874,813	8,068,492,187	55,407,516	257,382,626	187,492,719	69,889,907	31,260,161	28,818,102	6,040,308	2,447,705	490,045	833,586
040	Of which: instruments with LTV higher than 60% and lower or equal to 80%	2,204,380,037	2,133,288,115		71,091,922	57,682,354	13,409,568						
050	Of which: instruments with LTV higher than 80% and lower or equal to 100%	1,382,880,870	1,353,886,589		28,994,281	19,365,527	9,628,754						
060	Of which: instruments with LTV higher than 100%	151,771,703	143,228,912		8,542,791	5,244,434	3,298,357						
070	Accumulated impairment for secured assets	-273,034,849	-61,254,897	-2,909,302	-211,779,952	-73,954,413	-137,825,539	-6,989,497	-18,582,082	-10,936,955	-25,124,429	-4,095,065	-72,097,511
080	Collateral												
090	Of which value capped at the value of exposure	11,472,957,741	11,472,957,741	0	0	0	0	0	0	0	0	0	0
100	Of which: Immovable property	0	0	0	0	0	0	0	0	0	0	0	0
110	Of which value above the cap	-11,472,957,741	-11,472,957,741	0	0	0	0	0	0	0	0	0	0
120	Of which: Immovable property	0	0	0	0	0	0	0	0	0	0	0	0
130	Financial guarantees received	908,688,413	874,390,224	0	34,298,189	0	0	0	0	0	0	0	0
140	Accumulated partial write-off	0	0	0	0	0	0	0	0	0	0	0	0

3.2.2. Exposure breakdown by industry sector

In the application of Article 442 (e) of the CRR, the table below shows the net value of exposure broken down by exposure class and industry at year-end 2023. The industry classification is based on NACE codes (Nomenclature des Activités Économiques dans la Communauté Européenne), a European industry standard classification system used for classifying business activities. It comprises figures obtained using both the Standardised and the Advanced methods.

TEMPLATE EU CQ5: CREDIT QUALITY OF LOANS AND ADVANCES TO NON-FINANCIAL CORPORATIONS BY INDUSTRY

(In EUR)		a	b	c	d	e	f
		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing		of which: loans and advances subject to impairment		
				of which: defaulted			
010	Agriculture, forestry and fishing	17,255,847	390,823	390,823	17,255,847	-116,445	0
020	Mining and quarrying	3,655,597	0	0	3,655,597	-7,133	0
030	Manufacturing	447,230,243	7,541,124	7,541,124	447,230,243	-4,148,692	0
040	Electricity, gas, steam and air conditioning supply	130,421,167	16,230,688	16,230,688	130,421,167	-11,265,367	0
050	Water supply	37,443,175	11	11	37,443,175	-44,058	0
060	Construction	1,270,929,746	87,679,973	87,679,973	1,270,929,746	-17,733,837	0
070	Wholesale and retail trade	329,642,633	23,054,165	23,054,165	329,642,633	-11,862,929	0
080	Transport and storage	164,107,314	7,925,335	7,925,335	164,107,314	-4,824,105	0
090	Accommodation and food service activities	244,142,365	1,949,084	1,949,084	244,142,365	-1,719,565	0
100	Information and communication	140,976,032	3,824,642	3,824,642	140,976,032	-2,097,252	0
110	Real estate activities	2,325,169,839	255,093,877	255,093,877	2,325,169,839	-56,773,029	0
120	Financial and insurance actvities	245,255,537	16,724	16,724	245,255,537	-613,043	0
130	Professional, scientific and technical activities	279,095,555	28,265,425	28,265,425	279,095,555	-17,511,031	0
140	Administrative and support service activities	91,705,140	1,522,890	1,522,890	91,705,140	-965,674	0
150	Public administration and defense, compulsory social security	2,977,323	0	0	2,977,323	-33,608	0
160	Education	2,297,144	57,773	57,773	2,297,144	-28,814	0
170	Human health services and social work activities	48,368,005	1,640,226	1,640,226	48,368,005	-589,427	0
180	Arts, entertainment and recreation	5,788,267	95,541	95,541	5,788,267	-171,934	0
190	Other services	292,531,732	2,940,091	188,011	292,531,732	-3,010,632	0
200	Total	6,078,992,663	438,228,391	435,476,311	6,078,992,663	-133,516,575	0

As at 31 December 2023, the sectors linked to the real estate activities represented the most important ones.

3.2.3. Exposure breakdown by residual maturity

In the application of Article 442 (f) of the CRR, the table below shows the net exposure value broken down by exposure classes and residual maturities at year-end 2023. It comprises figures obtained using both the Standardised and the Advanced methods.

TEMPLATE EU CR1-A: MATURITY OF EXPOSURES

(In EUR million)		a	b	c	d	e	f
		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	2,283.43	1,933.16	3,405.24	9,125.62	-	16,747.45
2	Debt securities	22.62	1,074.97	3,830.09	3,691.29	-	8,618.97
3	Total	2,306.06	3,008.13	7,235.33	12,816.91	-	25,366.43

The above table shows that about 49% of the total risk exposure does not exceed five years.

Over the longer term, 51% of the total risk exposure exceeds five years. This represents long-term bonds issued by central governments and central banks, retail banking mortgage activity and the financing of the real estate and construction sector.

Exposures classified as "on-demand" represent 9% of the total exposure and are essentially composed of debit accounts for the corporate and retail exposure class and Nostro accounts with central banks for the Central Governments and Central Banks exposure class.

3.2.4. Credit quality of exposures

In the application of Article 442 (g) of the CRR, the table EU CR1 in Appendix 3 provides a breakdown of defaulted and non-defaulted exposures by regulatory exposure classes and industries respectively. It comprises figures obtained using both the Standardised and the Advanced methods.

The Bank books specific credit risk adjustment and general credit risk adjustment.

In the application of Article 442 (c) and (f) of the CRR, the two tables EU CR2 and EU CR2a in Appendix 3 report on the changes in the stock of non-performing loans and advances.

3.2.5. Credit quality of exposures by geographical area

In the application of Article 442 (h) of the CRR, the table below provides a breakdown of defaulted and non-defaulted exposures by geographical areas. It comprises figures obtained using both the Standardised and the Advanced methods. The geographical distribution is based on the legal residence of the counterparty or issuer.

TEMPLATE EU CQ4: QUALITY OF NON-PERFORMING EXPOSURES BY GEOGRAPHY

		a	b	c	d	e	f	g
		Gross carrying amount				Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing		of which: loans and advances subject to impairment			
				of which: defaulted				
010	**On balance sheet exposures**	26,153,219,873	776,557,624	773,805,544	26,153,219,873	-276,529,482		0
020	LU	13,142,145,493	561,674,306	558,922,226	13,142,145,493	-176,358,362		0
030	FR	3,505,176,816	74,481,508	74,481,508	3,505,176,816	-35,784,359		0
040	BE	1,893,797,154	10,915,252	10,915,252	1,893,797,154	-2,916,755		0
050	DE	1,402,568,056	25,810,138	25,810,138	1,402,568,056	-11,323,739		0
060	Country N	6,107,129,721	103,676,420	103,676,420	6,107,129,721	-50,146,021		0
070	Other countries	102,402,634	0	0	102,402,634	-246		0
080	**Off balance sheet exposures**	4,833,936,295	33,109,355	2,677,222			16,498,462	
090	LU	3,342,734,426	31.584.699	2,677,222			13,223,104	
100	BE	264,502,377	36,473	0			93,873	
110	FR	213,816,988	144,433	0			1,002,950	
120	CH	152,169,531	0	0			160,479	
130	Country N	860,700,195	1,343,750	0			2,018,056	
140	Other countries	12,778	0	0			0	
150	**Total**	**30,987,156,168**	**809,666,979**	**776,482,766**	**26,153,219,873**	**-276,529,482**	**16,498,462**	**0**

3.3. Forbearance, impairment, past due and provisions

3.3.1. Definitions

BIL records allowances for impairment losses when there is objective evidence that a financial asset or group of financial assets is impaired because of one or more events occurring after initial recognition and is evidencing (i) a decline in expected cash flows and (ii) an impact on estimated future cash flows that can be reliably estimated.

3.3.1.1. Financial assets measured at amortised cost

First, BIL assesses whether objective evidence of impairment exists individually for financial assets. If no such evidence exists, the financial assets are included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment.

DETERMINATION OF THE IMPAIRMENT

- Specific individual impairments: If objective evidence exists individually on a significant asset classified as loans or other receivables or financial assets classified as held- to-maturity, the amount of impairment on specifically identified assets is calculated as the difference between the carrying amount and the estimated future cash flows being the present value of estimated future cash flows;
- Collective impairments for mass products: If the objective evidence is identified individually for insignificant assets or collectively for a group of assets with similar risk characteristics, specific impairments are recorded on these identified group of assets;
- Collective impairments: Collective provisions are calculated for counterparties for which no objective evidence of impairment exist but for which the Bank knows that from a statistical point of view, losses may have occurred unless such losses have not been identified yet.

Credit-impaired exposure are assigned to the Stage 3 under IFRS 9. According to the definition, a financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as default or past due event;
- The creditor(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter into bankruptcy or another financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event. Instead, the combined effect of several events may have caused financial assets to become credit-impaired.

In addition, the Bank also considers the levels of and trends in delinquencies for similar financial assets. In order to adopt a prudent approach, the Bank considers all individual factors as a trigger event.

ACCOUNTING TREATMENT OF THE IMPAIRMENT

BIL recognises changes in the amount of impairment losses in the consolidated statement of income and reports them as «Impairment on loans and provisions for credit commitments». The impaired potential losses are reversed through the consolidated statement of income if the increase in fair value relates objectively to an event occurring after the impairment was recognised.

When an asset is determined by Management to be uncollectable, the outstanding specific impairment is reversed via the consolidated statement of income under the heading «Impairment on loans and provisions for credit commitments» and the net loss is recorded under the same heading. Subsequent recoveries are also accounted for under this heading.

3.3.1.2. Held to collect and sale (HTCS)

BIL recognises the impairment of HTCS assets on an individual basis if there is objective evidence of impairment due to one or more events occurring after initial recognition.

Determination of the impairment

- Quoted equities: The potential need of impairment is analysed based on an impairment test which consists of identifying cases where the net carrying amount is higher than the net present value;
- Unquoted equities: The potential need of impairment on participations is reviewed based on a comparison between the purchase cost and the estimated fair value obtained through the latest annual accounts available of the entity (for consolidated participations) and/or any other information that can help evaluate the participation such as the latest securities exchanges and internal memorandum on valuation (for non-consolidated participations);
- Quoted/unquoted bonds: The potential need of impairment is analysed based on:

- The same impairment test described for the quoted equities above and, in some cases;

  - An impairment test based on the evolution of the fair value referring to the credit spread.

- Private equity instruments: the potential need of impairment is analysed based on:

  - The net asset value reported by the fund/company;

  - A utility value calculated by the Credit Risk Management department.

ACCOUNTING TREATMENT OF THE IMPAIRMENT

When HTCS financial assets are impaired, the OCI reserve is recycled, and these impaired potential losses are reported in the consolidated statement of income as «Net income on investments». Additional decline in fair value is recorded under the same heading for equity securities.

When an impaired potential loss has been recognised on bonds, any subsequent decline in fair value is recognised under «Net income on investments» (if there is objective evidence of impairment). In all other cases, changes in fair value are recognised in «Other comprehensive income».

Impairments on equity securities cannot be reversed in the statement of income due to later recovery of quoted prices.

3.3.1.3. Past due

For the purposes of the application of point (b) of Article 178(1) of Regulation (EU) No 575/2013, where any amount of principal, interest or fee has not been paid at the date it was due, the Bank recognises this as the credit obligation past due. Where the credit arrangement explicitly allows the obligor to change the schedule, suspend or postpone the payments under certain conditions and the obligor acts within the rights granted in the contract, the changed, suspended or postponed instalments are not considered past due, and the counting of days past due is based on the new schedule once it is specified, according to Articles 178(1) and (3) of Regulation (EU) No 575/2013. Unauthorised overdraft amounts are also considered as past due amounts.

Past due amounts are monitored:

- At the level of each exposure for a day-to-day monitoring and the triggering of IFRS 9 stage 2;
- At the level of each obligor and/or joint obligor for the counting of material days past due and the triggering of default. The past due amount at the level of an obligor is the sum of all amounts past due that are related to any credit obligation of the obligor to the Bank, or any of its subsidiaries.

Technical past due situations are not considered as default in accordance with Article 178 of Regulation (EU) No 575/2013. A technical past due situation is considered to have occurred in any of the following cases:

- Where the Bank identifies that the defaulted status was a result of data or system error, including manual errors of standardised processes but excluding wrong credit decisions;
- Where the Bank identifies that the defaulted status was a result of the non-execution, defective or late execution of the payment transaction ordered by the obligor or where there is evidence that the payment was unsuccessful due to the failure of the payment system;
- Where, due to the nature of the transaction, there is a time lag between the receipt of the payment by an institution and the allocation of that payment to the relevant account, so that the payment was made before the 90 days and the crediting of the client's account took place after the 90 days past due.

Technical defaults should not be considered as default and should be excluded from the reference data set of defaulted exposures for the purpose of estimation of risk parameters.

3.3.1.4. Default definition

Default is defined as the inability of a borrower or guarantor to meet obligations vis-à-vis one or more creditors at a given moment or on a lasting basis. The Bank must include all products and positions that are potentially at risk. Default is defined in Article 178 of the CRR as follows:

"A default is considered to have occurred with regard to a particular obligor, when either or both of the two following events have taken place:

- The Bank considers that the obligor is unlikely to pay its credit obligations to the Banking group in full, without recourse by the Bank to actions such as realising security (if held);
- The obligor is more than 90 days past due on any material credit obligation to the Bank."

The EBA guidelines on the application of the definition of default (referred to as New Definition of Default (NDD)) and the Commission delegated regulation 2018/171 specify the new materiality thresholds for past due amounts of which:

- The absolute thresholds are set to 100 EUR for retail exposures and 500 EUR for non-retail exposures.
- The relative component is a limit in terms of the amount of the credit obligation past due in relation to the total amount of all on-balance sheet exposures to that obligor for the Bank, its parent undertaking or any of its subsidiaries excluding equity exposures and is set at 1 %.

Materiality of the overdraft to start counting dpd	RETAIL[6]	NON-RETAIL*		
	RET1 AND PME_RET	SOVEREIGN, INSTITUTIONS AND BANKS	PUB SAT. AND COLLECT	OTHER NON RETAIL
ABSOLUTE THRESHOLD	FIRST CENT	FIRST CENT		
RELATIVE THRESHOLD (TO ON-BALANCE)	100 EUR AND 1% OF TOTAL ASSET	500 EUR AND 1% OF TOTAL ASSET		
MATERIALITY OF THE OVERDRAFT TO TRIGGER A DEFAULT NUMBER OF DAYS TO TRIGGER A DEFAULT	90	90		

Both absolute and relative thresholds must be exceeded to consider that the overdraft amount is material (according to Article 178 CRR).

3.3.2. Information on forborne exposure and non-performing loans

Forborne exposures

BIL closely monitors its forborne exposures, in line with EBA Guidelines on management of non-performing and forborne exposures (EBA/GL/2018/06)

Forborne exposures are debt contracts in respect of which forbearance measures have been extended. Forbearance measures consist of concessions towards a debtor facing or about to face difficulties in meeting their financial commitments ("financial difficulties"). Those measures include in particular the granting of extensions, postponements, renewals or changes in credit terms and conditions, including the repayment plan or waivers on financial covenants attesting to the debtor's actual or future difficulties.

More specifically, and in order to comply with the regulatory standards, BIL Group has implemented the necessary framework for the whole forbearance process covering:

- The list of forbearance measures;
- The granting process of these short- and long-term forbearance measures;
- The duties in respect with forbearance measures;
- The probation periods;
- The monitoring process.

For all counterparties, dedicated analyses are carried out at single credit file level in order to identify those that should be classified as forborne according to the regulatory definition. Forborne exposures consist of a significant increase of credit risk triggering at least a stage 2 provision according to IFRS 9 regulation.

As at year-end 2023, BIL Group's forborne exposures amounted to EUR 515.2 million (EUR 287.4 million forborne performing and EUR 227.8 million forborne non-performing).

Non-performing exposures

According to the EBA definition, non-performing exposures satisfy either or both of the following criteria:

- Material exposures which are more than 90 days past-due, even if the obligor is not in default;
- The debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past-due amount or of the number of days past due.

6. Retail and non-Retail classification according to prudential / CRR rules.

The 2018 EBA guidelines on the management of non-performing and forborne exposures require the application of the same materiality thresholds and unlikely to pay trigger for the purpose of default and non-performing management.

Exposures in respect of which a default is considered to have occurred (CRR) and exposures that have been found impaired (IFRS) are always considered as non-performing exposures.

Regulations regarding the minimum loss coverage have been published with respect to NPEs, the most significant of which are:

- ECB supervisory expectations to deal with the NPEs stock through provisioning;
- ECB Guidance on non-performing loans for credit institutions, published in March 2017: Calendars with quantitative supervisory expectations for the provisioning of this type of exposure are established in the addendum to this guidance, published in March 2018. Applicable to exposures originating before 26 April 2019 and which have been converted into NPE from 1 April 2018 and their noncompliance might imply a higher Pillar 2 charge;
- Amendment of the CRR through Regulation 2019/630 as regards minimum loss coverage for non-performing exposures (prudential backstop), published in April 2019. This regulation includes calendars of quantitative requirements for the minimum provisioning of NPEs. It applies to NPEs originating after 26 April 2019 and their non-compliance would cause deductions in the CET1 of entities. On 20 May 2019, the new regulatory package was approved, which consisted of Regulation 2019/876 (CRR II) and the Directive 2019/878 (CRD V).

Covid-19 context

Since early 2020, BIL regularly re-examines the classification of its outstanding loans under moratorium extended in response to the Covid-19 crisis, based on (i) regulatory texts and guidance provided by the EBA and (ii) changes in the situation of the counterparties concerned. At the end of 2023, there were no outstanding moratoria linked to Covid-19.

TEMPLATE EU CQ1: CREDIT QUALITY OF FORBORNE EXPOSURES

	(In EUR)	a	b	c	d
		Gross carrying amount / Nominal amount of exposures with forbearance measures			
			Non-performing forborne		
		Performing forborne		of which: defaulted	of which: impaired
005	Cash balances at central banks and other demand deposits	0	0	0	0
010	Loans and advances	284,500,279	226,933,782	226,933,782	226,933,782
020	Central banks	0	0	0	0
030	General governments	0	0	0	0
040	Credit institutions	0	0	0	0
050	Other financial corporations	11,525,310	30,537,782	30,537,782	30,537,782
060	Non-financial corporations	190,581,136	113,196,795	113,196,795	113,196,795
070	Households	82,393,833	83,199,205	83,199,205	83,199,205
080	Debt Securities	10,289,058	0	0	0
090	Loan commitments given	2,952,780	895,616	895,616	0
100	**Total**	**297,742,117**	**227,829,398**	**227,829,398**	**226,933,782**

	(In EUR)	e	f	g	h
		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collaterals received and financial guarantees received on forborne exposures	
		On performing forborne exposures	On non-performing forborne exposures		Of which: Collateral and financial guarantees received on non-performing exposures with forbearance measures
005	Cash balances at central banks and other demand deposits	0	0	0	0
010	Loans and advances	-2,215,982	-67,096,982	375,849,717	120,783,462
020	Central banks	0	0	0	0
030	General governments	0	0	0	0
040	Credit institutions	0	0	0	0
050	Other financial corporations	-57,708	-14,725,893	26,250,506	14,808,215
060	Non-financial corporations	-1,788,357	-37,295,912	220,677,217	57,225,604
070	**Households**	-369,917	-15,075,177	128,921,994	48,749,643
080	Debt Securities	0	0	0	0
090	Loan commitments given	42,158	111,957	0	0
100	**Total**	**-2,173,824**	**-66,985,025**	**375,849,717**	**120,783,462**

3.3.3. IFRS 9

In July 2014, the International Accounting Standards Board (IASB) published a new accounting framework, International Financial Reporting Standard 9 (IFRS 9), aiming at replacing the former one, International Accounting Standard 39 (IAS 39), with an effective implementation date fixed on 1 January 2018. The new standard is structured around three phases:

- The classification and measurement of financial instruments;
- The impairment of financial instruments;
- Hedge accounting

BIL's IFRS 9 implementation is described in three successive phases:

PHASE 1 - CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

Classification refers to how both financial assets and liabilities are accounted for in financial statements and on how they are measured on an on-going basis. While there are no major changes as regards financial liabilities, IFRS 9 introduced a new approach for the classification of financial assets according to their cash flow characteristics and the business model under which an asset is held.

The assessment of contractual cash flows aims at identifying whether these are "SPPI compliant", meaning that they correspond solely to the payment of principal and interest on the outstanding amount. Furthermore, by considering the existing Bank's business models, IFRS 9 leads to measure financial assets in three distinct ways:

- Financial assets measured at amortised cost, when the business model is to collect cash flows;
- Financial assets measured at fair value through other comprehensive income, when the business model consists in collecting cash flows and in selling the underlying assets;
- Financial assets measured at fair value through profit or loss, including notably:
  - Derivatives held for trading activities and assets that the Bank intends to sell immediately or in the near term;
  - Non-trading financial assets for which the underlying business model is to collect cash flows, or to collect and sell, but which do not pass the SPPI test.

The Bank's exposures are classified into two main portfolios:

- The first portfolio contains the dealing room exposures, notably the Investment Portfolio. The latter is split into two sub-portfolios which follow two different business models:
  - A portfolio of financial assets aiming at collecting contractual cash flows ("Hold to Collect", or HTC business model);
  - A business model based on collecting contractual cash flows and selling financial assets ("Hold to Collect and Sell", or HTCS business model).
- The second portfolio concerns the loans activity: the objective of the Bank is mainly to only hold loans to collect contractual cash flows and not to sell them (HTC model).

These portfolios were reviewed to satisfy the IFRS 9 requirements in terms of classification and measurement. All products (bonds, interbank exposures and loans) passed the SPPI test, and the BIL's core banking system was adjusted accordingly with a dedicated chart of accounts.

In parallel, the Bank has established relevant procedures and has reviewed the loans granting process with the new production that is entirely SPPI compliant.

The Bank's business models were validated by the Management Board, the Board Strategy Committee, and the Board of Directors in line with the BIL's strategy. The Bank has also established an appropriate framework to deal with any potential future change in its business models.

PHASE 2 – IMPAIRMENT OF FINANCIAL INSTRUMENTS

In addition to Pillar I models which focus on unexpected credit losses (via minimum regulatory capital ratios), IFRS 9 defines principles for measuring Expected Credit Losses (ECL). Under this new accounting standard, the Bank is required to incorporate forward-looking information in its provisioning practices, notably by relating credit risk parameters (e.g., Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD)) with macro financial indicators that are projected considering several representative scenarios.

Practically, BIL has decided to retain three macroeconomic scenarios: a baseline situation having the higher likelihood of occurrence (60%) and two alternative ones describing different business cycle dynamics with the same probability of realisation (20%) – typically, an upside (resp. a downside) scenario where the economic outlook is more (resp. less) favourable than in the baseline one. These macro scenarios strongly influence the projection of PD parameters over time, as well as collateral valuation in the case of mortgage loans. The weighting of macroeconomic scenarios may be subject to post-model adjustments.

ECL can be measured over either a 12-month or a lifetime horizon, depending on the credit risk evaluation of a given exposure. More specifically, this relies on the so-called IFRS 9 Staging process which consists in classifying financial instruments in three distinct stages according to both qualitative and quantitative credit risk factors:

- **Stage 1 (12-month ECL):** The financial asset is performing and it has not experienced a significant increase in credit risk since its origination;
- **Stage 2 (Lifetime ECL):** The financial asset is not in default, but it is subject to either:
  - A significant increase in credit risk;
  - Forbearance measures but it maintains a performing status;
  - A past due event which is higher than 30 days.
- Stage 3 (Lifetime ECL): The financial asset is subject to either:
  - Forbearance measures together with having a non performing status;
  - A defaulted or pre- litigation status.

PHASE 3 - HEDGE ACCOUNTING

IFRS 9 introduces a reformed model for hedge accounting with enhanced risk management disclosures. While the IFRS9 hedge accounting disclosures will be applicable in any case, the standard gives the choice of either retaining IAS 39 accounting policies for hedging purposes or switching to IFRS 9 hedge accounting. This choice remains until a formal standard on macro hedging will be issued. At this stage, the Bank retains the IAS 39 accounting policy requirements for hedging purposes.

3.3.4. Credit Quality

The credit quality of forborne exposures, on credit quality of performing and non-performing exposures by past due days, on performing and non-performing exposures and related provisions and on collateral obtained by taking possession and execution processes are presented in the templates 1, 3, 4 and 9 as presented in EBA/GL/2022/13.

- Template 1 (EU CQ1): Credit quality of forborne exposures;
- Template 3 (EU CQ3): Credit quality of performing and nonperforming exposures by past due days;
- Template 4 (EU CR1): Performing and non-performing exposures and related provisions;
- Template 9 (EU CQ7): Collateral obtained by taking possession and execution processes.

3.4. Credit risk mitigation

3.4.1. Description of the main types of credit risk mitigants (CRM)

Basel regulation recognises three main types of CRM:

- Collateral;
- Guarantees and credit derivatives;
- Netting agreements (applicable to on-balance sheet and off-balance sheet netting agreements).

MAIN TYPES OF COLLATERAL

Collateral is represented by financial products or physical assets used to hedge exposures. BIL Group manages a wide range of collateral types. From a regulatory point of view, three main categories of collateral exist:

- Pledges of financial assets (cash, blocked accounts, term deposits, insurance contracts, bonds and equity portfolios, etc.);
- Pledges of real estate (residential mortgages, commercial mortgages);
- Pledges of commercial assets (e.g., transfer of receivables).

Template EU CQ7, collateral obtained by taking possession and execution processes, can be found in Appendix 3.

MAIN TYPES OF GUARANTEES

Guarantees refer to personal guarantees, first demand guarantees and support commitments.

MAIN TYPES OF NETTING AGREEMENTS

A netting agreement is a technique for mitigating credit risk. Banks have legally enforceable netting agreements for on-balance sheet exposures (loans and deposits) and off-balance sheet exposures (derivatives) for which they may calculate capital requirements on the basis of net credit exposures subject to specific regulatory conditions.

3.4.2. Policies and processes

COLLATERAL AND GUARANTEES/CREDIT DERIVATIVES

Within BIL, managing the CRM involves the following tasks:

- Analysis of the eligibility of all CRM under the standardised and advanced approaches;
- Collateral valuation in mark-to-market, on a regular basis;
- Description of all CRM characteristics in BIL Group's risk systems, such as:
  - Mortgage-rank, amount and maturity;
  - Financial collateral – valuation frequency and holding period;
  - Guarantees/credit derivatives – identification of the guarantor, analysis of the legal mandatory conditions, check as to whether the credit derivative covers restructuring clauses;
  - Security portfolio: description of each security.
- Periodic review of the descriptive data.

At an operational level, different IT tools are used to manage collateral. These IT tools are used to record any relevant data needed to identify collateral characteristics, eligibility criteria and estimated value, in accordance with the Basel framework.

MAIN TYPES OF GUARANTORS

Guarantees that BIL received are mostly given by bank counterparties. The Bank does not use credit derivatives in this context.

ON – AND OFF – BALANCE SHEET NETTING

For regulatory purposes, BIL Group does not make use of netting between assets and liabilities regarding loans and deposits of the same counterparty.

Internal policies document the eligibility criteria and minimum requirements that netting agreements need to fulfil in order to be recognised for regulatory purposes under the Basel framework.

Appropriate internal procedures and minimum requirements have been implemented in the internal risk management process.

INFORMATION ABOUT MARKET OR CREDIT RISK CONCENTRATIONS

Concentration risk is related to a concentration of collateral in one issuer, country, industry or market. As a result, credit deterioration might have a significant impact on the overall value of collateral held by the Bank to mitigate its credit exposure.

An important part of BIL's credit portfolio is linked to the Luxembourgish real estate market. In order to mitigate this risk, most of its credit risk mitigants are linked to mortgage loans.

Mortgages

As a major Luxembourg-based bank, BIL makes a substantial contribution to the financing of local projects involving both residential and commercial real estate. As such, it is inevitably dependent on the effect Luxembourg's economic growth may have on the large amount of mortgages it takes as collateral for loans granted.

However, the Bank has strong governance and specific guidelines in place to adequately cover the risks involved in the granting of loans to its retail and corporate customers and to diversify the range of collateral it takes as a guarantee. This involves the approval of commitment/ credit committees based on credit applications proposed by front officers, for which credit analysts give their opinion. This opinion considers the quality of the debtor through its rating, revenues, indebtedness level and repayment capacity, as well as the quality of the assets pledged as collateral for which a conservative loan-to-value ratio is assigned.

Both the Bank and the national regulator are well aware of this exposure and carefully monitor the concentration risk through regular reports and monitoring of limits on real estate exposure.

Financial collateral

Among its range of services to wealthy customers, the Bank proposes Lombard loans and investment lines of credit. These are granted against the pledge of eligible financial assets for which cover values are assigned by the Credit Risk Management team reflecting the quality, liquidity and volatility of the underlying collateral. As part of their contractual obligations, and in order to limit the concentration risk within individual portfolios, customers using these kinds of facilities must not only maintain adequate cover values for their loans at all times, but are also required to comply with an obligation of diversifying their collateral portfolios.

Exposure and collateral values are continuously monitored regarding the proper application of these instructions, and margin calls or close-out procedures are enforced when the market value of collateral falls below a predefined trigger level.

3.4.3. Basel III treatment

BIL Group recognises the mitigation impact of netting agreements (subject to eligibility conditions), by applying the netting effect of these agreements to the calculation of the EAD used to compute its Risk-Weighted Assets.

For guarantees and credit derivatives, BIL recognises the impact by substituting the PD, LGD and risk weight formula of the guarantor to those of the borrower (i.e., the exposure is directly to the guarantor) if the risk weight of the guarantor is lower than the risk weight of the borrower.

For collateral (both financial and physical), BIL methodology related to the eligibility of credit risk mitigation techniques (hereunder referred to as CRM) is based on the Basel III approach:

- Standardised exposures:
  - Eligible CRM (after regulatory haircuts) are directly considered when calculating the EAD (deduction).
- A-IRB approach exposures, where two methodologies may be applied:
  - CRM are incorporated into the calculation of the LGD based on internal loss data and A-IRB approach model calculations;
  - CRM are not incorporated into the LGD computed by the model. The impact of each individual CRM is taken into account in the LGD according to each transaction.

3.4.4. Overview of credit risk mitigation techniques

In the application of Article 453 (f) and (g) of the CRR, the below table provides an overview of the exposure value covered by Basel III eligible CRM (after regulatory haircuts) and includes all collateral and financial guarantees used as credit risk mitigants for all secured exposures, irrespective of whether the standardised approach or IRB approach is used for RWA calculations. This table also includes the carrying amounts of the total population which are in default.

Unsecured exposures (column a hereunder) represent the carrying amount of credit risk exposures (net of credit risk adjustments) that do not benefit from a credit risk mitigation technique, regardless of whether this technique is recognised in the CRR. Secured exposures (column b hereunder) represent the carrying amount of exposures that have at least one CRM mechanism (collateral, financial guarantees) associated with them.

TEMPLATE EU CR3 – CRM TECHNIQUES OVERVIEW: DISCLOSURE OF THE USE OF CREDIT RISK MITIGATION TECHNIQUES

The Bank does not have any credit derivatives as credit risk mitigants.

	(In EUR million)	Unsecured carrying amount	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
		a	b	c	d	e
1	Loans and advances	7,146,004,294	12,770,614,340	11,861,925,928	908,688,413	0
2	Debt securities	8,873,885,505	0	0	0	0
3	Total	16,019,889,799	12,770,614,340	11,861,925,928	908,688,413	0
4	Of which non-performing exposures	141,511,296	423,266,376	388,968,187	34,298,189	0
EU-5	Of which defaulted	0	0			

3.5. Standardised approach

3.5.1. Organisation

As previously stated, BIL Group uses the A-IRB approach to calculate its regulatory capital requirements. Nevertheless, the Bank applies the Standardised approach for some portfolios corresponding to cases specifically authorised by regulation such as:

- Small business units with non-material exposures;
- Portfolios without enough data to build a sound model;
- Portfolios for which BIL has adopted a phased roll-out of the A-IRB approach.

3.5.2. External credit assessment institutions

The Standardised approach provides weighted risk figures based on external ratings given by External Credit Assessment Institutions (ECAI's) as indicated in the CRR. To apply the Standardised approach for risk-weighted exposure, BIL Group uses external ratings assigned by the following rating agencies: Standard & Poor's and Moody's.

The rating used for regulatory capital calculation is the lower of the two ratings. If no external rating is available, the Standardised approach provides specific risk weights defined by the regulator (depending on the counterparty type).

CREDIT RATING AGENCIES AND CREDIT QUALITY STEP UNDER THE STANDARDISED APPROACH:

Standard & Poor's	Moody's	Regulatory credit quality step
AAA to AA-	AAA to Aa3	1
A+ to A-	A1 to A3	2
BBB+ to BBB-	Baa1 to Baa3	3
BB+ to BB-	Ba1 to Ba3	4
B+ to B-	B1 to B3	5
CCC+ and below	Caa and below	6

As presented in the Table EU CR4 below in the following section 3.5.3, the standardised risk-weighted exposures are broken down by the following regulatory assets:

- Central governments and central banks;
- Regional governments or local authorities;
- Public sector entities;
- Multilateral development banks;
- International organisations;
- Institutions;
- Corporates;
- Retail;
- Exposures secured by mortgages on immovable property;
- Exposures in default;
- Exposures associated with particularly high risk;
- Covered bonds;
- Institutions and corporates with a short-term credit assessment;
- Collective investment undertakings;
- Equity;
- Other items.

Under the Standardised approach, BIL uses credit quality steps to calculate the RWAs associated with non-counterparty credit risk exposures. Each rated exposure in the Standardised approach is assigned to one of six credit quality steps. The credit quality steps map to the rating of the major rating agencies, as shown in the table above. Each credit quality step is associated with a particular risk-weighting. Each exposure is multiplied by the appropriate risk weighting to calculate the relevant RWA amount.

3.5.3. Standardised approach – Credit risk exposure and CRM effects by asset classes

TEMPLATE EU CR4 – STANDARDISED APPROACH – CREDIT RISK EXPOSURE AND CRM EFFECTS

		Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWAs density (%)
		a	b	c	d	e	f
1	Central governments or central banks	3,640.06	0.32	4,710.89	145.13	81.21	1,67%
2	Regional government or local authorities	3,516.90	36.07	3,762.40	17.93	176.67	4.67%
3	Public sector entities	786.33	252.93	629.05	5.92	58.22	9.17%
4	Multilateral development banks	841.95	0.00	845.56	0.03	0.00	0.00%
5	International organisations	110.78	0.00	110.78	0.00	0.00	0.00%
6	Institutions	1,506.93	198.90	665.46	46.37	282.01	39.62%
7	Corporates	1,495.49	1,112.01	1,287.09	258.39	1,467.26	94.94%
8	Retail	5.98	7.31	5.88	2.52	5.70	67.84%
9	Secured by mortgages on immovable property	56.57	0.00	55.01	0.00	53.25	96.80%
10	Exposures in default	28.58	5.86	28.58	0.13	34.87	121.48%
11	Exposures associated with particularly high risk	54.10	1.10	54.10	1.02	82.68	150.00%
12	Covered bonds	398.18	0.00	398.18	0.00	39.82	10.00%
13	Institutions and corporates with a short-term credit assessment	280.65	90.56	231.71	18.11	71.66	28.68%
14	Collective investment undertakings	0.00	0.00	0.00	0.00	0.00	0.00%
15	Equity	30.54	0.00	30.54	0.00	76.36	250.00%
16	Other items	883.78	0.00	883.80	0.00	462.74	52.36%
17	TOTAL	13,636.83	1,705.05	13,699.04	495.55	2,892.46	20.38%

3.5.4. Standardised approach – exposures by asset classes and risk weights

In the application of Article 444 (e) of the CRR, the following table shows the EAD before and after considering the pertinent credit conversion factor and risk mitigation under the Standardised approach, broken down by exposure classes and risk weights. Exposures subject to the counterparty credit risk and securitisation risk framework are excluded from this template.

TABLE EU CR5 – STANDARDISED APPROACH

	Exposure classes	Risk weight								
		0%	2%	4%	10%	20%	35%	50%	70%	75%
		a	b	c	d	e	f	g	h	i
1	Central governments or central banks	4.730,81	0,00	0,00	0,00	100,79	0,00	0,00	0,00	0,00
2	Regional government or local authorities	2.896,98	0,00	0,00	0,00	883,35	0,00	0,00	0,00	0,00
3	Public sector entities	442,80	0,00	0,00	0,00	126,20	0,00	65,97	0,00	0,00
4	Multilateral development banks	845,59	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
5	International organisations	110,78	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
6	Institutions	0,00	0,00	0,00	0,00	246,28	0,00	464,43	0,00	0,00
7	Corporates	0,00	0,00	0,00	0,00	54,96	0,00	76,11	0,00	0,00
8	Retail exposures	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	8,40
9	Exposures secured by mortgages on immovable property	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
10	Exposures in default	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
11	Exposures associated with particularly high risk	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
12	Covered bonds	0,00	0,00	0,00	398,18	0,00	0,00	0,00	0,00	0,00
13	Exposures to institutions and corporates with a short-term credit assessment	0,00	0,00	0,00	0,00	180,60	0,00	67,50	0,00	0,00
14	Units or shares in collective investment undertakings	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
15	Equity exposures	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
16	Other items	421,06	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
17	TOTAL	9.448,03	0,00	0,00	398,18	1.592,18	0,00	674,00	0,00	8,40

	Exposure classes	Risk weight						Total	Of which unrated
		100%	150%	250%	370%	1250%	Others		
		j	k	l	m	n	o	p	q
1	Central governments or central banks	0.00	0.01	24.42	0.00	0.00	0.00	4,856.02	102.36
2	Regional government or local authorities	0.00	0.00	0.00	0.00	0.00	0.00	3,780.33	870.31
3	Public sector entities	0.00	0.00	0.00	0.00	0.00	0.00	634.97	161.30
4	Multilateral development banks	0.00	0.00	0.00	0.00	0.00	0.00	845.59	0.00
5	International organisations	0.00	0.00	0.00	0.00	0.00	0.00	110.78	0.00
6	Institutions	1.12	0.00	0.00	0.00	0.00	0.00	711.83	167.90
7	Corporates	1,409.38	0.00	5.02	0.00	0.00	0.00	1,545.48	1,410.07
8	Retail exposures	0.00	0.00	0.00	0.00	0.00	0.00	8.40	8.40
9	Exposures secured by mortgages on immovable property	55.01	0.00	0.00	0.00	0.00	0.00	55.01	55.01
10	Exposures in default	16.37	12.33	0.00	0.00	0.00	0.00	28.70	28.68
11	Exposures associated with particularly high risk	0.00	55.12	0.00	0.00	0.00	0.00	55.12	55.12
12	Covered bonds	0.00	0.00	0.00	0.00	0.00	0.00	398.18	0.00
13	Exposures to institutions and corporates with a short-term credit assessment	1.59	0.13	0.00	0.00	0.00	0.00	249.82	0.00
14	Units or shares in collective investment undertakings	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
15	Equity exposures	0.00	0.00	30.54	0.00	0.00	0.00	30.54	30.54
16	Other items	462.74	0.00	0.00	0.00	0.00	0.00	883.80	9.00
17	TOTAL	1,946.23	67.59	59.98	0.00	0.00	0.00	14,194.59	2,898.70

3.6. Advanced Internal Ratings Based approach (A-IRB)

The exposure data included in the quantitative disclosures is that used for calculating the Bank's regulatory capital requirements. In what follows and unless otherwise stated, exposures will thus be expressed in terms of EAD.

3.6.1. Competent authority's acceptance of the approach

In a letter sent on 21 December 2007 by the former Belgian regulator (the Banking, Finance and Insurance Commission), Dexia SA was authorised to use the advanced internal rating-based (A-IRB) approach for the calculation and reporting of its capital requirements for credit risk from 1 January 2008.

This acceptance was applicable to all entities and subsidiaries consolidated within the Dexia group which are established in a member state of the European Union and are subject to the Capital Requirement Directive, which included BIL. Following its former holding company's dismantlement, BIL Group decided to keep the A-IRB approach for the assessment of the credit risk related to its main counterparties, as agreed in 2012 with the Luxemburgish supervisor (CSSF).

3.6.2. Model management and global governance

3.6.2.1. Parameters

Internal rating systems have been set up to evaluate the three Basel credit risk parameters: PD, LGD and CCF. For each counterparty type to which the Advanced method is applicable, a set of three models, one for each parameter, has been or will be developed as part of the roll-out plan.

The PD models estimate the one-year probability of default of given obligors. Each model has its own rating scale and each rating on the scale corresponds to a probability of default used for regulatory and reporting purposes. The correspondence between the rating and PD for each scale is set during the calibration process, as part of the model development, and is reviewed and adjusted during the yearly back-testing, when necessary. The number of ratings on each scale depends on the characteristics of the underlying portfolio (the number of counterparties, their homogeneity, whether it is a low default portfolio or not) up to a maximum of 17 non-default classes. In addition, each scale has been attributed two internal default classes (named D1 and D2).

The LGD models estimate the ultimate loss incurred on a facility of a defaulting counterparty before taking the credit risk mitigants into account. The unsecured LGD depends on different factors such as the product type.

CCF models estimate the portion of off-balance sheet commitments that would be drawn before a counterparty goes into default.

In addition to the calculation of the regulatory risk-weighted assets, internal estimates of Basel parameters are increasingly used within BIL group in the decision-making process, credit risk management and monitoring, as well as provisioning assessment.

3.6.2.2. Segmentation and principles used for estimating the PD, LGD and CCF

BIL group uses a wide range of models to estimate PD and LGD parameters in respect of the following types of counterparties.

Risk weights are calculated using either:

- The PD/LGD parameters retrieved from the A-IRB or F-IRB approach or;
- The supervisory risk weights approach for specialised lending or;
- The supervisory risk weights approach for the exposures under the standardised approach.

SEGMENTATION

Sovereigns

This asset/exposure segment encompasses sovereign counterparties, defined as central governments, central banks, and all deb- tors whose liabilities are guaranteed irrevocably and unconditionally by central governments or central banks.

In addition, in-depth analysis of some public sector counterparties shows that they share the same credit risk as the "master" counterparties to which they are assimilated (usually local authorities or sovereigns). They are consequently attributed the same PD and LGD as their "master" counterparties. It should be noticed that since the reporting date as of November 2020, the Sovereign exposures are treated according to the Standardised approach.

Banks

This asset/exposure segment encompasses worldwide bank counterparties, defined as legal entities that have banking activities as their usual profession. Banking activities consist of the receipt of funds from the public, credit operations and putting these funds at customers' disposal, or managing means of payment. Bank status requires a banking license granted by the supervisory authority. It must be noticed that since the reporting date as of November 2020, the Bank exposures are treated according to the Foundation approach.

It has to be highlighted that since the reporting date as of March 2022, the Bank exposures are treated according to the Standardised approach.

Corporates

Three models have been designed for corporate and mid-corporate counterparties:

- Corporates
  The scope of the model encompasses worldwide corporate counterparties. BIL defines a corporate as a private or a publicly traded company with total annual revenue higher than EUR 50 million (EUR 250 million if Belgium and Luxembourg companies) or belonging to a group with total annual revenue higher than EUR 50 million that is not a bank, a financial institution, an insurer, or a public/private satellite. It has to be noticed that since the reporting date as of November 2020, the Corporate exposures are treated according to the Foundation approach.
- Mid-corporates
  This model is approved in accordance with the A-IRB approach for mid-corporates from Belgium and Luxembourg. BIL defines a mid-corporate as a private company with total revenue lower than EUR 50 million (EUR 250 million if Belgium and Luxembourg companies) and belonging to a group with consolidated total revenue lower than EUR 50 million and with total assets higher than EUR 2 million that is not a bank, a financial institution, an insurer or a public/private satellite.
- Corporate real estate exposures classified as Real Estate Specialised Lending Exposures
  Within the corporate exposure class, real estate exposures identified as specialised lending exposures as defined in art. 147 (8) CRR are subject to a risk assessment according to the Supervisory Slotting Approach. In 2019, BIL obtained regulatory approval from the European Central Bank to use the Supervisory Slotting Approach to assign the risk weights and calculate the expected loss (EL) to specialised lending real estate exposures under art. 153 (1) CRR.

The Bank's loans defined as IRB subclass "Specialised real estate financing" loans such as Income-Producing Real Estate (IPRE) and Land Acquisition, Development and Construction (ADC) are reported under the Foundation IRB approach, but regulatory risk weights are applied using the so called 'supervisory slotting criteria' approach as defined by Article 153 CRR. Under this approach, several prescribed factors (financial strength, political and legal environment, asset and transaction characteristics, strength of sponsor, security package) are weighted to produce an overall model score which is then map- ped to one of four supervisory risk grades – Strong, Good, Satisfactory and Weak – with a separate grade for defaulted borrowers. This model does not use PD and LGDs to calculate capital, instead it uses the risk weights and expected loss values prescribed by the regulator.

Retail

- Retail – Individuals

  These models are applied to retail customers (individuals). Individuals are defined as retail counterparties not engaged in a self-employed activity or a liberal profession (i.e., doctors, lawyers, etc.) and are not linked to the activity of a legal entity.
- Retail – Small professionals

  These models are applied to small professional retail customers defined as individuals engaged in a self-employed activity or a liberal profession, or small companies generating revenue lower than a certain threshold (EUR 0.25 million).
- Retail – Small companies

  These models are applied to small companies that are defined as companies generating revenue lower than a certain threshold (EUR 0.25 million), but which are still considered as retail counterparties based on certain criteria (i.e., not considered as mid-corporate or corporate counterparties). However, where these companies have a credit exposure higher than EUR 1 million, they will be considered as non-retail counterparties from a regulatory reporting point of view.

  Equity and securitisation transactions No internal model has been developed specifically for equity or securitisation transactions.

MAIN PRINCIPLES USED FOR ESTIMATING THE PD, LGD AND CCF

MAIN PRINCIPLES USED FOR ESTIMATING THE PD

Types of counterparty	Through-the-cycle models	Time series used	Internal/ external data
Sovereigns	Standardised approach.	N/A	N/A
Banks	Standardised approach.	N/A	N/A
Corporates	Models are forward looking and through the cycle. They are designed to be optimally discriminative over the long term. The through-the-cycle aspect of the rating is also addressed in a long-term average PD.	> 10 years	Internal + External
Mid-corporates		> 10 years	Internal
Retail		> 10 years	Internal
Equity	Mix of single risk weight and PD/LGD approach.	N/A	N/A
Securitisation	Standardised approach.	N/A	N/A

MAIN PRINCIPLES USED FOR ESTIMATING THE LGD

Types of counterparty	Main hypotheses	Time series used	Internal/ external data
Sovereigns	Standardised approach.	N/A	N/A
Banks	Standardised approach (Q1 2022).	N/A	N/A
Corporates	Foundation approach.	N/A	N/A
Retail and Mid-corporates	The retail LGD model is based on statistical estimates of prior LGD and haircuts to compute LGD in line with the comprehensive CRM technique as part of the A-IRB approach.	> 10 years Internal	N/A
Equity	Mix of single risk weight and PD/LGD approach.	N/A	N/A
Securitisation	Standardised approach.	N/A	N/A

MAIN PRINCIPLES USED FOR ESTIMATING THE CCF

Regarding CCF models, a roll-out plan was communicated to the regulators in the beginning of 2019 to develop the corresponding internal models. Currently, BIL Group has developed an internal CCF model regarding the parameter to apply on the Retail population. This model was validated by the Joint Supervisory Team (JST) in August 2017 and is in application in the calculation of the regulatory risk-weighted assets since September 2017.

Types of counterparty	Main hypotheses	Time series used	Internal/ external data
Sovereigns	Standardised approach.	N/A	N/A
Banks	Standardised approach (Q1 2022).	N/A	N/A
Corporates	Regulatory parameter.	N/A	N/A
Retail and Mid-corporates	The new retail CCF model is based on statistical estimates and is implemented since 02/10/2023. Moreover, there is currently no internal CCF model for Mid Corporate exposures. A new model has been developed and is under investigation by the JST. The implementation should occur end of 2024 / beginning of 2025.	> 10 years Internal	N/A
Equity	N/A	N/A	N/A
Securitisation	N/A	N/A	N/A

TEMPLATE EU CR6-A – SCOPE OF THE USE OF IRB AND SA APPROACHES

	(In EUR million)	Exposure value as defined in Article 166 CRR for exposures subject to IRB approach	Total exposure value for exposures subject to the Standardised approach and to the IRB approach	Percentage of total exposure value subject to the permanent partial use of the SA (%)	Percentage of total exposure value subject to IRB Approach (%)	Percentage of total exposurevalue subject to a roll-out plan (%)
		a	b	c	d	e
1	Central governments or central banks	0.00	7,634.11	0.00%	100.00%	0.00%
1,1	Of which Regional governments or local authorities		2,598.44	0.00%	100.00%	0.00%
1,2	Of which Public sector entities		442.80	0.00%	100.00%	0.00%
2	Institutions	0.00	4,309.40	0.00%	100.00%	0.00%
3	Corporates	5,906.53	7,862.25	0.00%	24.87%	75.13%
3,1	Of which Corporates - Specialised lending, excluding slotting approach		0.00	0.00%	0.00%	0.00%
3,2	Of which Corporates - Specialised lending under slotting approach		2,612.15	0.00%	0.00%	100.00%
4	Retail	12,083.04	12,093.64	0.00%	0.09%	99.91%
4,1	of which Retail – Secured by real estate SMEs		189.04	0.00%	1.15%	98.85%
4,2	of which Retail – Secured by real estate non-SMEs		7,709.39	0.00%	0.00%	100.00%
4,3	of which Retail – Qualifying revolving		0.00	0.00%	0.00%	0.00%
4,4	of which Retail – Other SMEs		349.36	0.00%	2.32%	97.68%
4,5	of which Retail – Other non-SMEs		3,845.85	0.00%	0.00%	100.00%
5	Equity	259.11	340.86	0.00%	23.99%	76.01%
6	Other non-credit obligation assets	0.00	902.57	0.00%	100.00%	0.00%
7	Total	18,248.67	33,142.83	0.00%	44.94%	55.06%

3.6.2.3. Model management process and internal governance

The BIL framework is based on a well-defined process, which is described below.

CREDIT RISK CONTROL UNIT

The Credit Risk Control Unit (CRCU) ensure the proper application of the IRB approach within the Bank. They are responsible, among other things, for the development of rating systems and their ongoing monitoring.

In the current organisation of the Risk Management function, the CRCUs include the following departments: Credit Data Science, Rating Systems Control, F&R Factory and Model Risk Management.

Pursuant to Article 190 of the CRR, the CRCU is responsible for the design, implementation, oversight, and the performance of all models, as defined within the Model Risk Management Framework of BIL Group. It regularly produces and analyses reports on the output of the internal rating systems. The roles and responsibilities of each component of CRCU are as follows:

- Credit Data Science, which oversees the development and performance monitoring of the Basel III Pillar I approach and IFRS9 models for Credit Risk. Particularly, this team:
  - Actively participates in the design or selection, implementation and validation of models used in the rating process;
  - Monitors model performance over time, and initiates model improvement requests;
  - Executes back-testing of the models and proposes first conclusions to the Internal Validation team;
  - Regularly performs analysis of the risk parameters (e.g., distribution of exposures among rating classes, average probability of default, expected losses) of different asset class portfolio. Such analysis should be progressively refined to take into account of the changes in the internal rating system and the external environment;
  - Ongoing reviews models used in the rating process;
  - Documents and reports any changes to the rating process including the reasons for the changes to the Internal Validation team and to the Model Risk Committee for approval.
- F&R Factory Unit, which falls under the responsibility of Finance and whose main responsibility is to ensure the quality of the Risk and Finance data as well as the efficiency of the regulatory reporting production. Particularly, this team:
  - Designs a unique and operational source of F&R data around the common database (RFO Master) and the satellites (calculation engines);
  - Centralises the data quality checks;
  - Centralises the corrections in one single place;
  - Accelerates the needed reconciliations;
  - Manages the evolution of the repository (new product, new regulation);
  - Manages the transition from BLS (current core banking System) to T24 (target core banking system);
  - Integrates subsidiaries' data (BIL Group perimeter);
  - Reporting and contribution to regulatory reporting and internal reporting.

MODEL RISK MANAGEMENT

Internal Validation

The Internal Validation team aims to ensure the robustness and soundness of the internal rating systems by validating all the BIL risk quantification models. The unit is responsible for independently verifying that models proposed for use by model owners are fit for purpose through the whole model lifecycle,

and that the associated model risks are appropriately identified and mitigated. In order to do so, Internal Validation has explicit authority and independence to provide effective challenging to related stakeholders, presenting issues and highlighting deficiencies. The key aspects of models validated by the internal validation unit include model design, data quality, model implementation, and model performance.

Rating Systems Control Unit

The Rating Systems Control unit is responsible for operational quality control and regulations for data and processes related to Basel risk parameters. Particularly, this team:

- Ensures that the data used by the models be accurate, complete, appropriate, and consistent according to defined materiality threshold;
- Ensures models are used according to their respective model scope and the model user procedures;
- Issues and follows recommendation about the model usage;
- Generates summary reports to the Rating Committee on the model usage.

Model Governance Unit

The Model Governance unit is in charge of overseeing compliance with the Bank's Model Risk Management Framework. Particularly, this team:

- Oversees the governance of the CRCU by monitoring if CRCU is performing in compliance with the Model Risk Management policies and procedures as well as any applicable laws or regulations;
- Oversees models used in the rating process;
- Cooperates with other teams or units to ensure a complete set of documentation is maintained by the CRCU, including any changes to the rating process, criteria or individual rating parameters;
- Implements the outsourcing policy regarding certain functions of CRCU as stated in Article 190 (3) of the CRR.

CREDIT RISK MANAGEMENT UNIT

Credit risk analysts are the main users of the IRS and are responsible for ensuring the correct segmentation of counterparties and for the assessment and monitoring of credit risk. Specifically, regarding the Model Risk Management Framework, CRMU is in charge of assessing the ratings of the Bank's counterparties (i.e., PD) as well as their corresponding exposure facility type (i.e., LGD and CCF) and documenting these results in the context of the loan approval process.

As a key member of the Default Committee, GIP is actively involved in default decisions and monitoring.

Moreover, credit analysts bring qualitative input to the model development stage and during backtesting and stress testing exercises.

AUDIT

As part of its audit plan for the Bank, the Internal Audit function reviews whether the Bank's control systems for internal ratings and related parameters are sufficiently robust.

The main objective of the review is to ensure compliance with the legal and regulatory requirements related to the credit risk modelling framework and the effective assessment and management of all risks/weaknesses. Internal Audit may review the CRCU's activities, ensuring that the oversight process is properly managed.

3.6.2.4. Committees

Several committees have been designed to consolidate the credit risk model management framework and to provide adequate follow-up and decisions.

MODEL RISK COMMITTEE

The Model Risk Committee (MRC) manages all subjects related to models and model risks, including but not limited to methodology, back-testing, validation, implementation, model change, model inventory and audit recommendations.

The scope of the Committee is further defined by the definition of models within BIL Group (refer to the Model Risk Management Framework) and, as such, includes all risk quantification models. If necessary, the Committee will also discuss other points such as significant variation in RWA.

The MRC also covers topics related to Pillar I and II models, as well as IFRS9 models.

In particular, the MRC:

- Approves the validation of model performance reports;
- Initiates the new model development (change) or model update (extension) request;
- Approves the new model development (change) or model update (extension) request;
- Approves the new model development (change) or model update (extension) implementation;
- Follows up the implementation of internal audit and regulator recommendations;
- Informs the Risk Policy Sub-Committee (RPsC) on model development.

RISK POLICY SUB-COMMITTEE

The RPsC is responsible for the implementation and maintenance of risk governance within the Bank. The RPsC validates all changed in procedures or risk policies, principles and calculation methods referred to risk.

In relation to model risk, the RPsC:

- Ensures the comprehensiveness and the consistency of the policies and procedures related to model risk concerns. In particular, the RPsC approves the following policies:
  - Model Extension and Change Policy;
  - Back-testing Policy or Model Validation Policy;
  - A-IRB PD Modelling Policy;
  - A-IRB LGD Modelling Policy;
  - CCF Retail Model/ Modelling Policy.
- Gives the final approval on new internal models or material model changes and extensions on existing models before sending the notification to the JST.

DEFAULT COMMITTEE

For BIL and its main subsidiaries and branches, this committee examines each case of default, classifies it (distinguishing between "true default" and "technical default"), assigns counterparties default level D1 or D2 according to general default indicators and parameters specific to each customer segment and may decide on the reclassification as a non- default counterparty.

3.6.2.5. Model management process

The lifecycle of a model can be summarised as follows:

MODEL DEVELOPMENT OR CHANGE

Model Development or Model Change is the starting point of a model's lifecycle:

- Model development occurs after a need for a new model has been identified by either the model user or the MRC;
- Model change occurs when the performance of the existing model is degraded, or other changes have occurred that bring into question the appropriateness of the current model's outputs.

Model Development and Model Change are similar processes and both are performed by the model developer. The model developer, with the help of the model user, establishes the requirements for the model (model specifications) and proceeds to secure appropriate data for model construction.

The construction of a model consists of the construction of a prototype which allows different aspects of the model to be tested. The model developer ensures that the model is constructed to agreed specifications and in compliance with regulations.

Model development guidelines specify details of modelling practices for different types of models.

MODEL VALIDATION

Model validation is a control that reviews all characteristics of the model in order to provide assurance that the model is adequate for its intended use by challenging both quantitative and qualitative aspects of the model. In addition to both qualitative and quantitative characteristics of the model, model validation investigates the environment in which the model was developed and in which it will operate. This includes data that the model is based on, data that it will consume in its operation, regulatory compliance of the model and adequacy of the model output for the intended business purpose. Finally, model validation also ensures that the model has been appropriately documented and that the documentation is up to date. Details of the model validation approach are specified in the Model Validation Policy.

Model validation depth (i.e., the level of detail that is reviewed) may vary depending on whether a new model is being reviewed or just a change in an existing model. Model validation depth may also vary according to the materiality of the change in the model or according to the overall materiality of the model for BIL (model tiering). Degrees of the depth of validation and of model tiering are described in the Model Validation Policy.

The result of a model validation is a recommendation to the MRC to approve or not to approve the model for implementation and use. Next to the recommendation for approval, other recommendations of varying severity can be made to model stakeholders regarding changes to the model that need to be made before use or at a later point in time. Details of validation results and recommendation severity are described in the Model Validation Policy.

At BIL Group, model validation is performed by the Internal Validation department.

MODEL IMPLEMENTATION

Once the model has been validated, it is generally transferred to an appropriate technical team which implements it for use in an operational environment. The implementation is usually done within appropriate systems of the BIL computing infrastructure.

Implementation of the model is supervised by the model developer as it is the testing of the model implementation that ensures the correctness of the implementation. The model developer also ensures proper documentation of the implementation and testing.

Model validation also opines on the correctness of the implementation by reviewing implementation documentation and test results. Model validation may also conduct or request additional tests on the implementation of the model.

Approval of the model implementation for use in production is given by the MRC based on test reports and the reviewed by model validation.

The Model Implementation Policy outlines and describes the control activities applied during the implementation of a new model or a change in an existing one.

MODEL USE AND MONITORING

The model is used to manage risk in business decisions, as an input to other processes within BIL, and to produce internal and external reports.

Next to the use of the model, model monitoring is performed based on a pre-specified frequency. Model monitoring is a pre-determined and validated set of performance tests that are performed to ensure that the model is still adequately performing. For each model, the model monitoring methodology is described in the model documentation at the time of the development of the model and validated during model validation.

A key part of model monitoring is the analysis of outcomes, i.e., back-testing. Back-testing is performed according to a validated approach for each model when there is sufficient and appropriate data. Back-testing can be performed for model components as well as entire models.

PERIODIC VALIDATION

A periodic validation is similar to a regular model validation. It is performed on existing models with a pre-defined frequency, after the model monitoring has been performed. The periodic validation focuses primarily on the current performance of the model by reviewing model monitoring results and performing additional tests as needed.

The result of the periodic validation consists of a recommendation to the MRC to keep the model in production or to change or redevelop the model based on the observed model performance and/or other changes that may have happened.

PERFORMANCE ASSESSMENT

The assessment of model performance is made in the MRC based on periodic validation results and input from other stakeholders. Generally, the MRC can decide to:

a) Keep the existing model in production;

b) Apply changes to the model;

c) Re-develop the model;

d) Take another remedial action.

MODEL INVENTORY

The model inventory is a tool used to track the current status of each model in the model lifecycle as well as to store the history of past and present models' evolution through steps in the model lifecycle. The model inventory also stores relevant documentation from different steps in the model lifecycle.

The inventory also contains additional information about each model, such as its owner, developer, users, classification, purpose, etc.

Details on the operation of the Model Inventory are specified in the Model Inventory Procedure document.

3.6.2.6. Model approval process

In the context of the CRR, the use of internal models for the assessment of the RWA may require preliminary approval by the competent Authority before effective implementation of one of the following cases:

- A new model is developed for a specific portfolio (Methodology and Model Design);
- An existing model is extended to a specific portfolio ("Methodology and Model Design" or "Model Maintenance" stage of the Model Lifecycle);
- Changes are applied to an existing model covering a specific portfolio ("Model Maintenance" stage of the Model Lifecycle).

For the first case, the permission of the competent authority is systematically required.

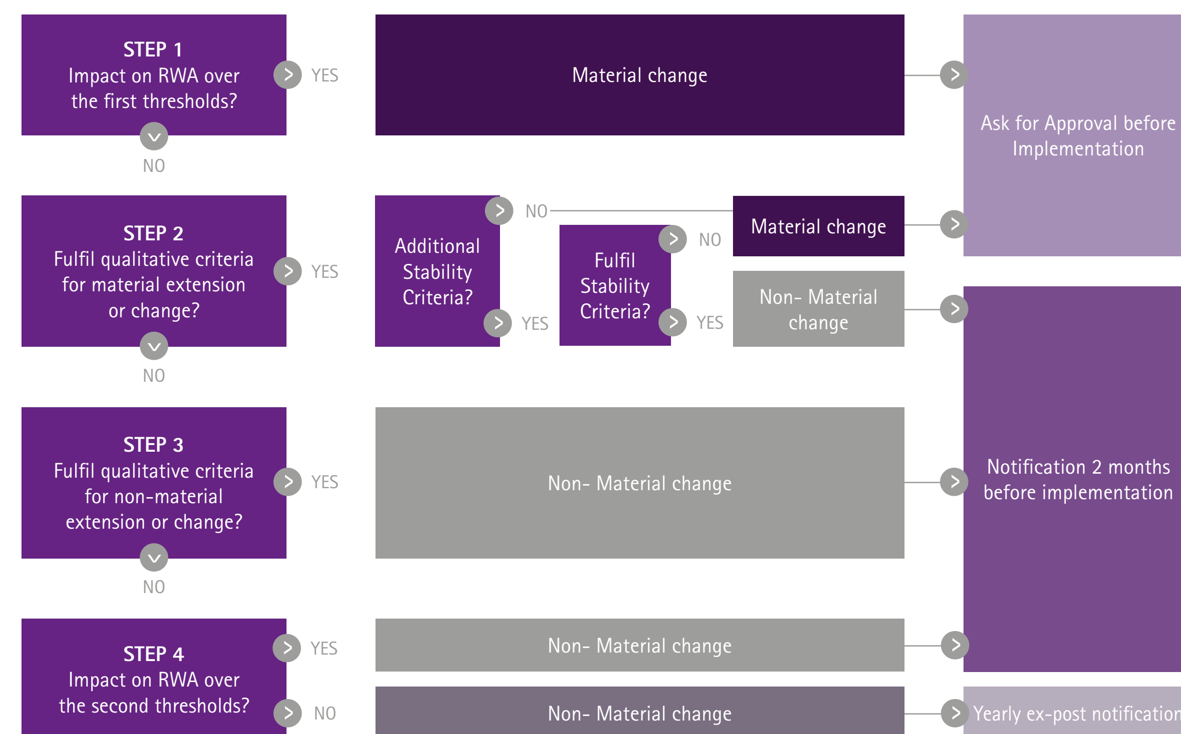
However, in the two other cases, the Bank is required to apply for permission, whenever it intends to implement any material extension and change to its internal approaches for credit risk.

The model changes are sorted into three categories:

- Material changes and extensions need to be approved by the JST before their implementation;
- Non-material changes and extensions, fulfilling a set of qualitative and quantitative criteria, need to be notified to the JST at least two months before their implementation, but do not require an approval;
- Minor changes and extensions can be consolidated and notified to the Authority on an annual or quarterly basis.

The assessment of the materiality of the extensions or changes within the Internal Ratings Based Approach (IRBA) relies on the Commission Delegated Regulation (EU) n°529/2014 and the Final Draft RTS on assessment methodology for IRBA. The assessment is also based on the ECB TRIM Guide which provides additional information on the interpretation and application of the existing legal framework.

The rules defined below represent the classification as a four-step process of both quantitative and qualitative criteria regarding the assessment of the materiality:



The materiality is firstly assessed quantitatively:

- Extensions or changes are considered as material when the overall RWA of BIL group decreases of more than 1.5% or when RWA related to the range of application of a considered IRS decreases of more than 15%;
- Extensions or changes are considered as not material but should be notified before implementation when the RWA related to the range of application of a considered IRS decreases of more than 5% and less than 15%;
- Other impacts on RWA should be notified after implementation.

In addition to those quantitative criteria, qualitative criteria should also be considered to assess the materiality of changes and/or extensions of internal approaches.

In fact, if the first step concludes the RWA impacts are below the thresholds, then the Bank shall make a qualitative assessment of the model change as a second step. The qualitative criteria to be applied depends on the model change type:

- Changes related to the range of application (such as additional business unit, or new type of product);
- Changes related to the methodology of rating systems (such as changes in the default definition or in the rating methodology for IRB systems).

The materiality and the classification of changes and/or extensions are discussed during the MRC which states in which category the change should be classified. According to this, the appropriate communication stream with the regulatory authority is then applied.

3.6.3. Credit risk models performance

Regarding the latest model approvals:

- The Retail CCF model has been reviewed and approved by the regulators with a multiplicative add-on of 1.10 (i.e., +10%), and currently in production since September 2017;
- The Bank LGD model has been reviewed and approved by the regulators with a multiplicative add-on of 1.20 (i.e., +20%), capped at 100%, and currently in production since October 2018;
- The Supervisory Slotting Approach for real estate specialised lending (June 2019);
- No new internal credit risk model approval in 2020;
- No new internal credit risk model approval in 2021;

According to BIL's credit risk model governance, the Credit Data Science Unit conducts an ongoing review process which aims to control that the expected level of performance of the credit risk models is ensured over time. This control is performed on a yearly basis and covers all risk models under the scope of the A-IRB approach by means of back-testing. Its primary purpose is to ensure the adequacy of the Bank's regulatory capital compared to the credit risks it is exposed to. Since capital adequacy relies on internally estimated credit risk factors (i.e., PD, LGD and EAD/CCF), the Bank must provide evidence that its risk assessment is accurate or at least sufficiently conservative.

A second purpose of back-testing is the evaluation of the predictive power of the rating system and its evolution overtime to early detect its reduced performance. Reduced performance of the rating system as decision making tool may expose the Bank

to model risk by impacting the risk assessments of the defined risk buckets and reduce the Bank's profitability. The performance is tracked by analysing the ability to predict default and losses, to discriminate between high and low risks, and by analysing the stability of IRS results.

According to this, the back-testing consists mainly in comparing calibrated and actual levels of risk parameters.

Especially, the calibrated PD is compared to the observed default rates, and the estimated LGD to (1 minus loss recovery rate) for the part of the portfolio for which BIL has experienced default. Therefore, BIL has experienced a limited number of defaults for a part of its portfolio (i.e., Low Default Portfolio, LDP). This regards Banks and Corporates segments. As kind of a reminder, the Sovereign exposures are no more treated under the A-IRB approach, but under the Standardised approach, meaning that no PD/LGD back-testing exercise has been performed in 2021 for this type of exposures. Regarding the Bank exposures, no PD back-testing exercise has been performed in 2021 and in 2022 as this portfolio has been also reverted to the Standardised approach. Finally, the performance assessment of the models related to the LDP relies on external data due to the absence or the insufficient number of experienced losses.

The results of the last back-testing have not highlighted major issues regarding the conservativeness of the calibrated levels of PD. For the LGD parameters, it has to be reminded that the Corporate exposures are no more treated under the A-IRB approach, but under the Foundation approach, meaning that no back-testing has been performed in 2021 for the LGD parameter.

However, given the implementation of the New Default Definition in October 2019, all the credit models will be reviewed. As part of the Credit Data Science agenda, the Retail models (PD, LGD and CCF) and the Mid Corporate LGD model have started to be rebuilt in 2019 and finished in 2020, with the internal validation and audit performed during the first semester of 2021. The Internal Model Investigation (IMI) has started in November 2021 and finished in June 2022, with the draft assessment report received in October 2022. Finally, the new Mid Corporate PD model and new CCF Mid Corporate model have been developed in 2022. The final application package of the new Mid Corporate CCF model has been sent to ECB end of January 2023 and the one of the new Mid Corporate PD models has been sent end of July 2023.

Retail and Small corporate PD models:

The PD of the Retail and Small Corporate rating models has been calibrated with internal experienced defaults. As a consequence, the resulting PD and default rates (i.e., DR) are very close over the considered period, especially for Retail model which relies on a large portfolio and on which the global average observed default rate (2013-2020) is lower than the average regulatory PD. However, the last back-testing performed for the Retail portfolio on the two first available years compliant with the New Default Definition data in production (cohort of November 2019 and November 2020 with defaults measured over the next 12 months, thus up to November 2020 and up to November 2021) presents a lack of conservatism of the current PD values. Indeed, the regulatory PDs are not conservative compared to the observed default rates. Following TRIM mission and the implementation of the New Default Definition, a new PD model on the Retail population has been developed by the CDS team in 2020.

Moreover, the gap between PD and DR for Small corporate is more conservative, as the default rates are lower than the PD values. As a result, the back-testing demonstrates that the calibration of PD is statistically conservative for this portfolio.

Finally, it has to be noted that a recalibration of the PD values for the Small corporate model has been performed in 2021 by taking into account the New Default Definition data. These new PD values have been implemented in production in July 2021.

Corporate and Bank PD model:

Due to the absence or the limited number of experienced defaults, the PD of the Corporate and Bank rating models have been calibrated with external data. Especially, they rely on default data provided by the external rating agency Moody's. The performance of these PD models is assessed both with internal default and external defaults. Internal rating scale is mapped with the rating scales of the rating agency and the calibrated PD are tested with default rates provided by this agency.

It must be reminded that regarding the Bank PD model, no back-testing has been performed in 2021 and in 2022, due to the fact that a homologation file has been sent to ECB in order to revert this portfolio to the standardised approach. This reversion has been approved in January 2022 and it has been implemented as of March 2022 reporting date.

With regards to the Corporate PD model, the default rates are assessed over the 2013-2020 period on the BIL portfolio (cohort definition, with defaults measured over the next 12 months, thus up to end 2021). The results of the related back-test have demonstrated that the PD of these models is conservatively calibrated. It has been observed however some default rates higher than the calibrated PD, especially in 2017, 2018, 2019 and 2020 cohorts for Corporate exposures. In fact, the default rate of corporate is higher than the PD while only one default has been observed in 2017 as well as in 2018, but seven in 2019 (due to the Covid-19 crisis) and only one default in 2020. Despite these default rates higher than expected on some individual cohorts, the statistical tests of the back-testing indicate that each grade on the overall period is sufficiently calibrated, except the grade BB due to default rate higher than the calibrated PD in 2019 and 2020. However, by considering the global portfolio and the overall period, the p-values of tests indicates that the regulatory PD is conservative. The same conclusion is raised by considering only the last cohort (2020), i.e., the regulatory PD is conservative. Finally, it has to be noted that a recalibration of the PD values for the Corporate model has been performed in 2021 by taking into account the New Default Definition data. These new PD values have been implemented in production in July 2021.

Mid Corporate PD model:

With regards to the Mid Corporate PD model, the default rates are assessed over the 2013-2020 period on the BIL portfolio (cohort definition, with defaults measured over the next 12 months, thus up to end 2021). The results of the related back-testing have demonstrated that the PD of these models is conservatively calibrated. It has been observed however some default rates higher than the calibrated PD, especially in 2013, 2014, 2019 and 2020. Despite these default rates higher than expected, the statistical tests of the back-testing have demonstrated that the PD are conservatively calibrated for the considered years and for the considered period.

Finally, it must be noted that a recalibration of the PD values for the Mid Corporate model has been performed in 2021 by considering the New Default Definition data. These new PD values have been implemented in production in July 2021.

The following table shows the average PD and average default rates, as follows:

Cohort Years	Retail		Small Corp		Mid Corp		Corporate	
	PD%	DR%	PD%	DR%	PD%	DR%	PD%	DR%
2013	0.67	0.66	10.43	4.62	4.65	2.28	2.35	0.00
2014	0.65	0.62	8.27	4.36	3.99	1.60	1.99	0.00
2015	0.67	0.68	9.61	4.67	3.96	1.27	2.63	0.00
2016	0.69	0.69	9.97	4.84	3.87	0.89	1.17	0.00
2017	0.66	0.58	8.98	3.22	3.85	0.34	2.01	0.92
2018			8.33	3.29	3.62	0.00	1.33	0.86
2019	1.48	1.56	6.92	3.36	3.74	2.08	0.88	5.69
2020	1.36	1.11	4.96	1.75	3.23	1.13	1.28	0.81
2021	not yet performed		not yet performed		not yet performed		not yet performed	
Average	0.74	0.71	6.06	3.65	3.63	1.18	1.31	1.03
Cohort Period	*2013 - 2020*		*2013 - 2020*		*2013 - 2020*		*2013 - 2020*	

The following table contains the average of the calibrated LGD and the average of the observed LGD for the retail and small & mid corporates by year of default. The data source used corresponds to the new Loss Database developed by the CDS team in 2020 and updated in 2021, which takes into account the new default definition requirements as well as the EBA guidelines on PD and LGD estimation. As a result, the observed LGD is calculated in this new Loss Database for each defaulted facility as a ratio of the economic loss to the outstanding amount of the credit obligation at the moment of default. The loss calculation is performed with the use of the discounted cash flows. The discount rate is the 3-months EURIBOR as at the default date increased by an (5%-points) addon. Finally, the table below reports the closed defaults, i.e., by considering the closed facilities (closed, cured and complete open facilities for which the time in default is greater than the maximum time in default retained).However, it has to be noticed that the back-testing of the LGD Retail and LGD SME models concern the previous models, i.e. the one in production at these dates, not the new ones in production since 2 October 2023.

Cohort Years	Retail		Small & Mid-Corp	
	LGD%	LR%	LGD%	LR%
2013	34.62	9.24	13.44	18.16
2014	35.10	8.30	13.52	10.84
2015	33.69	9.57	13.11	7.67
2016	33.77	7.54	13.30	8.08
2017	34.33	5.42	13.48	1.88
2018	37.40	4.13	14.69	1.79
2019	36.01	4.00	14.02	10.20
2020	35.82	1.47	13.65	13.38
2021	41.64	5.41	14.51	0.25
2022	39.22	5.25	17.33	0.00
Average	35.76	7.23	13.46	9.97
Period	*2008 - 2022*		*2008 - 2022*	

The back-testing results have not highlighted calibration weaknesses particularly for the Retail facilities as well as for the Small and Mid-Corporate facilities, as the observed LGD is globally lower than the calibrated level of LGD.

Real Estate Specialised Lending Exposures under Supervisory Slotting Criteria:

Specialised lending exposures include exposures to property developers (Land Acquisition, Development and Construction - ADC as well as Financial Completion Guarantees) and to professional real estate investors (Income-Producing Real Estate - IPRE).

Risk Category	Remaining Maturity	Risk Weight
Strong (1)	< 2.5 years	50%
	≥ 2.5 years	70%
Good (2)	< 2.5 years	70%
	≥ 2.5 years	90%
Satisfactory (3)	< 2.5 years	115%
	≥ 2.5 years	115%
Weak (4)	< 2.5 years	250%
	≥ 2.5 years	250%
In default (5)	< 2.5 years	0%[7]

7. Cat. 5: Exposures categorised as 'default' do not attract a risk weighting but instead are treated as EL deductions at a rate of 50% of the exposure value

A back-testing has been performed in 2022 based on the reporting dates from December 2019 to December 2021. It is observed that only two defaults occurred on the overall period, meaning that the calibration test has not been performed and is postponed to the next back-testing. Consequently, no calibration issue has been raised. Moreover, the observation of overrides, which is part of the discrimination assessment, is considered as stable with a slight increase in 2021. Finally, the final rating distribution is very stable on the overall population and the stability is considered as satisfactory. As a result, the performance of the Slotting model is considered as satisfactory.

The 2023 back-testing, based on data until December 2022, is not yet finalised.

3.6.4. Back-testing of probability of default (PD) per exposure class

The following tables provide the information on the back-testing of PD and compare, by exposure class and internal grade as at end of December 2023, the PD with the actual default rates. The backtesting data aims at validating the reliability of PD calculations. The results demonstrate that overall, the current PD levels over different exposure classes and internal grades are sufficiently conservative.

TEMPLATE CR9 –IRB APPROACH – BACK-TESTING OF PD PER EXPOSURE CLASS (FIXED PD SCALE)

The tables with the detail per exposure class can be found in Appendix 3.

A-IRB

Exposure class	PD range	Number of obligors at the end of the previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			Of wich number of obligors which defaulted in the year				
a	b	c	d	e	f	g	h
Total	0.00 to <0.15	51,621	136	0.26%	0.00%	0.06%	0.38%
	0.00 to <0.10	33,361	95	0.28%	0.00%	0.00%	0.53%
	0.10 to <0.15	18,260	41	0.22%	0.00%	0.12%	0.22%
	0.15 to <0.25	2,652	12	0.45%	0.00%	0.21%	0.33%
	0.25 to <0.50	20,192	114	0.56%	0.00%	0.31%	0.44%
	0.50 to <0.75	17,925	212	1.18%	0.00%	0.58%	1.15%
	0.75 to <2.50	9,149	140	1.53%	0.00%	1.61%	1.23%
	0.75 to <1.75	2,868	35	1.22%	0.00%	1.07%	0.94%
	1.75 to <2.5	6,281	105	1.67%	0.00%	2.14%	1.52%
	2.50 to <10.00	11,172	375	3.36%	0.00%	4.83%	3.45%
	2.5 to <5	8,907	261	2.93%	0.00%	3.41%	266%
	5 to <10	2,265	114	5.04%	0.00%	6.25%	4.24%
	10.00 to <100.00	3,308	428	12.94%	0.00%	30.03%	13.99%
	10 to <20	2,394	271	11.38%	0.00%	14.41%	9.29%
	20 to <30	785	127	16.28%	0.00%	25.10%	15.72%
	30.00 to <100.00	129	30	23.44%	0.00%	50.58%	16.95%
	100.00 (Default)	3,775	0	0.00%	0.00%	100.00%	0.00%

F-IRB

Exposure class	PD range	Number of obligors at the end of the previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			Of wich number of obligors which defaulted in the year				
a	b	c	d	e	f	g	h
Total	0.00 to <0.15	37	0	0.00%	0.00%	0.09%	0.07%
	0.00 to <0.10	21	0	0.00%	0.00%	0.05%	0.07%
	0.10 to <0.15	16	0	0.00%	0.00%	0.12%	0.00%
	0.15 to <0.25	0	0	0.00%	0.00%	0.21%	0.00%
	0.25 to <0.50	21	0	0.00%	0.00%	0.31%	0.00%
	0.50 to <0.75	0	0	0.00%	0.00%	0.58%	0.00%
	0.75 to <2.50	39	1	2.56%	0.00%	1.61%	1.02%
	0.75 to <1.75	39	1	2.56%	0.00%	1.07%	1.02%
	1.75 to <2.5	0	0	0.00%	0.00%	2.14%	0.00%
	2.50 to <10.00	16	0	0.00%	0.00%	4.83%	0.00%
	2.5 to <5	15	0	0.00%	0.00%	3.41%	0.00%
	5 to <10	1	0	0.00%	0.00%	6.25%	0.00%
	10.00 to <100.00	5	0	0.00%	0.00%	30.03%	0.00%
	10 to <20	5	0	0.00%	0.00%	14.41%	0.00%
	20 to <30	0	0	0.00%	0.00%	25.10%	0.00%
	30.00 to <100.00	0	0	0.00%	0.00%	50.58%	0.00%
	100.00 (Default)	5	0	0.00%	0.00%	100.00%	0.00%

TEMPLATE CR9.1 –IRB APPROACH – BACK-TESTING OF PD PER EXPOSURE CLASS (ONLY FOR PD ESTIMATES ACCORDING TO POINT (F) OF ARTICLE 180(1) CRR)

The tables with the detail per exposure class can be found in Appendix 3.

Exposure class	PD range	External rating equivalent	Number of ob ligors at the end of the previous year		Observed average default rate (%)	Average PD (%)	Average historical annual default rate (%)
				Of wich number of obligors which defaulted in the year			
a	b	c	d	e	f	g	h
Total A-IRB with own estimates of LGD and/or conversion factors	0. 0.00 to <0.005	AAA+	0	0	0.00%	0.00%	0.00%
	1. 0.005 to <0.015	AAA	0	0	0.00%	0.00%	0.00%
	2. 0.015 to <0.025	AA+	0	0	0.00%	0.00%	0.00%
	3. 0.025 to <0.035	AA	0	0	0.00%	0.00%	0.00%
	4. 0.035 to <0.045	AA-	14,248	14	0.10%	0.00%	0.11%
	5. 0.045 to <0.055	A+	0	0	0.00%	0.00%	0.00%
	6. 0.055 to <0.065	A	15,539	19	0.12%	0.00%	0.09%
	7. 0.065 to <0.125	A-	21,834	103	0.47%	0.07%	0.79%
	8. 0.125 to <0.260	BBB+	2,652	12	0.45%	0.18%	0.33%
	9. 0.260 to <0.525	BBB	20,192	114	0.56%	0.34%	0.44%
	10. 0.525 to <0.795	BBB-	17,925	212	1.18%	0.71%	1.14%
	11. 0.795 to <1.015	BB+	0	0	0.00%	0.88%	0.29%
	12. 1.015 to <1.915	BB	2,868	35	1.22%	1.15%	0.97%
	13. 1.915 to <3.315	BB-	8,028	184	2.29%	2.68%	1.81%
	14. 3.315 to <6.510	B+	9,132	288	3.16%	3.95%	2.98%
	15. 6.510 to <11.455	B	1,441	156	10.83%	9.07%	9.38%
	16. 11.455 to <22.355	B-	1,283	124	9.76%	13.84%	8.69%
	17. 22.355 to <99.975	CCC	877	156	17.91%	30.87%	16.02%
	18. 99.975 to <100.050	D	3,775	0	0.00%	100.00%	0.00%

Exposure class	PD range	External rating equivalent	Number of obligors at the end of the previous year	Of wich number of obligors which defaulted in the year	Observed average default rate (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Total F-IRB without own estimates of LGD or conversion factors	0. 0.00 to <0.005	AAA+	0	0	0.00%	0.00%	0.00%
	1. 0.005 to <0.015	AAA	0	0	0.00%	0.00%	0.00%
	2. 0.015 to <0.025	AA+	0	0	0.00%	0.00%	0.00%
	3. 0.025 to <0.035	AA	11	0	0.00%	0.03%	0.40%
	4. 0.035 to <0.045	AA-	0	0	0.00%	0.00%	0.00%
	5. 0.045 to <0.055	A+	10	0	0.00%	0.05%	0.00%
	6. 0.055 to <0.065	A	0	0	0.00%	0.00%	0.00%
	7. 0.065 to <0.125	A-	0	0	0.00%	0.00%	0.00%
	8. 0.125 to <0.260	BBB+	16	0	0.00%	0.18%	0.00%
	9. 0.260 to <0.525	BBB	21	0	0.00%	0.34%	0.00%
	10. 0.525 to <0.795	BBB-	0	0	0.00%	0.00%	0.00%
	11. 0.795 to <1.015	BB+	39	1	2.56%	0.88%	0.66%
	12. 1.015 to <1.915	BB	0	0	0.00%	0.00%	0.71%
	13. 1.915 to <3.315	BB-	0	0	0.00%	0.00%	0.00%
	14. 3.315 to <6.510	B+	15	0	0.00%	3.95%	0.00%
	15. 6.510 to <11.455	B	1	0	0.00%	0.00%	0.00%
	16. 11.455 to <22.355	B-	5	0	0.00%	13.84%	0.00%
	17. 22.355 to <99.975	CCC	0	0	0.00%	0.00%	0.00%
	18. 99.975 to <100.050	D	5	0	0.00%	0.00%	0.00%

3.6.5. Credit risk exposures by exposure class and PD range

In the application of Article 452 (b-g) of the CRR, the following tables provide the main parameters used for the calculation of capital requirements for IRB models and show the exposure classes according to PD grades.

The Corporates-Specialised Lending exposure class is not reported here. For Specialised Lending, Incoming Producing Real Estate (IPRE) and Land Acquisition, Development and Construction (ADC) exposures, even though they are treated under slotting methodology which falls into category of A-IRB Approach, there are no PD or LGD data and supervisory slotting risk weights are applied. As at year-end 2023, Specialised Lending EAD and RWA amounted to EUR 2,612.1 million and EUR 2,010.4 million respectively.

Additionally, Equity-Simple Risk Weight Approach exposure is also treated under A-IRB Approach, while risk weights (190%, 290% and 370%) are applied and PD or LGD data are not available. As at year-end 2023, EAD and RWA amounted to EUR 191.3 million and EUR 535.8 million respectively.

TEMPLATE EU CR6 – IRB APPROACH – CREDIT RISK EXPOSURES BY EXPOSURE CLASS AND PD RANGE

A-IRB	PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	
Corporate – SME	0.00 to <0.15	0.00	0.00	0%	0.00	0.00%	-	0.0%	-	0.00	0.00%	0.00	0.00
	0.00 to <0.10	0.00	0.00	0%	0.00	0.00%	-	0.0%	-	0.00	0.00%	0.00	0.00
	0.10 to <0.15	0.00	0.00	0%	0.00	0.00%	-	0.0%	-	0.00	0.00%	0.00	0.00
	0.15 to <0.25	0.00	0.00	0%	0.00	0.00%	-	0.0%	-	0.00	0.00%	0.00	0.00
	0.25 to <0.50	49.62	19.67	0%	64.40	0.41%	56	19.2%	-	16.88	0.00%	0.05	-0.10
	0.50 to <0.75	21.05	40.21	0%	31.11	0.65%	43	24.0%	-	11.84	0.00%	0.05	-0.02
	0.75 to <2.50	400.99	158.77	0%	482.88	1.96%	490	13.4%	-	120.76	0.00%	1.20	-0.67
	0.75 to <1.75	77.48	52.33	0%	106.86	1.16%	147	18.1%	-	34.53	0.00%	0.22	-0.25
	1.75 to <2.5	323.51	106.43	0%	376.02	2.19%	343	12.1%	-	86.23	0.00%	0.97	-0.42
	2.50 to <10.00	505.15	211.77	0%	609.73	4.66%	482	14.3%	-	199.01	0.00%	3.74	-2.12
	2.5 to <5	305.72	140.46	0%	369.10	3.23%	311	16.4%	-	128.27	0.00%	1.91	-0.89
	5 to <10	199.42	71.31	0%	240.63	6.84%	171	11.1%	-	70.74	0.00%	1.83	-1.23
	10.00 to <100.00	131.77	22.85	0%	141.64	16.18%	171	15.2%	-	79.97	0.00%	4.08	-0.90
	10 to <20	95.42	13.20	0%	100.75	12.39%	73	9.9%	-	33.95	0.00%	1.30	-0.36
	20 to <30	31.57	8.67	0%	35.41	21.18%	78	29.4%	-	41.23	0.00%	2.18	-0.10
	30.00 to <100.00	4.78	0.98	0%	5.49	53.41%	20	20.6%	-	4.78	0.00%	0.60	-0.44
	100.00 (Default)	92.95	5.54	0%	79.31	99.99%	61	39.9%	-	51.74	0.00%	32.30	-29.47
	Subtotal (exposure class)	**1,201.53**	**458.81**		**1,409.07**					**480.20**		**41.42**	**-33.28**

A-IRB	PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	
Corporate – Other	0.00 to <0.15	75.02	2.50	0%	76.90	0.14%	3	24.6%	-	21.94	0.00%	0.03	-0.05
	0.00 to <0.10	0.00	0.00	0%	0.00	0.00%	-	0.0%	-	0.00	0.00%	0.00	0.00
	0.10 to <0.15	75.02	2.50	0%	76.90	0.14%	3	24.6%	-	21.94	0.00%	0.03	-0.05
	0.15 to <0.25	0.00	0.00	0%	0.00	0.00%	-	0.0%	-	0.00	0.00%	0.00	0.00
	0.25 to <0.50	30.24	0.51	0%	30.62	0.31%	3	29.6%	-	13.22	0.00%	0.03	-0.04
	0.50 to <0.75	34.50	43.79	0%	49.72	0.66%	8	23.4%	-	30.25	0.00%	0.08	-0.07
	0.75 to <2.50	170.33	154.16	0%	241.18	1.45%	44	25.8%	-	167.16	0.00%	0.87	-0.73
	0.75 to <1.75	107.61	47.67	0%	127.20	0.93%	18	27.8%	-	93.17	0.00%	0.33	-0.65
	1.75 to <2.5	62.72	106.49	0%	113.99	2.04%	26	23.5%	-	73.99	0.00%	0.54	-0.07
	2.50 to <10.00	55.63	50.78	0%	76.17	3.21%	38	24.5%	-	57.70	0.00%	0.55	-0.36
	2.5 to <5	52.00	40.36	0%	71.81	2.85%	33	25.4%	-	56.03	0.00%	0.52	-0.35
	5 to <10	3.63	10.42	0%	4.36	9.10%	5	9.4%	-	1.67	0.00%	0.03	-0.01
	10.00 to <100.00	2.82	6.16	0%	4.16	12.12%	12	18.9%	-	3.84	0.00%	0.08	-0.02
	10 to <20	2.79	6.04	0%	4.07	11.95%	8	18.8%	-	3.72	0.00%	0.08	-0.02
	20 to <30	0.03	0.11	0%	0.09	20.00%	4	25.6%	-	0.12	0.00%	0.00	-0.00
	30.00 to <100.00	0.00	0.00	0%	0.00	0.00%	-	0.0%	-	0.00	0.00%	0.00	0.00
	100.00 (Default)	10.92	0.51	0%	6.32	100.00%	4	38.7%	-	3.71	0.00%	2.26	-0.72
	Subtotal (exposure class)	**379.47**	**258.40**		**485.06**					**297.82**		**3.90**	**-1.99**

A-IRB	PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	
Retail - Secured by immovable property SME	0.00 to <0.15	0.00	0.00	0%	0.00	0.00%	-	0.0%	-	0.00	0.00%	0.00	0.00
	0.00 to <0.10	0.00	0.00	0%	0.00	0.00%	-	0.0%	-	0.00	0.00%	0.00	0.00
	0.10 to <0.15	0.00	0.00	0%	0.00	0.00%	-	0.0%	-	0.00	0.00%	0.00	0.00
	0.15 to <0.25	0.00	0.00	0%	0.00	0.00%	-	0.0%	-	0.00	0.00%	0.00	0.00
	0.25 to <0.50	2.72	0.04	0%	2.75	0.38%	8	31.6%	-	0.47	0.00%	0.00	-0.00
	0.50 to <0.75	0.00	0.89	0%	0.89	0.61%	5	31.0%	-	0.24	0.00%	0.00	0.00
	0.75 to <2.50	112.72	19.18	0%	129.79	1.85%	321	25.0%	-	54.93	0.00%	0.62	-0.06
	0.75 to <1.75	22.95	5.29	0%	28.18	0.96%	77	20.9%	-	6.82	0.00%	0.06	-0.01
	1.75 to <2.5	89.78	13.89	0%	101.61	2.09%	244	26.1%	-	48.10	0.00%	0.56	-0.05
	2.50 to <10.00	90.94	11.97	0%	101.68	6.46%	244	29.3%	-	91.54	0.00%	1.94	-0.14
	2.5 to <5	37.59	6.32	0%	43.51	4.33%	123	29.4%	-	32.82	0.00%	0.56	-0.06
	5 to <10	53.35	5.65	0%	58.17	8.05%	121	29.1%	-	58.72	0.00%	1.38	-0.07
	10.00 to <100.00	37.10	7.59	0%	44.45	20.28%	81	37.0%	-	79.61	0.00%	3.49	-0.80
	10 to <20	22.08	3.57	0%	25.42	13.44%	51	30.0%	-	33.67	0.00%	1.03	-0.14
	20 to <30	12.63	3.69	0%	16.30	25.67%	22	49.3%	-	42.42	0.00%	2.06	-0.65
	30.00 to <100.00	2.39	0.33	0%	2.72	51.97%	8	28.4%	-	3.51	0.00%	0.39	-0.01
	100.00 (Default)	10.97	0.08	0%	11.03	100.00%	46	6.8%	-	6.93	0.00%	1.25	-1.66
	Subtotal (exposure class)	**254.45**	**39.76**		**290.59**					**233.71**		**7.30**	**-2.66**

A-IRB	PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	
Retail - Secured by immovable property non-SME	0.00 to <0.15	7.56	21.74	0%	29.30	0.12%	67	14.5%	-	1.24	0.00%	0.01	-0.01
	0.00 to <0.10	0.00	0.00	0%	0.00	0.00%	-	0.0%	-	0.00	0.00%	0.00	0.00
	0.10 to <0.15	7.56	21.74	0%	29.30	0.12%	67	14.5%	-	1.24	0.00%	0.01	-0.01
	0.15 to <0.25	1,885.99	64.03	0%	1,950.01	0.23%	4.556	13.2%	-	120.25	0.00%	0.58	-0.86
	0.25 to <0.50	1,966.02	87.67	0%	2,053.69	0.34%	5.762	13.7%	-	176.95	0.00%	0.96	-1.94
	0.50 to <0.75	459.55	17.98	0%	477.52	0.58%	1.544	14.4%	-	62.58	0.00%	0.40	-0.46
	0.75 to <2.50	2,324.71	101.85	0%	2,426.55	1.37%	4.646	16.3%	-	628.53	0.00%	5.65	-3.40
	0.75 to <1.75	1,450.77	62.57	0%	1,513.34	0.94%	3.486	14.8%	-	284.72	0.00%	2.11	-2.29
	1.75 to <2.5	873.94	39.28	0%	913.21	2.09%	1.160	18.8%	-	343.81	0.00%	3.54	-1.11
	2.50 to <10.00	884.49	29.02	0%	913.51	5.38%	1.352	21.1%	-	686.58	0.00%	10.84	-3.49
	2.5 to <5	492.58	22.10	0%	514.68	3.94%	971	18.5%	-	287.60	0.00%	3.78	-1.72
	5 to <10	391.91	6.92	0%	398.84	7.24%	381	24.3%	-	398.98	0.00%	7.06	-1.77
	10.00 to <100.00	322.15	11.59	0%	333.74	19.36%	352	25.3%	-	445.31	0.00%	16.34	-7.38
	10 to <20	209.44	10.69	0%	220.13	13.08%	244	24.6%	-	285.59	0.00%	7.06	-4.74
	20 to <30	88.92	0.25	0%	89.17	25.57%	62	27.6%	-	133.35	0.00%	6.30	-2.03
	30.00 to <100.00	23.79	0.65	0%	24.45	53.23%	46	22.4%	-	26.37	0.00%	2.98	-0.61
	100.00 (Default)	244.50	8.84	0%	253.34	100.00%	365	3.8%	-	158.34	0.00%	71.16	-40.67
	Subtotal (exposure class)	**8,094.96**	**342.72**		**8,437.67**					**2,279.78**		**105.94**	**-58.21**

A-IRB	PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	
Retail - Other SME	0.00 to <0.15	0.00	0.00	0%	0.00	0.00%	-	0.0%	-	0.00	0.00%	0.00	0.00
	0.00 to <0.10	0.00	0.00	0%	0.00	0.00%	-	0.0%	-	0.00	0.00%	0.00	0.00
	0.10 to <0.15	0.00	0.00	0%	0.00	0.00%	-	0.0%	-	0.00	0.00%	0.00	0.00
	0.15 to <0.25	0.00	0.00	0%	0.00	0.00%	-	0.0%	-	0.00	0.00%	0.00	0.00
	0.25 to <0.50	4.30	3.10	0%	6.15	0.38%	52	30.3%	-	0.97	0.00%	0.01	-0.00
	0.50 to <0.75	1.12	4.11	0%	5.09	0.61%	100	26.2%	-	1.10	0.00%	0.01	-0.00
	0.75 to <2.50	68.30	65.81	0%	120.68	1.86%	3,479	27.5%	-	38.32	0.00%	0.63	-0.15
	0.75 to <1.75	12.21	23.19	0%	34.76	0.98%	1,980	25.7%	-	9.34	0.00%	0.09	-0.01
	1.75 to <2.5	56.08	42.61	0%	85.92	2.22%	1,499	28.2%	-	28.98	0.00%	0.55	-0.14
	2.50 to <10.00	64.06	50.90	0%	99.46	5.91%	1,541	29.8%	-	40.51	0.00%	1.77	-0.37
	2.5 to <5	38.07	31.80	0%	60.27	4.36%	957	29.8%	-	23.40	0.00%	0.79	-0.16
	5 to <10	25.99	19.10	0%	39.19	8.31%	584	29.8%	-	17.11	0.00%	0.99	-0.20
	10.00 to <100.00	20.99	6.93	0%	25.79	21.31%	782	29.6%	-	14.97	0.00%	1.63	-0.45
	10 to <20	13.71	4.54	0%	16.32	14.46%	349	30.2%	-	8.75	0.00%	0.72	-0.13
	20 to <30	4.51	1.98	0%	6.45	25.27%	242	27.3%	-	3.95	0.00%	0.45	-0.27
	30.00 to <100.00	2.76	0.41	0%	3.02	49.80%	191	31.1%	-	2.27	0.00%	0.46	-0.06
	100.00 (Default)	15.63	0.50	0%	13.76	100.00%	501	89.6%	-	8.80	0.00%	12.01	-7.29
	Subtotal (exposure class)	**174.39**	**131.36**		**270.94**					**104.66**		**16.07**	**-8.26**

A-IRB	PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	
Retail - Other non - SME	0.00 to <0.15	0.51	11.33	0%	11.84	0.12%	1,678	16.7%	-	0.59	0.00%	0.00	-0.00
	0.00 to <0.10	0.00	0.00	0%	0.00	0.00%	-	0.0%	-	0.00	0.00%	0.00	0.00
	0.10 to <0.15	0.51	11.33	0%	11.84	0.12%	1,678	16.7%	-	0.59	0.00%	0.00	-0.00
	0.15 to <0.25	51.19	118.44	0%	169.49	0.21%	7,884	20.2%	-	15.18	0.00%	0.07	-0.28
	0.25 to <0.50	96.12	159.95	0%	253.97	0.31%	27,403	18.5%	-	27.13	0.00%	0.15	-0.18
	0.50 to <0.75	88.28	109.27	0%	184.55	0.58%	12,971	15.7%	-	23.99	0.00%	0.17	-0.15
	0.75 to <2.50	905.96	538.94	0%	1,421.54	1.78%	26,048	15.1%	-	274.69	0.00%	3.70	-3.05
	0.75 to <1.75	224.72	242.91	0%	446.39	1.03%	22,751	17.2%	-	83.83	0.00%	0.80	-1.28
	1.75 to <2.5	681.24	296.03	0%	975.15	2.13%	3,297	14.2%	-	190.85	0.00%	2.91	-1.77
	2.50 to <10.00	539.12	217.45	0%	734.37	5.57%	13,038	15.6%	-	181.92	0.00%	6.68	-3.54
	2.5 to <5	216.79	117.56	0%	321.73	3.59%	8,016	13.7%	-	66.29	0.00%	1.58	-1.06
	5 to <10	322.33	99.89	0%	412.64	7.11%	5,022	17.1%	-	115.64	0.00%	5.10	-2.49
	10.00 to <100.00	158.23	30.64	0%	182.44	17.43%	7,341	12.4%	-	48.22	0.00%	3.89	-2.11
	10 to <20	130.12	24.87	0%	149.98	13.52%	5,270	10.8%	-	31.33	0.00%	1.51	-0.70
	20 to <30	19.59	1.12	0%	20.72	25.57%	339	18.5%	-	9.90	0.00%	0.98	-0.87
	30.00 to <100.00	8.51	4.64	0%	11.74	52.98%	1,732	22.4%	-	6.99	0.00%	1.40	-0.54
	100.00 (Default)	81.71	7.12	0%	86.82	100.00%	3,029	79.9%	-	54.72	0.00%	68.98	-41.06
	Subtotal (exposure class)	**1,921.13**	**1,193.13**		**3,045.03**					**626.43**		**83.64**	**-50.38**
	Total A-IRB (all exposures classes)	**12,025.92**	**2,424.17**		**13,938.36**					**4,022.59**		**258.26**	**-154.79**

A-IRB	PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	
Corporate - SME	0.00 to <0.15	0.00	1.00	0%	0.00	0.14%	2	45.0%	-	0.00	0.00%	0.00	-0.00
	0.00 to <0.10	0.00	1.00	0%	0.00	0.00%	1	0.0%	-	0.00	0.00%	0.00	0.00
	0.10 to <0.15	0.00	0.00	0%	0.00	0.14%	1	45.0%	-	0.00	0.00%	0.00	-0.00
	0.15 to <0.25	0.00	0.00	0%	0.00	0.00%	-	0.0%	-	0.00	0.00%	0.00	0.00
	0.25 to <0.50	0.00	0.00	0%	0.00	0.00%	-	0.0%	-	0.00	0.00%	0.00	0.00
	0.50 to <0.75	0.00	0.00	0%	0.00	0.00%	-	0.0%	-	0.00	0.00%	0.00	0.00
	0.75 to <2.50	46.35	1.58	0%	47.54	0.86%	3	45.0%	-	43.88	0.00%	0.18	-0.96
	0.75 to <1.75	46.35	1.58	0%	47.54	0.86%	3	45.0%	-	43.88	0.00%	0.18	-0.96
	1.75 to <2.5	0.00	0.00	0%	0.00	0.00%	-	0.0%	-	0.00	0.00%	0.00	0.00
	2.50 to <10.00	0.00	0.00	0%	0.00	0.00%	-	0.0%	-	0.00	0.00%	0.00	0.00
	2.5 to <5	0.00	0.00	0%	0.00	0.00%	-	0.0%	-	0.00	0.00%	0.00	0.00
	5 to <10	0.00	0.00	0%	0.00	0.00%	-	0.0%	-	0.00	0.00%	0.00	0.00
	10.00 to <100.00	0.27	0.00	0%	0.04	13.98%	2	45.0%	-	0.10	0.00%	0.00	-0.00
	10 to <20	0.27	0.00	0%	0.04	13.98%	2	45.0%	-	0.10	0.00%	0.00	-0.00
	20 to <30	0.00	0.00	0%	0.00	0.00%	-	0.0%	-	0.00	0.00%	0.00	0.00
	30.00 to <100.00	0.00	0.00	0%	0.00	0.00%	-	0.0%	-	0.00	0.00%	0.00	0.00
	100.00 (Default)	0.00	0.00	0%	0.00	0.00%	-	0.0%	-	0.00	0.00%	0.00	0.00
	Subtotal (exposure class)	**46.63**	**2.58**		**47.58**					**43.98**		**0.19**	**-0.96**

A-IRB	PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	
Corporate - Other	0.00 to <0.15	439.22	136.05	0%	515.31	0.09%	28	45.0%	-	181.50	0.00%	0.21	-0.21
	0.00 to <0.10	192.21	125.26	0%	263.11	0.04%	14	45.0%	-	58.51	0.00%	0.05	-0.05
	0.10 to <0.15	247.02	10.79	0%	252.20	0.14%	14	45.0%	-	122.99	0.00%	0.16	-0.16
	0.15 to <0.25	0.00	0.00	0%	0.00	0.00%	-	0.0%	-	0.00	0.00%	0.00	0.00
	0.25 to <0.50	48.13	5.89	0%	50.28	0.31%	8	45.0%	-	37.22	0.00%	0.07	-0.08
	0.50 to <0.75	0.00	0.00	0%	0.00	0.00%	-	0.0%	-	0.00	0.00%	0.00	0.00
	0.75 to <2.50	371.88	110.93	0%	425.29	0.85%	32	44.9%	-	495.87	0.00%	1.63	-2.44
	0.75 to <1.75	371.88	110.93	0%	424.67	0.85%	32	44.9%	-	495.34	0.00%	1.63	-2.44
	1.75 to <2.5	0.00	0.00	0%	0.63	0.56%	-	45.0%	-	0.53	0.00%	0.00	0.00
	2.50 to <10.00	166.29	60.58	0%	147.62	4.29%	7	34.5%	-	214.74	0.00%	2.14	-1.45
	2.5 to <5	166.29	60.58	0%	147.38	4.29%	7	34.5%	-	214.52	0.00%	2.14	-1.45
	5 to <10	0.00	0.00	0%	0.24	0.84%	-	45.0%	-	0.22	0.00%	0.00	0.00
	10.00 to <100.00	1.40	19.33	0%	15.90	1.26%	2	45.0%	-	6.99	0.00%	0.09	-0.53
	10 to <20	1.40	19.33	0%	15.90	1.26%	2	45.0%	-	6.99	0.00%	0.09	-0.53
	20 to <30	0.00	0.00	0%	0.00	0.00%	-	0.0%	-	0.00	0.00%	0.00	0.00
	30.00 to <100.00	0.00	0.00	0%	0.00	0.00%	-	0.0%	-	0.00	0.00%	0.00	0.00
	100.00 (Default)	0.00	0.00	0%	0.00	0.00%	-	0.0%	-	0.00	0.00%	0.00	0.00
	Subtotal (exposure class)	**1,026.92**	**332.80**		**1,154.41**					**936.32**		**4.13**	**-4.71**
	Total A-IRB (all exposures classes)	**1,073.55**	**335.38**		**1,201.99**					**980.29**		**4.32**	**-5.67**

The Table EU CR7-A - IRB approach – Disclosure of the extent of the use of CRM techniques can be found in Appendix 3.

3.6.6. Foreseen material model changes

According to the EU Regulation (CRR), EBA Guideline, ECB Process Guidance, BIL has implemented the New Definition of Default (NDD). BIL has worked on the construction of the NDD covering the internal rating systems and performed a gap and impact analysis between the currently implemented and the NDD. The implementation of the NDD in the core banking system was performed in October 2019 following the ECB's approval.

As the result of the adoption of this New Definition of Default, a series of changes are ongoing for the Bank's databases and models as listed below for the main projects:

- The Internal Model Investigation (IMI) started in November 2021 and finished end of June 2022, for the approval of the new Retail models developed in 2019 and 2020 (PD Retail, CCF Retail, LGD Retail for performing and defaulted exposures) and of the new Mid Corporate LGD Model. The ECB final approbation letter was received in August 2023 with a list of finding and obligations. These new models have been implemented since October 2023 with the JST add-on.
- The application package of the new CCF Mid Corporate model was sent to the ECB end of January 2023.
- The application package of the new PD Mid Corporate model was sent to the ECB end of July 2023.
- The Internal Model Investigation (IMI) related to these two models started end of January 2024.

3.6.7. RWA flow statements of credit risk exposures

In the application of Article 438 (h) of the CRR, the following table provides a flow statement explaining variations in the credit RWAs between year-end 2022 and 2023, Standardised (STD), Advanced (A-IRB) and Securitisation (TIT) are all included.

The main variation over the period is mostly explained by the fact that exposures to Institutions are now calculated under the Standardised Approach and not any more under the IRB approach.

TABLE EU CR8 - RWEA FLOW STATEMENTS OF CREDIT RISK EXPOSURES UNDER THE IRB APPROACH

(In EUR million)		Risk weighted exposure amount
		a
1	**Risk weighted exposure amount as at the end of the previous reporting period**	**6,724.77**
2	Asset size (+/-)	-88.94
3	Asset quality (+/-)	-39.15
4	Model updates (+/-)	557.70
5	Methodology and policy (+/-)	336.00
6	Acquisitions and disposals (+/-)	0.00
7	Foreign exchange movements (+/-)	0.00
8	Other (+/-)	58.68
9	**Risk weighted exposure amount as at the end of the reporting period**	**7,549.05**

3.7. Counterparty credit risk

3.7.1. Management of counterparty risk

A counterparty risk attached to derivatives exists in all over-the-counter (OTC) transactions such as interest rate swaps, foreign exchange swaps, inflation or commodity swaps and credit default swaps.

All OTC transactions are monitored within the credit limits that are set for each individual counterparty and are subject to the general delegation rules. Sub-limits may be put in place for each type of product. Credit limits granted to Banking counterparties are first analysed by the credit risk Banks & Countries analysis team and then proposed to the Board Committee for decision. These limits are annually reviewed by the Board Committee.

DERIVATIVES

To reduce counterparty risk, derivatives transactions are traded with counterparties with whom BIL has master agreement (ISDA/CSA). It considers the general rules and procedures set out in the credit risk policies of the Bank. Collateral postings for derivative contracts are regulated by the terms and rules stipulated in the CSA negotiated with the counterparty. The CSA to master agreements provides for rating dependent triggers (called thresholds), where addition collateral has to be pledged if a party's rating is downgraded.

The valuations and the margin calls of the deals under CSA are calculated daily.

In case of derivative contracts cleared by a Central Counterparty (CCP) (in the respect of the EMIR Regulation), the valuation and the margin call are managed by the CCP. MLRM daily checks its own Marked-to-Market (MtM) with those of the CCP. These trades are daily revaluated MtM which leads to margin calls or to margin delivery from or to the counterparty ac- cording to the advantage or disadvantage for the Bank of the deals MtM included in the ISDA/CSA contract. The collaterals are generally in cash.

REPO/REVERSE REPOS

All repo/reverse repo are dealt with counterparties under GMRA. In case of bilateral repo or reverse repo, MLRM manages the margin call (mainly in cash) daily. The valuations are calculated daily.

Tripartite repo/reverse repo are managed by Clearstream, Euroclear and SIX, based on defined baskets that correspond to BIL's risk profile. The margin calls are daily.

SECURITIES LENDING

Securities lending are traded with counterparties with whom BIL has also collateral agreement called Global Master Securities Lending Agreement (GMSLA).

GLOBAL PROCEDURE

Currently, exchanged collateral is cash. Within EMIR regulation, it is forecasted to treat non-cash collateral. This will be considered in the collateral management rules.

As reminder, MLRM's process is designed to ensure that risk incurred by positions taken by the dealing room are identified, measured, monitored, mitigated, supervised, and reported. The approach ensures that risks on the balance sheet of the Bank (both Trading and Banking prudential books) are correctly managed and are in line with BIL's strategy, objectives, requirements, and risk appetite. MLRM daily checks the existence of a contract for each counterparty that concluded a derivative with BIL. Likewise, the collateral management activity is framed by procedures that clearly detail the escalation process in case of dispute with a counterparty.

COLLATERAL IN CASE OF A DOWNGRADE IN THE BANK'S CREDIT RATING

A higher amount of collateral may be provided to the counterparties in case of a downgrade in the Bank's credit rating, either because of rating dependent contractual clauses in CSA and GMRA or because of the increase in CVA of the counterparties toward the Bank.

In the active CSA (VM CSA) negotiated by the Bank, there is no contractual clauses that could potentially lead to additional margin delivery in case of a downgrade, as:

- The vast majority (95%) of the CSA do not include any thresholds (the fraction of exposure not covered by margin call in a given direction);
- The Minimum Transfer Amount (MTA) is not rating dependent.
- Regarding the active GMRA, the impact would be very limited as:
- The thresholds are all equal to 0;
- Only one agreement contains a rating dependant MTA for which the actual level is low (EUR 0.2 million); a downgrade by one notch will lead to a MTA level of EUR 0.1 million.

To assess the additional margin delivery caused by a potential increase in CVA level of the counterparties, a simulated Debit Value Adjustment (DVA) of the Bank has been computed over 2023 (on a quarterly basis), under different downgrade magnitude scenarios. The results are presented below:

in EUR K	DVA impact –downgrade in credit rating		
	-1 notch	-2 notch	-3 notch
Average	-419.2	-711.6	-1,630.3
Maximum	-513.2	-838.6	-1,884.1

According to this assessment, in the event of a downgrade in the Bank's credit rating by one notch, an additional collateral amount of EUR 0.419 million on average would have to be pledged (EUR 0.513 million under the worst-case scenario in 2023).

From a liquidity perspective, these amounts of additional margin delivery are very limited compared to the usual collateral net deposit levels: The net cash collateral deposits (CSA, GMRA and CCP) as at 31 December 2023 amounted to EUR 90 million.

It is worth noting in this context that the Bank's credit ratings have been very stable over the last years.

3.7.2. Analysis of CCR exposures by model approach

In the application of Article 439 (f), (g), (k) and (m) of the CRR, the following table shows the methods used for calculating the regulatory requirements for CCR exposure including the main parameters for each method. Exposures relevant for CVA charges and exposures cleared through a CCP are excluded but are presented separately in the following tables.

As displayed, the Bank uses the mark-to-market methods to measure the exposure value of instruments subject to capital requirements for CCR.

TABLE EU CCR1 – ANALYSIS OF CCR EXPOSURE BY APPROACH

		a	b	c	d	e	f	g	h
	(In EUR million)	Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU-1	EU - Original Exposure Method (for derivatives)	-	-		1.4	-	-	-	-
EU-2	EU - Simplified SA-CCR (for derivatives)	-	-		1.4	-	-	-	-
1	SA-CCR (for derivatives)	17.62	33.66		1.4	142.53	71.78	71.78	35.06
2	IMM (for derivatives and SFTs)			-	-	-	-	-	-
2a	Of which securities financing transactions netting sets			-		-	-	-	-
2b	Of which derivatives and long settlement transactions netting sets			-		-	-	-	-
2c	Of which from contractual cross-product netting sets			-		-	-	-	-
3	Financial collateral simple method (for SFTs)					-	-	-	-
4	Financial collateral comprehensive method (for SFTs)					181.39	-	-	-
5	VaR for SFTs					-	-	-	-
6	**Total**					**323.93**	**71.78**	**71.78**	**35.06**

3.7.3. CVA capital charge

In the application of Awrticle 439 (h) of the CRR, the following table provides the exposure value and risk exposure amount of transactions subject to capital requirements for credit valuation adjustment. The Standardised approach is used to calculate the CVA capital charge.

TABLE EU CCR2 – TRANSACTIONS SUBJECT TO OWN FUNDS REQUIREMENTS FOR CVA RISK

		a	b
	(In EUR million)	Exposure value	RWEA
1	Total transactions subject to the Advanced method	-	-
2	(i) VaR component (including the 3× multiplier)		-
3	(ii) stressed VaR component (including the 3× multiplier)		-
4	Transactions subject to the Standardised method	60.83	11.79
EU4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)		
5	**Total transactions subject to own funds requirements for CVA risk**	**60.83**	**11.79**

3.7.4. Exposures to CCP

The table below presents an overview of exposures and capital requirements to central counterparties arising from transaction with CCP.

TABLE EU CCR8 – EXPOSURES TO CCPS

		a	b
		Exposure value	RWEA
1	**Exposures to QCCPs (total)**		7.96
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	199.00	7.96
3	(i) OTC derivatives	199.00	7.96
4	(ii) Exchange-traded derivatives	-	-
5	(iii) SFTs	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	
8	Non-segregated initial margin	-	-
9	Prefunded default fund contributions	-	-
10	Unfunded default fund contributions	-	-
11	**Exposures to non-QCCPs (total)**		-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	(i) OTC derivatives	-	-
14	(ii) Exchange-traded derivatives	-	-
15	(iii) SFTs	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	
18	Non-segregated initial margin	-	-
19	Prefunded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

3.7.5. Standardised approach - CCR exposures by exposure class and risk weight

TIn the application of Article 444 (e) of the CRR, the following table provides the counterparty credit risk exposures under the Standardised approach broken down by risk weights and regulatory exposure classes. "Unrated" includes all exposures for which a credit assessment by a nominated ECAI is not available and they therefore receive the standard risk weight according to their exposure classes as described in the CRR.

TABLE EU CCR3 - STANDARDISED APPROACH – CCR EXPOSURES BY REGULATORY EXPOSURE CLASS AND RISK WEIGHTS

		a	b	c	d	e	f	g	h	i	j	k	l
		Risk weight											
	Exposure classes	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total exposure value
1	Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	-	199.00	-	71.23	63.00	-	-	0.16	-	-	333.39
7	Corporates	-	-	-	-	-	-	-	-	10.63	-	-	10.63
8	Retail	-	-	-	-	-	-	-	0.16	-	-	-	0.16
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	129.87	14.28	-	-	2.40	-	-	146.55
10	Other items	-	-	-	-	-	-	-	-	1.36	0.15	-	1.51
11	**Total exposure value**	**-**	**-**	**199.00**	**-**	**201.10**	**77.27**	**-**	**0.16**	**14.56**	**0.15**	**-**	**492.24**

3.7.6. IRB approach – CCR exposures by exposure class and risk weight

In the application of Article 452 (g) of the CRR, the following table provides the counterparty credit risk exposures under the IRB approach broken down by exposure classes and PD scale. To note that BIL has no CCR exposure towards Central Government, Central Banks or institutions under IRB approach.

TABLE EU CCR4 - IRB APPROACH – CCR EXPOSURES BY EXPOSURE CLASS AND PD SCALE

		a	b	c	d	e	f	g
	PD scale	Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	RWEA	Density of risk weighted exposure amount
Exposure class 'Corporates (F-IRB)'	0.00 to <0.15	0.22	0.03%	3	45%	3	0.04	19.92%
	0.15 to <0.25	-	0.00%	-	0%	-	-	0.00%
	0.25 to <0.50	2.16	0.31%	1	45%	3	1.60	74.02%
	0.50 to <0.75	-	0.00%	-	0%	-	-	0.00%
	0.75 to <2.50	-	0.00%	-	0%	-	-	0.00%
	2.50 to <10.00	-	0.00%	-	0%	-	-	0.00%
	10.00 to <100.00	0.09	13.98%	1	45%	3	0.27	291.23%
	100.00 (Default)	-	0.00%	-	0%	-	-	0.00%
SUB-TOTAL EXPOSURE CLASS 'CORPORATES (F-IRB)'		**2.47**	**0.80%**	**5**	**45%**	**3**	**1.92**	**77.44%**

		a	b	c	d	e	f	g
	PD scale	Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	RWEA	Density of risk weighted exposure amount
Exposure class 'Corporates (A-IRB)'	0.00 to <0.15	-	0.00%	-	0%	-	-	0.00%
	0.15 to <0.25	-	0.00%	-	0%	-	-	0.00%
	0.25 to <0.50	-	0.00%	-	0%	-	-	0.00%
	0.50 to <0.75	0.04	0.66%	1	24%	1	0.02	35.94%
	0.75 to <2.50	0.45	1.30%	1	24%	1	0.22	48.88%
	2.50 to <10.00	0.83	4.74%	2	24%	1	0.48	57.45%
	10.00 to <100.00	0.07	14.06%	1	24%	1	0.06	82.78%
	100.00 (Default)	-	0.00%	-	0%	-	-	0.00%
SUB-TOTAL EXPOSURE CLASS 'CORPORATES (F-IRB)'		**1.40**	**6.68%**	**5**	**48%**	**2**	**0.77**	**107.13%**

		a	b	c	d	e	f	g
	PD scale	Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	RWEA	Density of risk weighted exposure amount
Exposure class 'Retail (A-IRB)'	0.00 to <0.15	-	0.00%	-	0%	-	-	0.00%
	0.15 to <0.25	0.02	0.20%	3	26%	-	0.00	11.14%
	0.25 to <0.50	0.10	0.30%	7	26%	-	0.01	14.79%
	0.50 to <0.75	0.07	0.57%	3	26%	-	0.02	21.71%
	0.75 to <2.50	1.44	2.91%	79	53%	-	0.50	63.15%
	2.50 to <10.00	1.35	13.82%	9	53%	-	0.58	86.01%
	10.00 to <100.00	0.04	14.88%	2	26%	-	0.02	54.84%
	100.00 (Default)	0.02	100.00%	1	100%	-	0.01	62.50%
SUB-TOTAL EXPOSURE CLASS 'RETAIL (A-IRB)'		**3.04**	**11.04%**	**104**	**53%**	**-**	**1.15**	**78.94%**
TOTAL (ALL CCR RELEVANT EXPOSURE CLASSES)		**6.91**	**5.18%**	**114**	**71%**	**4**	**3.83**	**120.72%**

3.7.7. Impact of netting and collateral held on exposure value for derivatives and SFTs

In the application of Article 439 (e) of the CRR, the following table discloses a breakdown of all types of collateral posted or received to support or reduce CCR exposures related to derivatives and SFT. To note that BIL does not use credit derivatives for the management of its counterparty risk.

The following tables present information on counterparty credit risk exposure and the impact of netting and collateral held as well as the composition of collateral used in both derivatives transactions and Securities Financing Transactions (SFT).

The first table below provides the gross positive fair values before any credit risk mitigation, the impact of legally enforceable master netting agreements as well as further reduction of the CCR exposure due to eligible collateral received.

TABLE EU CCR5 - COMPOSITION OF COLLATERAL FOR CCR EXPOSURES

		a	b	c	d	e	f	g	h
		Collateral used in derivative transactions				Collateral used in SFTs			
	Collateral type	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
		Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1	Cash – domestic currency	-	333.32	-	160.69	-	0.98	-	-
2	Cash – other currencies	-	15.53	-	-	-	-	-	-
3	Domestic sovereign debt	-	-	-	-	-	-	-	-
4	Other sovereign debt	-	-	-	-	-	-	-	-
5	Government agency debt	-	-	-	-	-	180.31	-	-
6	Corporate bonds	-	-	-	-	-	-	-	-
7	Equity securities	-	-	-	-	-	-	-	-
8	Other collateral	-	-	-	-	-	7,407.65	-	-
9	**TOTAL**	**–**	**348.86**	**–**	**160.69**	**–**	**7,588.95**	**–**	**–**

3.7.8. Management of the Wrong-Way Risk

Wrong-way risk occurs when an exposure to a counterparty is adversely correlated with the credit quality of that counterparty. At the Bank level, the derivatives transactions are mainly concluded to cover the rate risk (interest rate risk hedging to the fixed rate bonds portfolio) and structured products issued by the Bank. The derivative exposures are collateralised by cash and margin call are performed daily.

3.7.9. Credit derivatives

BIL does not use credit derivatives for the management of its counterparty risk.

3.8. Exposure in equities not included in the trading book

This section provides accounting policies and valuation methods applied to equity instruments. In addition, information is provided on the amounts of these equity instruments that are not included in the trading book.

3.8.1. Fair value of financial instruments

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Quoted market prices on an active market for identical instruments are to be used as fair value, as they are the best evidence of the fair value of a financial instrument.

If a financial instrument is not traded on an active market, recourse is provided by valuation models. The objective of a valuation model is to determine the value that is most representative of fair value under current market conditions.

The valuation model should consider all factors that market participants would consider when pricing the financial instrument. Measuring the fair value of a financial instrument requires consideration of current market conditions. To the extent that observable inputs are available, they should be incorporated into the model.

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ARE CATEGORISED INTO ONE OF THE THREE FAIR VALUE HIERARCHY LEVELS

The following definitions used by the Bank for the hierarchy levels are in line with IFRS 13 rules:

- Level 1: Quoted prices (unadjusted) on active markets for identical assets and liabilities;
- Level 2: Valuation techniques based on inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly;
- Level 3: Valuation techniques for which significant inputs are not based on observable market data.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE FOR WHICH RELIABLE QUOTED MARKET PRICES ARE AVAILABLE

If the market is active, market prices are the most reliable evidence of fair value and therefore shall be used for valuation purposes. The use of market prices quoted on an active market for identical instruments with no adjustments qualifies for inclusion in Level 1 within the IFRS 13 fair value hierarchy, contrary to the use of quoted prices on inactive markets or the use of quoted spreads.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE FOR WHICH NO RELIABLE QUOTED MARKET PRICES ARE AVAILABLE AND FOR WHICH VALUATIONS ARE OBTAINED BY MEANS OF VALUATION TECHNIQUES

Financial instruments for which no quoted market prices are available on an active market are valued by means of valuation techniques. The models used by the Bank range from standard market models (discount models) to in-house developed valuation models. In order for a fair value to qualify for Level 2 inclusion, observable market data should mainly be used. The market information incorporated in the Bank's valuation models is either directly observable data (prices) or indirectly observable data (spreads), and or own assumptions about unobservable market data. Fair value measurements that rely significantly on own assumptions qualify for Level 3 disclosure.

3.8.2. Equity exposures by type of asset and calculation process

The following table shows the amount of exposure to equities included in the banking book broken down by accounting class and level at year-end 2023.

It provides an analysis of the fair value of financial instruments measured at fair value after their initial recognition, grouped in three levels from 1 to 3, according to the degree of observability of the fair value.

(in EUR)	31/12/23			
	Level 1	Level 2	Level 3	Total
Financial assets at FV through OCI - equities	0	0	306,122,526	306,122,526
Financial assets mandatorily at FV through PL - equities	0	27,217,387	3,565,456	30,782,843
TOTAL	**0**	**27,217,387**	**309,687,983**	**336,905,369**

3.8.3. Equity portfolio

As at 31 December 2023, the Bank had an equity portfolio in the non-trading book at fair-value (FV) through other comprehensive income of EUR 306 million.

Financial assets at FV through OCI – equities (in EUR)	31/12/23		
	Acquisition cost	Fair Value Adjustment	Carrying Amount
Operational Participations	43,724,040	4,063,333	47,787,373
Other	11,439,840	(7,390,609)	4,049,231
Private Equities	0	0	0
Strategic Participations	8,059,638	246,226,284	254,285,923
TOTAL	**63,223,519**	**242,899,008**	**306,122,526**

Financial assets at FV through OCI - equities (in EUR)	31/12/23		
	Carrying Amount	of which at cost	of which fair valued
Operational Participations	47,787,373	0	47,787,373
Other	4,049,231	0	4,049,231
Private Equities	0	0	0
Strategic Participations	254,285,923	0	254,285,923
TOTAL	**306,122,526**	**0**	**306,122,526**

As at 31 December 2023, the Bank also had an equity portfolio in the non-trading book at fair-value (FV) through P&L of EUR 31 million.

Financial assets mandatorily at FV through PL – equities (in EUR)	31/12/23		
	Acquisition cost	Fair Value Adjustment	Carrying
Investment Funds	28,060,140	2,722,703	30,782,843
Private Equities	0	0	0
TOTAL	**28,060,140**	**2,772,703**	**30,782,843**

Financial assets mandatorily at FV through PL – equities (In EUR)	31/12/23		
	Carrying Amount	of which at cost	of which fair valued
Investment Funds	30,782,843	0	30,782,843
Private Equities	0	0	0
TOTAL	**30,782,843**	**0**	**30,782,843**

3.8.4. Gains or losses on equity

3.8.4.1. Realised gains or losses arising from sales and liquidations

The following table shows the cumulative realised gains or losses arising from sales or liquidations, impairments allowances and write-backs in 2022 and 2023.

(in EUR)	2022	2023
Financial assets at FV through OCI - equities	(40,542)	(235,737)
Financial assets mandatorily at FV through PL - equities	(260,692)	488,313
TOTAL	**(301,235)**	**252,576**

3.8.4.2. Unrealised gains or losses included in own funds

The total unrealised gains or losses related to equity instruments amounted to EUR 11 million as at 31 December 2023.

(in EUR)	2022	2023
Financial assets at FV through OCI - equities	52,081,169	8,108,938
Financial assets mandatorily at FV through PL - equities	(5,819,726)	2,528,075
TOTAL	**46,261,443**	**10,637,013**

3.9. Securitisation exposures

3.9.1. Introduction: Theoretical considerations on securitisation

The following disclosures refer to traditional securitisations held in the banking book and regulatory capital on these exposures calculated according to the Basel III standardised approaches to securitisation exposures.

BIL's role in the securitisation process is that of Investor where, as at year-end 2023, the Bank held EUR 188.87 million in asset-backed securities (ABS) in its investment portfolio.

A traditional securitisation is a financial transaction or mechanism that takes the credit risk associated with an exposure or pool of exposures and divides it up into transferable tranches with the following characteristics:

a) Payments in the transaction or mechanism are dependent on the performance of the securitised exposure or pool of exposures;

b) The subordination of tranches determines the distribution of losses during the life of the transaction or mechanism. A distinction is made between the Equity tranche (first-loss tranche), which is the riskier tranche, the Mezzanine tranche and the senior tranche. The senior tranche will be defined as BIL solely bought ABS with such a tranching.

The senior tranche can be defined as any tranche that is neither a first-loss nor a mezzanine tranche. Within the senior tranches, the super senior tranche is the top tranche in the priority of payments, without taking into account for these purposes any amounts owed under interest rate or currency derivatives, brokerage charges or similar payments.

3.9.2. Management of the bank's securitisation activity

The only activity in securitisation is done through investments in the banking book of the Bank. The Bank has no role of originator or sponsor of securitised deal.

To invest in securitised assets, the Bank complies with strict investment guidelines that are approved by the BoD. These guidelines stipulate that:

- Exposures on securitised assets must not exceed 10% of total size of portfolio;
- The Weighted Average Life (WAL) of each exposure must not exceed 5-year at the time of the trade;
- The evolution of the WAL must be followed on a monthly basis. If the WAL exceeds 5-year during the life of the issue, a specific investment committee is organised to make a decision on the future of the exposure;
- For any securitised asset in the portfolio, the portfolio manager will review the trustee reports once it is published and communicate it to the Credit Risk department;
- In the case the portfolio manager is uncomfortable with the published figures due to a weak performance of the pool, he will present the situation to the Investment Committee, which decides whether the exposure has to be sold or to be monitored further.

3.9.3. Securitisation accounting policies

Currently, the Bank does not own any securitisation for which it is an originator/initiator.

Indeed, the Bank owns securitisations (ABS, MBS etc.) that it has acquired and not originated. These types of securitisation are classified in the portfolio of the Bank as Fair-Value-Through-OCI (FVTOCI) securities.

The Bank recognises FVTOCI securities initially at fair value plus transaction costs.

Interest is recognised based on the effective interest-rate method and recorded under «Net interest income». The Bank subsequently measures FVTOCI financial assets at fair value.

Unrealised gains and losses arising from changes in the fair value of financial assets classified as FVTOCI are recognised within equity, under the heading «Gains and losses not recognised in the consolidated statement of income». When securities are disposed of, or impaired, BIL recycles the related accumulated fair value adjustments in the consolidated statement of income as «Net income on investments».

BIL assesses on a forward-looking basis the associated ECL. Impairment losses and releases are recorded as an adjustment of the financial asset's gross carrying value.

BIL recognises changes in ECL in the consolidated statement of income by recycling the OCI reserve and reports them as "Impairment on financial instruments and provisions for credit commitments".

Additional quantitative data are disclosed in Appendix 3 (template EU SEC1 and EU SEC4).

04. Market Risk

Market Risk

Market risk is the risk of losses resulting from adverse movements of market risk parameters (notably interest rate risk, spread risk, equity price risk, foreign exchange risk and liquidity risk):

- interest rate risk is the risk that an investment's value will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve, or in any other interest rate relationships;
- Spread risk is the risk of a reduction in market value of an instrument due to changes in the credit quality of the debtor / counterparty;
- Equity price risk represents the risk arising from the reduction in value of the Bank's equity positions;
- Foreign exchange (FOREX) risk represents the potential decrease in value due to currency exchange rate movements;
- Liquidity risk measures the Bank's ability to meet its current and future liquidity requirements, both expected and unexpected, whether the situation deteriorates.

4.1. Market risk governance

4.1.1. Organisation

Please refer to section "1.2.1 Organisation" of this report.

4.1.2. Policy and committees

To manage market and ALM risks in an efficient manner, BIL Group has defined a framework based on:

- An exhaustive risk measurement approach, which is an important part of BIL's risk profile monitoring and control process;
- A sound set of policies, procedures and limits governing risk-taking;
- As a core principle, the system of limits must be consistent with the overall risk measurement (including risk appetite) and management process, and it must be proportionate to the capital position. These limits are set for the largest panel of risks as possible;
- An efficient risk management structure for identifying, measuring, monitoring, controlling, and reporting risks: BIL's development of a general risk management framework is suited to the type of challenges it faces. This approach offers an assurance that market risks have been managed in accordance with BIL's objectives and strategy, within its overall risk appetite.

The MLRM department oversees market risk under the supervision of the Executive Committee and specialised risk committees. Based on its global risk management approach, MLRM is responsible for identifying, analysing, monitoring, and reporting risks and results (including the valuation of assets) associated with financial market activities at BIL and BIL Group level. The MLRM team oversees the charters, policies and guidelines definition and their application on financial market activities (Banking, Trading and Liquidity). Moreover, MLRM is the functional responsible of the main tools (Kondor+, Bloomberg), interfaces of the Dealing Room and the MLRM Datamart (FRMD).

The ALM Committee (ALCO) decides on the structural balance sheet positioning regarding the interest rates, foreign exchange and liquidity. It defines and revises market risk limits. Additionally, MLRM, in its day-to-day activity, is supported by two additional committees: Monthly Operational Committee (MOC) and New Products Committee (NPC). MLRM is a permanent member of the ALCO and the MOC.

The unit takes part in some projects involving the Dealing Room which require financial expertise and a global knowledge of the Bank on specific matters such as IFRS, Basel III, EMIR, MIFID, etc. due-diligence and ECB/EBA stress tests exercises.

Finally, MLRM is fully involved and takes an active part in the BIL transformation plan at several level, especially with the migration of a new BMR-compliant Kondor+ planned in 2024.

4.1.3. Market risk reporting

Each desk of trading is covered by a set of appropriate reports. Financial instruments in a trading book are purchased or sold to facilitate trading for the Bank's customers, to profit from trading spreads between the bid and the ask prices, or to hedge against various types of risks. Financial instruments in the banking book are held for medium- and long-term period or until maturity.

The Financial Markets department is organised by activity and desk:

- Banking book: Treasury, Investment Portfolio, ALM and Long Term Funding;
- Trading book: Markets and Execution (Flow Management).

Each desk has specific access to the front-office system. Each book in the tool has a specific setting: banking or trading, but not both. All the settings of the front-office system are under the responsibility of MLRM. Trading dealers and Banking dealers have segregated access limited to their activities' books and products. The creation of a new book is submitted to an ad-hoc committee.

BIL's MLRM department and BIL's entities have the responsibility of implementing the Global Market and Trading Policy.

4.1.3.1. Trading Scope – FOREX

The different products are summarised in the table below (with n/a meaning non-authorised transaction):

FOREX AND PRECIOUS METALS ACTIVITY – AUTHORISED POSITIONS	BIL Luxembourg	BIL Switzerland
FX Spot	Yes - O/N open position	Yes - O/N open position
FX Forward	Yes - O/N open position	Yes - O/N closed position
FX Swap	Yes - O/N open position	Yes - O/N closed position
FX Option (plain vanilla)	Yes - O/N open position	Yes - O/N closed position
Non-deliverable forward	Yes - O/N open position	Yes - O/N closed position
Non-deliverable options	Yes - O/N closed position	Not authorised
Spot transactions on precious metals: gold, silver, platinum	Yes - O/N closed position	Not authorised

The underlying scheme includes a global view on the composition and structure of the market risk management framework. This framework has been conceived in such a way as to be commensurate with the type of risks inherent to the different business poles of the Trading prudential activity.

TARGET MLRM FRAMEWORK	FX Spot Forward NDF	FX Option
VaR (IR & FX)	x	x
P&L – triggers	x	x
Stop Loss	x	x
Nominal limits	x	n.a
Greeks	n.a	x
Authorised maturity	x	x
Authorised currency	x	x

Triggers are calculated comparing the highest year-to-date (YTD) P&L and the current YTD P&L:

- Trigger 1: 25% of VaR, corresponding to 50% of the Trigger 3;
- Trigger 2: 37.5% of VaR, corresponding to 75% of the Trigger 3;
- •rigger 3: 50% of VaR.

The "stop loss" level is reached when the annual loss on the P&L reaches 65% of the VaR limit.

The activity of FOREX trading desk was already scaled down in 2022. The FOREX position of BIL Luxembourg is managed in real time in Kondor+ (from Finastra).

MLRM produces daily a report whose objective is to:

- Measure the FOREX risk and P&L;
- Analyse and explains FOREX risks and P&L evolution;
- Monitor exposures versus limits;
- Produce reports with a view on VaR, sensitivity, P&L and Mark-to-Market, for each FOREX instrument.

4.1.3.2. Flow Management (Fixed income)

The Fixed Income trading activity was discontinued in 2023.

4.1.3.3. Execution

The product framework of the Execution activity is detailed in the table below:

BROKERAGE FUNDS & EQUITIES		
	BIL LU	BIL CH
	Position (YES) – Back-to-Back (BtB	
Fund	BtB	BtB with LUX
ETF + Warrant		
Mini Futures		
Option (plain vanilla)		
Futures		
Equity		

The Execution team, in cooperation with IT and Back-Office Securities departments, processes BIL client orders to different brokers, stock exchanges, transfer agents and funds promoters.

It should be noted that neither BIL Luxembourg nor BIL Suisse are allowed to take positions in equities (i.e., no trading).

4.1.3.4. Distribution & Structuring

During the primary period, the structured products present a risk of lack of client interest for the issue.

MLRM produces on a daily basis a report which document the level of the positions during the primary period. For a new issue, the position must be sold entirely. If it is not the case, the position will be either transferred to the secondary book or be unwound.

4.1.4. Risk measurement

Depending on the activities and the classifications of the books, the following methods are used for the financial risks:

- Mainly for the trading books and Treasury, BIL has implemented a historical Value-at-Risk (VaR). VaR is the estimation of the maximum loss which may be incurred on a portfolio in a certain number of days at a certain confidence level. The VaR is a metric embedded in BIL's Risk Appetite Statement.
- The VaR is supplemented by a back-testing which gauges the accuracy of the VaR's model by comparing the predicted losses from calculated VaR with the actual losses realised at the end of the specified time horizon;
- Both for Banking and Trading books, BIL has implemented a stress testing framework. Stress testing (also including extreme scenario) allows the simulation of exceptionally unfavourable market conditions such as crisis or stock market crashes for example. The study makes it possible to determine potential losses in extreme conditions that VaR or sensitivities cannot capture;
- The sensitivities measure the movement of an instrument or portfolio resulting from a variation in a risk factor (1% or 1 bp). This is used for interest rate risk and spread risk. For the spread risk, the variation of the risk factor is 1 bp. The method is applied on both trading and banking books; the IRRBB/CSRBB Economic Value (EVE) and Net Interest Income (NII) are part of the Bank's Risk Appetite Statement;
- The nominal measure is a simple method of limiting exposure to market risk. In general, it represents a maximum position of assets in currency;
- The Greeks measures are used mainly for FOREX and structured products positions;
- •In order to limit the market risk of an activity, maturity is a complementary measure to certain others;
- The holding periods are implemented for some trading books activities. Even if the CRR does not impose a specific detention period for trading activities, Article 103(a) nevertheless indicates that "the institution shall have, for position / instrument or a portfolio, a trading strategy clearly documented and validated by the Board, which indicate the estimated holding period";
- Specific Key Performance Indicators (KPIs) covering fraud risk allow the detection of inappropriate prices, time dealing or movement at the dealing room level.

4.1.5. Governance of limits

ALLOCATED LIMITS[8]

All limits are first discussed and approved by the ALCO, and escalated for approval to the ExCo, BRC and BoD, according to the following table of approval competences (applicable for both KRI and P&L thresholds). Above those thresholds, a new limit request process is needed.

8. This responds to the Article 435(1)(b) of the qualitative "Table EU MRA – Qualitative disclosure requirements related to market risk".

Limit framework		Scope of application			
		BIL Group	BIL/Entity	Business Line[9]	DESK[10]
Business	Definition	BoD HO		MB HO	ALCO HO
	Temporary Increase[11]			MB HO or ALCO HO[11]	ALCO HO
RAF / Recovery Plan	Definition	BoD HO			
	Temporary Increase[12] (not possible for regulatory limits)				

The principle of allocated limits is the same for Risk Appetite Framework (RAF) / Recovery Plan and business limits. Limits and triggers defined must be in line with the following elements:

- A strong business case;
- The risk appetite;
- The regulatory texts.

Limits and triggers are defined by Risk Management and documented in the IRRBB, Trading and Liquidity Risk policies.

OVERDRAFT LIMITS

Temporary overdraft is allowed for up to 3 months with an impact of less than 25% for business line and desk limits.

In the event of an overdraft, an exceeding report must be drawn up jointly by the entity's Risk and Front Office. The Risk Department describes the overdraft and sets out the exposure to risk and the effects on revaluations. The Front Office proposes a solution. That report is filed by the Risk Department and forms part of the escalation process.

Any overdraft of the limits is notified on the same day in reports for the Front Office and for the Management Board.

P&L AND OCI TRIGGERS

P&L or OCI triggers are defined as the alerts identifying deterioration in the value of an activity. Any substantial loss recorded at entity or Financial Markets level is therefore automatically preceded by activation of a trigger at a lower threshold which should allow, if necessary, a set of remedial actions.

Depending on the risk measurement and limits defined for the activity, triggers are expressed as a percentage of the VaR limits, the upper sensitivity/scenario limits, or the budgets.

There are several levels of triggers, depending on the levels of losses. Those levels may be defined in terms of either a business line or a desk.

The standard trigger thresholds are:

- Trigger 1: 50%;
- Trigger 2: 75%;
- Trigger 3: 100% of the limit indicator but may be adapted depending on the characteristics of the business line or the specific desk to best reflect the financial risk for that line or desk.

These types of triggers are only applied to the Trading books. A stop loss is an exceptional trigger, applied to the yearly result, for which the MB decides whether the activity is to be stopped or continued. There are a number of exceptions to a stoppage of activity as the result of a stop loss being triggered (e.g., exceptional market conditions). The MB takes these conditions into account when making its decision.

The stop loss level is reached when the annual loss on the P&L reaches 3 times the VaR limit. It applies only to trading.

9. Banking Book Management (composed of ALM, Treasury, Investment Portfolio and Derivatives and Long-Term Funding) and Markets & Execution.

10. ALM, Treasury, Investment Portfolio, Derivatives, Foreign Exchange (FOREX), BIL Structured Products (BSP) secondary market and Warrants.

11. If entity or business line limit < 10% BIL Group or BIL entity or business line, the head-office ALCO is the approving instance for that limit; else, the agreement of head-office management is required.

12. Temporary increases in limits cannot exceed a period of 3 months and must respect the following conditions: an impact of less than 10% for BIL Group limits and less than 25% for business line and desk limits.

13. The Other Comprehensive Income reserve (OCI Reserve) comes from financial investment that are booked in Held to Collect & Sales, meaning neither held for trading, nor held to maturity. Gains or losses from revaluation of the asset are put through a reserve in shareholder's equity except to the extent that any losses are assessed as being permanent, and the asset is therefore impaired, or if the asset is sold or otherwise disposed of. If the asset is impaired, sold or otherwise disposed of, the revaluation gains or loss implicit in the transaction is recognised as a revenue or expense.

Calculation methods

P&L and OCI triggers are activated as the result of a variation in the yearly P&L compared to the highest level of the P&L during the year. The aim is thus to monitor any negative change in the P&L over the year.

Trigger = Yearly P&LMax –Yearly P&LD

The triggers activating a stoppage of activity (Stop Loss) are measured on the basis of the yearly P&L for the day.

Stop_Loss = P&LD

Depending on the activity, if there is no VaR, an estimated figure is proposed based on the sensitivity/scenario.

Procedures relating to triggers

Any trigger activation, threshold resetting and any activity stopping as the result of trigger activation must follow a precise and rigorous procedure.

Trigger activation

The responsibility level increases with the trigger level and the area in which the trigger overdraft occurs.

The following table summarises the relevant decision-making body in case of P&L / OCI trigger or stop loss (several levels of triggers are defined, depending on the level of losses):

P&L OR OCI ALERT LEVEL	BIL Group	BIL entity	Business line	Desk
Trigger 1	CRO / Head of Financial Markets	CRO / Head of Financial Markets	CRO / Head of Financial Markets	Head of MLRM / Head of desk
Trigger 2	ALCO	ALCO	ALCO	CRO / Head of Financial Markets
Trigger 3	MB	MB	MB	ALCO
Stop Loss	MB	MB	MB	MB

KRI TRIGGERS / LIMIT BREACH

The following table gives an overview of the escalation procedure defined for each threshold to ensure that the emerging risks are treated appropriately, and suitable analysis and actions are undertaken.

Type of breach		Escalation process
Business	Trigger / limit	MLRM has to immediately inform the responsible risk owner (Financial Markets). ALCO is informed for KRI reported on a quarterly and monthly basis and for KRI reported on a daily basis if the breach has not been quickly remediated[14].
RAF / Recovery Plan	RAF trigger	• MLRM informs immediately the responsible risk owner (Financial Markets) and drafts an exceeding report as soon as the trigger excess occurs; • MLRM notifies and sends the exceeding report to the CRO; • The CRO informs the BRC; • The head of MLRM informs the ALCO members and presents the exceeding report to the next ALCO; • The risk owner reports to the ExCo and presents an action plan and timeline to return to business as usual; • The ExCo analyses the action plan and timeline and decides for its execution or need for further actions and escalation; The timing to remedy breaches for non-Recovery Plan KRIs is dependent on the severity of the breach and needs to be decided by the risk owner or Exco.
	RAF limit Recovery trigger	• MLRM informs immediately the responsible risk owner (Financial Markets) and drafts an exceeding report as soon as the limit excess occurs; • MLRM notifies and sends the exceeding report to the CRO; • The CRO informs the BOD; • The CRO informs the JST; • The head of MLRM informs the ALCO members and presents the exceeding report to the next ALCO; • The risk owner reports to the ExCo and presents an action plan and timeline to return to business as usual; • The ExCo analyses the breach situation and decides the need for management actions. In case the KRI is also part of the Recovery Plan indicators, the Crisis Committee assesses with the contribution of CRO the need to activate the Recovery Plan and deploy further options. The activation is always subject to BoD approval and is not automatic. The timing to remedy breaches for non-Recovery Plan KRIs is dependent on the severity of the breach and needs to be decided by the Exco.
	Recovery Limit	BoD and the supervisor have to be informed within 24 hours. The Crisis Committee assesses with the contribution of CRO the need to activate the Recovery Plan and deploy further options. This is in line with and described in the Recovery Plan, but the activation is always subject to BoD approval and is not automatic. Please refer to Recovery Plan and Contingency Funding Plan for further information.

BIL's consolidated limits and limits by entity must be reviewed at least once a year in accordance with the approval process described in section 4.1.5).

14. Within the next three business day.

4.2. Market risk exposure

4.2.1. Financial Market

The VaR used for financial markets' activities (trading book) is disclosed in the table below. The average VaR was EUR 0.12 million in 2023, compared with EUR 0.09 million in 2022.

VaR (10 days 99%) (in EUR million)	30/12/22							
	FOREX (Trading book)				Treasury (banking book)			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Average	0.09	0.07	0.10	0.11	0.15	0.28	0.55	0.70
Maximum	0.29	0.14	0.16	0.22	0.24	0.49	0.73	1.18
Average	0.09				0.42			
Maximum	0.29				1.18			
End of period	0.12				1.13			
Limit	**2.00**				**1.50**			

VaR (10 days 99%) (in EUR million)	30/12/23							
	FOREX (Trading book)				Treasury (banking book)			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Average	0.12	0.14	0.08	0.16	0.90	0.98	1.19	1.05
Maximum	0.25	0.29	0.24	0.20	1.16	1.39	1.28	1.20
Average	0.12				1.03			
Maximum	0.29				1.39			
End of period	0.17				1.04			
Limit	**1.00**				**6.00**			

The trading VaR limit has been lowered to reflect the business strategy evolution (focus on client flows management, servicing, offering access to competitive pricing and optimising profitability with lower risk profile).

The treasury VaR limit has been recalibrated in view of the recent interest rate hikes.

The Treasury activity is monitored daily through sensitivity limits, based on a +100bp parallel shift. The Treasury sensitivity limit is EUR -9 million, reflecting the low exposure on the Treasury book observed recently and expected in the upcoming year.

As at 31 December 2023, the Treasury sensitivity was EUR 3.78 million compared with EUR 4.06 million in 2022.

Sensitivity +1% (in EUR million)	2022			
	Treasury			
	Q1	Q2	Q3	Q4
End of period	6.18	3.62	7.03	4.06
Limit	-9.00			

Sensitivity +1% (in EUR million)	2023			
	Treasury			
	Q1	Q2	Q3	Q4
End of period	7.70	2.54	3.20	3.78
Limit	-9.00			

4.2.2. Asset & Liability Management (ALM)

ALM in general terms is referred to as an on-going process of formulating, implementing, monitoring, and revising strategies related to assets and liabilities in an attempt to achieve financial objectives for a given set of risk tolerances and constraints.

Asides its current activities, the ALM function is also consulted regarding organic growth and external acquisition to analyse and validate the funding terms options, conditions of the projects and any risks (e.g., funding issues in local currencies).

The Management Board mandates the ALCO to decide on the structural positioning of the Bank's balance sheet in terms of rates, foreign exchange and liquidity. The ALCO has the central purpose of attaining goals defined by the short- and long-term strategic plans.

The ALM programs focus traditionally on interest rate risk and liquidity risk because they represent the most prominent risks affecting the organisation balance-sheet (as they require coordination between assets and liabilities). MLRM is responsible for controlling, measuring and monitoring the ALM activity at mother company's and legal entities' levels.

These tasks are organised daily for financial and risk aspects as well as operational ones, including the analyses of potential frauds or abnormal transactions.

Regulatory reports are produced monthly. The balance sheet risk figures are calculated and communicated to the ALM Department for presentation to the ALCO.

The limits are monitored by MLRM. In case of a breach, the escalation process described in section 4.5.1 "Governance of limits" applies, with the ALM Department designated as risk owner in charge of proposing remediation actions.

MLRM also challenges on a monthly basis the "Rate ALM result" calculated daily by the ALM Department. P&L and FVTOCI are also monitored on this occasion. When figures are validated, MLRM informs Finance and the "Rate ALM result" can be reported to the Management Board.

Finally, MLRM is responsible on an ad-hoc basis for:

- Following-up specific risk;
- Defining risk calculation methodologies and ensuring their consistency;
- Ensuring compliance with market and counterparty limits;
- Keeping guidelines and policies up to date at Financial Markets and Bank (for liquidity) levels.

As at 31 December 2023, the ALM sensitivity[15] amounted to EUR -40.82 million (compared to EUR -15.2 million as at year-end 2022).

During 2023, the ALM department, in line with the EVE strategy, targeted a slight directional exposure in support of the NII strategy.

The limit of interest-rate sensitivity for a 100 bp parallel shift is EUR -90 million[16] as at 31 December 2023 (same as at year-end 2022).

4.2.3 Investment portfolio

The purpose of this portfolio is both to earn a reasonable risk adjusted return, and to serve as a liquidity reserve for the Bank notably regarding the Liquidity Coverage Ratio.

The investments are booked either in Treasury or ALM departments depending on various criteria (i.e., maturity, sector, etc.), and related interest rate risk of the Investment Portfolio is either kept and managed in the original book or transferred in order to respect the limits dedicated to each department. Therefore, the sensitivity of the portfolio is dispatched between the ALM and the Treasury departments. Concerning the Treasury, the risk figures are calculated daily while it is monthly for the ALM.

MLRM monitors monthly:

- The duration;
- The liquidity aspects (Central banks eligibility limits, LCR eligibility limits);
- The geographical breakdown (global view and PIIGS exposure);
- The currency limits;
- The asset type (global, securitisation assets);
- Type of issue and coupon type;
- The average rating and rating limits;
- Concentration limits (individual exposure, individual exposure by rating bucket).

The Luxembourg investment portfolio had a total nominal exposure of EUR 8.8 billion as at 31 December 2023 (compared to EUR 8.4 billion as at 31 December 2022). Following the introduction of IFRS 9, most of the bonds are classified in the HTC portfolio measured at amortised cost: EUR 8.5 billion as at 31 December 2023 (compared to EUR 8.0 billion as at 31 December 2022). The remaining part is classified in the HTCS portfolio measured at fair value through OCI: EUR 0.25 billion as at 31 December 2023 (compared to EUR 0.4 billion as at December 31, 2022).

15. Sensitivity (+1 %), consolidated ALM perimeter (own funds excluded

16. The +100bp parallel shift limit is set in relation with the regulatory IRRBB limits.

The fair value sensitivity of the HTCS portfolio to a one basis point widening of the spread (booked in the OCI reserve), was EUR 0.10 million as at 31 December 2023 (compared to EUR 0.16 million per basis point as at 31 December 2022).

Investment portfolio FVTOCI (in EUR million)	Notional amount		Rate bpv (incl. swap coverage where applicable)		Spread bpv	
	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023
Treasury	307	247	-0.006	-0.003	-0.12	-0.10
ALM	95	0	-0.002	0	-0.03	0

4.2.4 Back-testing

The back-testing measures the accuracy of the VaR model by comparing the predicted losses from calculated VaR with the actual losses realised at the end of the specified time horizon. There are two methods:

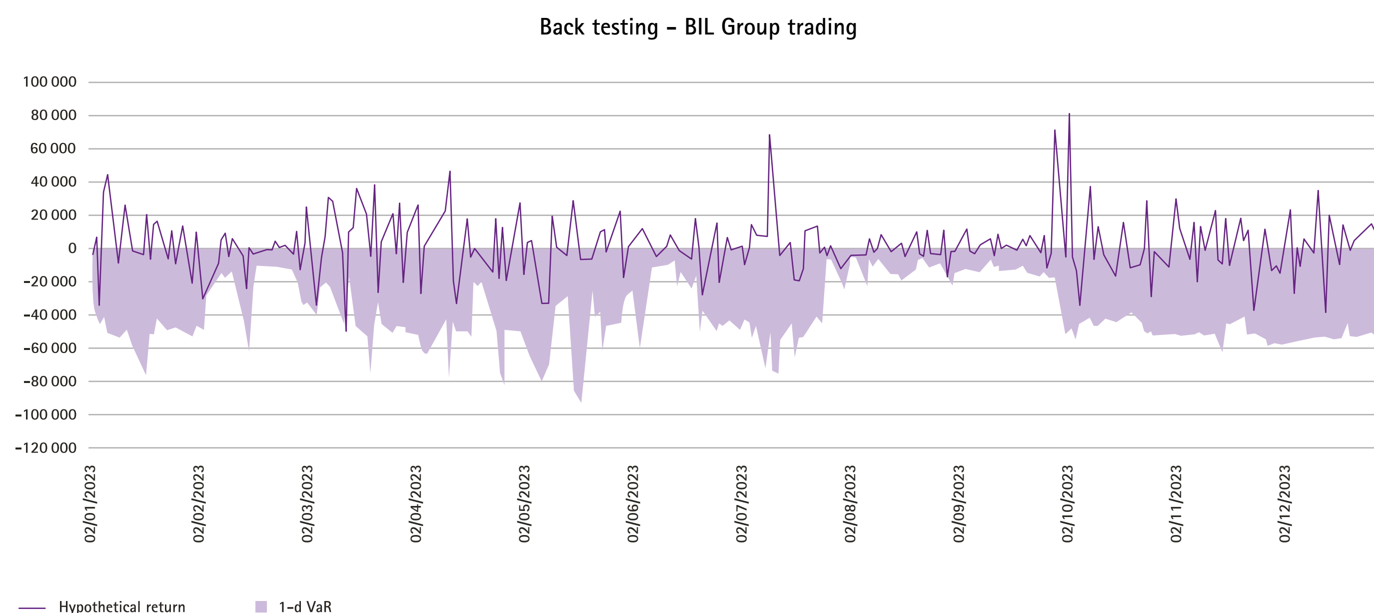
- Hypothetical back-testing is carried out daily based on the fixed positions of two days before (D-2) and then, it compares the profits and losses with the market data from changes between two days before (D-2) and the day before (D-1). That difference is then compared with the VaR (99%, 1D) for the previous day. BIL has adopted this method;
- Actual back-testing uses the same method but compares the results of actual days' trading with the VaR (99%, 1D). It is based on the actual P&L for the day and therefore, the day's purchases/sales and any costs and commission.

An exception occurs when the calculated P&L exceeds the VaR (99%, 1D).

In 2023, the hypothetical back-testing calculated on the trading portfolio revealed 1 downward back-testing exception following market data variations:

- Variations in EUR/USD exchange rate (-1.76%) impacting the Spot & FX Options positions on 14/03/2023.

TEMPLATE EU MR4 - COMPARISON OF VAR ESTIMATES WITH GAINS/LOSSES



4.2.5 Systems and controls

MLRM calculates, analyses and reports on the risks and results at a consolidated level on a daily basis.

All market activities are backed by specific charters and policies describing the objectives, the authorised products, sensitivity, VaR and/or outstanding limits, etc.

The systems and controls established at the Bank are described in various procedures with a comprehensive framework that is in place to support those who are responsible for managing market risks.

4.3 Liquidity risk

BIL's approach to liquidity management aims to verify that it will always have sufficient liquidity when due, under both normal and stressed conditions, to meet payment obligations in a timely manner and at acceptable costs.

The Head-Office (HO), the branches and the subsidiaries are each responsible for meeting their own liquidity needs in coordination with the HO. HO acts as the lender of the last resort.

The main actor of the liquidity management is the Banking Book Management Department, which encompasses the Treasury, the ALM, the Long-Term Funding and the Investment Portfolio departments. This department is part of Financial Markets.

The responsibility for monitoring liquidity lies with MLRM.

The liquidity management process is based on covering funding requirements with available liquidity reserves. Funding requirements are assessed carefully, dynamically and comprehensively by taking the existing and planned on- and off-balance sheet asset and liability transactions into consideration. Reserves are constituted with assets eligible for refinancing with the central banks to which BIL has access (Banque Centrale du Luxembourg (BCL) and Swiss National Bank (SNB)).

Regular information channels have been established for Management Bodies to manage the liquidity on a continuing way:

- A daily report ("Daily Liquidity Dashboard" that groups the LCR and the projection of liquidity needs up to 5 days) is sent to the Financial Markets teams, the CRO and the Head of Financial Markets;
- A weekly report ("Liquidity Risk Stress Test" that compares the liquidity reserves to liquidity needs up to 12 months according 3 scenarios) is sent to the CEO, the CRO, the ALCO members, the Risk Management, the Treasury and ALM teams. This weekly report has been completed with a USD stress over 12 months. On an annual basis, a reverse stress test is produced.

These reports are sent to the Treasury, ALM and Investment Portfolio departments, which are in charge of the liquidity management.

In parallel, the Contingency Funding Plan (CFP) groups information to respond to severe disruptions to a bank's ability to fund some or all of its activities in a timely manner and at a reasonable cost. A robust CFP contains clear policies and procedures that enables the Management to make timely and well-informed decisions, execute contingency measures rapidly and proficiently, and communicate effectively to implement the plan efficiently, including:

- A set of recovery options;
- Clear allocation of roles and responsibilities, including the authority to invoke the CFP;
- Names and contact details of members of the team responsible for implementing the CFP;
- Designation of alternates for key roles.

An analysis of the balance sheet development (e.g., customer deposits) is also presented and commented during the ALCO meetings.

In accordance with the regulation[17], BIL is subject to ILAAP requirements. The ILAAP contains all the qualitative and quantitative information necessary to underpin the Risk Appetite, including the description of the systems, processes and methodology to measure and manage Liquidity and Funding Risks. BIL will produce, at least once per year, a clear and formal statement on its liquidity adequacy, supported by an analysis of ILAAP outcomes and approved and signed by the Management Board. The Bank integrates ILAAP outcomes regarding the evolution of material risks and indicators into their internal reporting at an appropriate frequency (i.e., ALCO, the Risk Dashboard, etc.).

Finally, the Bank produces the Liquidity Adequacy Statement (LAS) whose purpose is to produce a concise statement about the view of the Management Bodies with regards to the institution's capital adequacy, supported by the analysis of the ILAAP setup and results.

4.3.1. Main reference documents

The reference documents to monitor the Liquidity and the Funding management framework of BIL Group are detailed in:

- The Liquidity Risk Policy, which defines the normative and organisational framework governing the Liquidity Management activity line within the Bank;
- The Fund Transfer Pricing Charter, which is an important tool in the management of the Bank's balance sheet structure and in the measurement of risk adjusted profitability taking into account liquidity spread, maturity transformation and interest rate;
- The Contingency Funding Plan (CFP), as already mentioned above, which is the set of policies, procedures, and action plans for responding to severe disruption. The CFP is activated immediately after the breaches happened to the indicators inside the Liquidity Risk Appetite Statement (RAS). The CFP is in line with the Recovery Plan of the Bank.

17. Article 86 of Directive 2013/36/EU (CRD IV), Guidelines on ICAAP and ILAAP information collected for SREP purposes" (EBA/GL/2016/10)..

4.3.2. Concentration of funding and liquidity source

BIL used differentiated funding sources as at 31 December 2023, as detailed in the table below:

Concentration of funding by product type					
Product Name	Carrying amount received	Amount covered by a Deposit Guarantee Scheme in accordance with Directive 2014/49/EU or an equivalent deposit guarantee scheme in a third country	Amount not covered by a Deposit Guarantee Scheme in accordance with Directive 2014/49/EU or an equivalent deposit guarantee scheme in a third country	Weighted average original maturity	Weighted average residual maturity
PRODUCTS GREATER THAN 1% OF TOTAL LIABILITIES (In EUR)					
RETAIL FUNDING	9,733,329,545	4,030,931,259	5,702,398,287	163	86
of which sight deposits	*4,221,244,768*	*2,268,678,657*	*1,952,566,110*		
of which term deposits not withdrawable within the following 30 days	*1,826,994,092*	*99,151,110*	*1,727,842,982*	*179*	*83*
of which term deposits withdrawable within the following 30 days					
SAVINGS ACCOUNTS					
with a notice period for withdrawal greater than 30 days					
without a notice period for withdrawal greater than 30 days	2,640,758,365	1,663,027,147	977,731,217	1	1
WHOLESALE FUNDING					
Unsecured wholesale funding	17,354,691,748	74,433,091	17,280,258,657	585	327
of which loans and deposits from financial customers	*5,805,464,720*		*5,805,464,720*	*184*	*106*
of which loans and deposits from non financial customers	*6,729,229,024*	*72,819,782*	*6,656,409,242*	*153*	*76*
of which loans and deposits from intra-group entities	*0*	*0*	*0*	*0*	*0*
Secured wholesale funding	345,081,651	0	345,081,651	314	97
of which SFTs	*345,081,651*	*0*	*345,081,651*	*314*	*97*
of which covered bond issuance					
of which asset backed security issuance					
of which loans and deposits from intra-group entities					

4.3.3. Risk measurement

The internal liquidity management framework includes indicators enabling the assessment of BIL's resilience to liquidity risk. These indicators include liquidity ratios and liquidity gaps; the latter compares liquidity reserves with liquidity needs. These ratios are sent to the CSSF and to the ECB, on a daily and a weekly basis respectively.

4.3.4. Risk exposure

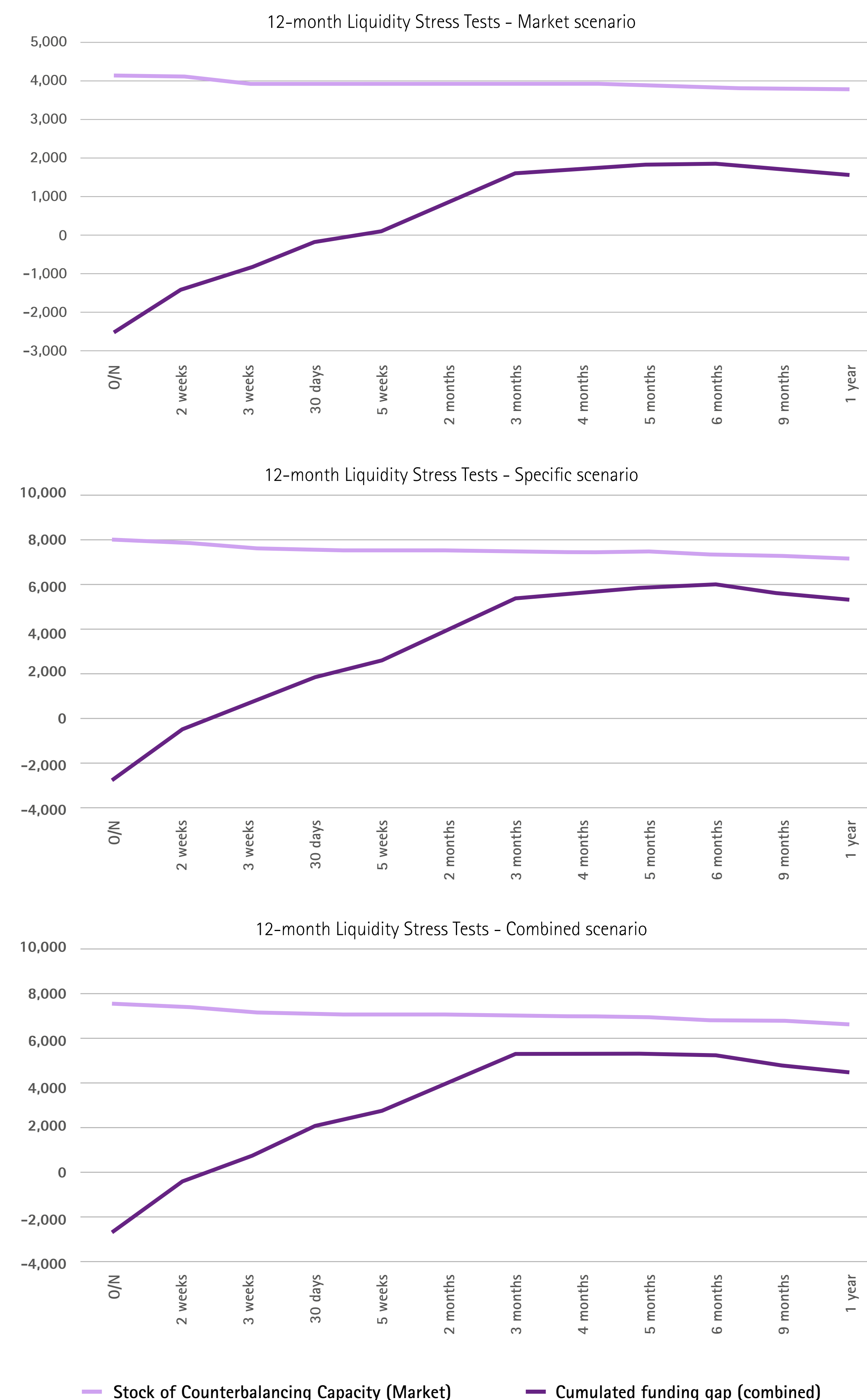
Each day, a liquidity report containing the liquidity projection up to five days and a daily estimated LCR solo is sent to the Chief Risk Officer, the Chief Financial Officer, the ALM and Treasury teams.

In addition, a weekly stress liquidity report is sent to the Chief Executive Officer, the Chief Risk Officer, the Head of Financial Markets, the ALCO members, the Risk Management, the ALM and Treasury teams. Liquidity risk is captured through three scenarios which are considered as an early warning indicator for the LCR evolution within the next 12 months:

- Market-wide scenario, which focuses on a depreciation of the Bank's assets and additional margin calls taking into account of the of adverse market conditions;
- Idiosyncratic scenario, which highlights a loss of confidence from BIL's counterparties;
- Combined scenario, which is a mix of the two previous scenarios.

EUR million		Market-Wide			Idiosyncratic			Combined		
31/12/2023		Cumulated funding gap	Cumulated buffer	Ratio	Cumulated funding gap	Cumulated buffer	Ratio	Cumulated funding gap	Cumulated buffer	Ratio
HORIZON	3-month	1,592	3,938	247%	5,365	7,469	139%	5,336	7,073	133%
	6-month	1,841	3,804	207%	5,961	7,301	122%	5,289	6,846	129%
	12-month	1,552	3,770	243%	5,309	7,125	134%	4,529	6,686	148%

The chart below presents the results of the stress test:



The stress results are presented to the ALCO with the other main liquidity indicators (e.g., LCR, NSFR, variation customer deposits, etc.).

In addition to the Management Board, this report is sent to the ECB on a weekly basis.

Part of the Bank's excess cash is invested in the Investment Portfolio as a liquidity buffer. This portfolio is mainly composed of central bank-eligible bonds, which are also compliant with the Basel III package requirements (i.e., the LCR and NSFR).

Reverse stress testing

The reverse stress testing is a tool for the Bank that allows the exploration and identification of the circumstances that might cause a predefined outcome at which BIL Group can be considered as failing or likely to fail. This stress also makes reference to the EBA definition.

The calibration of the reverse stress test begins with an analysis of the risk factors and the sensitivity of the net liquidity position to each individual risk factors. The following table discloses the outcome of this analysis for the main identified risk factors.

Identified risk factors	Risk factor sensitivity to	Impact after 12 months (EUR million)
Retail – Term deposit Retail – Sight deposit Non-Financial and Others – Term deposit Non-Financial and Others – Sight deposit	Increase of the monthly outflow rate with 1%	-65 -411 -50 -161
Retail – Term loans Non-Financial and Others – Term Loans	Decrease of Monthly rollover rate with 1%	+57 +61
Committed facilities	Increase of the monthly outflow rate with 1%	-36
Credit Concentration	Default of Top 3	-267
Funding Concentration	Default of Top 3	-2182
Buffer – Counterbalancing capacity Interest Rate sensitivity Credit spread sensitivity USD buffer Rating	 Increase of 1% Increase of 1% USD Buffer not anymore eligible Downgrade of 3 notches	 -32 -372 -1160 -25
Collateral amount Market stress Outflows from non-HQLA	 Covid stress Non-HQLA Haircut to 50%	 -200 -165
Currency Liquidity Position Liquidity position in USD	 Limited FX market on cash position	 -194

From the identified risk factors and associated liquidity sensitivities, three scenarios will be calibrated with the following narratives:

Loss of confidence

The Bank faces to a loss confidence with huge (see below) outflows from retail and non-financial depositors (in addition to the outflow of three main funding contributors).

Credit risk stress

A credit risk scenario arises in the financial market with the default of top 3 financial credit exposures. Consequently, the credit spreads sharply increase, and the equity market drops (impacting the amount of collateral). Additional outflows on deposits are calibrated until that the net liquidity positions breaches.

USD Market

After a geopolitical event, the access on the USD market is closed; the buffer denominated in USD is no longer eligible; the credit spreads and the interest rates increase while the equity market drops.

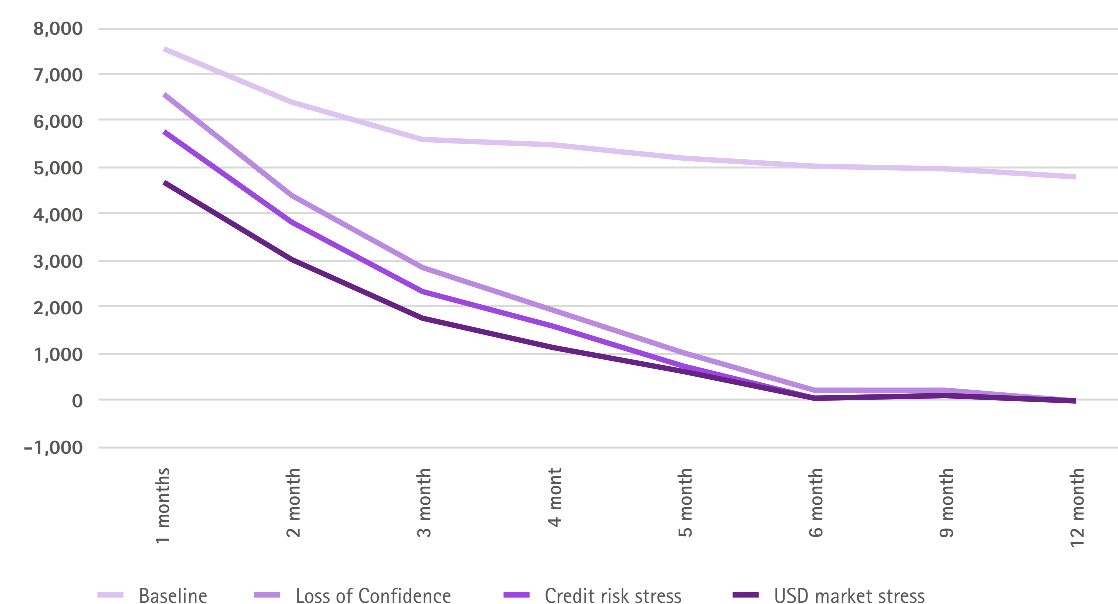
For each scenario, the outflow rates of deposits coming from retail and non-financial counterparties are calibrated to breach the net liquidity position on the 12-month horizon. As an additional stress, some committed lines are also drawn. In order to counterbalance the impact of the outflow, the volume of non-financial loans is reduced while the market share on retail loans is preserved. As a reminder, the outflow rate for the Credit and Financial institutions deposits is 100% while their term loans are not rolled over (underlying assumption of the baseline scenario).

The following table summarises the outcome of the calibration step:

		Loss of confidence	Stress on credit risk	Stress on USD market
Retail - Term deposit	Yearly Average Outflow rate	18%	15%	11%
Retail - Sight deposit	Cumulated Outflow rate after 12 months	**26%**	**21%**	**16%**
Non-Financial - Term deposit	Yearly Average Outflow rate	33%	33%	24%
Non-Financial - Sight deposit	Cumulated Outflow rate after 12 months	**47%**	**48%**	**35%**
Retail - Term Loans	Yearly Average Roll-over rate	100%	100%	100%
Non-Financial - Term Loans	Yearly Average Roll-over rate	97%	91%	93%
Facilities	Cumulated Outflow rate after 12 months	0%	10%	10%

Within a stressed environment, the liquidity position of the Bank starts to be at-risk if the Bank observes that, **together**, the cumulated retail outflow rate **is higher than 15%** and the cumulated non-financial outflow rate **is higher than 25%**.

After calibration of the outflow rates, the reverse stress scenarios are fully designed and the evolution of the evolution of the net liquidity position can be estimated as disclosed in the following chart:



The two following tables detail the evolution of liquidity indicator over the next 12 month. The first table focus on the net liquidity indicator (amount expressed in EUR million) and the second one provides the internal liquidity ratio (with a limit of 105%):

Net Liquidity Position	1 month	2 month	3 months	4 months	5 month	6 month	9 month	12 month
Baseline	7,506	6,035	5,254	5,012	4,704	4,556	4,518	4,327
Loss of Confidence	6,557	4,400	2,862	1,946	1,014	234	190	-28
Credit risk stress	5,797	3,820	2,317	1,601	753	45	122	-36
USD market stress	4,707	3,017	1,733	1,146	606	28	89	-37

Liquidity ratio	1 month	2 month	3 month	4 month	5 month	6 month	9 month	12 month
Baseline								
Loss of Confidence		262%	166%	138%	117%	104%	103%	100%
Credit risk stress		229%	152%	131%	113%	101%	102%	99%
USD market stress		217%	145%	126%	112%	101%	102%	99%

Under the baseline scenario (where all financial deposits are not renewed), the liquidity position decreases from EUR 7.5 billion to EUR 4.3 billion. Under the reverse stress scenario, the liquidity position sharply decreases to less than EUR 300 million over 6 months. At this stage, the liquidity ratio reaches the limit of the risk appetite; the Bank still has six months to restore its liquidity position before to be out of cash. However, the final outflow putting the net liquidity position in red is quite small (less than EUR 200 million) for credit risk stress and USD market stress.

The reverse stress test exercise performed the previous year led to the identification of new risk factors that were therefore added to the regular liquidity stress test framework. This year exercise didn't reveal material changes which were not already captured; however, the Bank remains alert to future evolution and will reassess should it be deemed relevant.

4.3.5. Liquidity Coverage Ratio

As the main short-term liquidity reference indicator, the LCR requires the Bank to hold sufficient High-Quality Liquid Assets (HQLA) to cover its total net cash outflows over 30 days. The methodology of the ratio is compliant with the CRR (Delegated Act based on art. 462 of the CRR).

It is worth mentioning that the LCR has an impact on the asset structure as well as the funding profile of the Bank. LCR forecasts therefore become an integral part of the decision-making process of the Management Bodies.

(in EUR million)	31/12/2022	31/12/2023
Stock of HQLA	10.77	10.13
Net Cash Outflows	7.03	5.82
LCR ratio	153%	174%
Regulatory limit	100%	
Internal limit	110%	
Trigger	115%	

BIL's liquidity situation remained solid throughout 2023 and was strengthened progressively over the course of the year in anticipation of GL22 and the subsequent hyper care period. By keeping a proactive approach in managing its liquidity position, the BIL Group prudently increased its LCR excess liquidity level to around EUR 4.3 billion approaching year end (compared to EUR 3.8 billion as at the end of December 2022). The LCR ratio increased from 153% to 174% over the year, well above the target established by the ALCO. The yearly evolution of the LCR is mainly due to new or roll of deposits over 30 days in a rising interest rate environment where yields reached their cycle peak in September. The Investment Portfolio purchases have been concentrated on HQLA eligible securities, LCR level 1 securities representing nearly 80% of the total Investment Portfolio as at 31 December 2023.

The Bank's final TLTRO participation (tranche III.10) of EUR 0.25 billion was early repaid in March 2023.

TEMPLATE EU LIQ1 - QUANTITATIVE INFORMATION OF LCR

Scope of consolidation (consolidated)		a	b	c	d	e	f	g	h
Currency and units (EUR million)		Total unweighted value				Total weighted value			
EU 1a	Quarter ending on	31 December 2023	30 September 2023	30 June 2023	31 March 2023	31 December 2023	30 September 2023	30 June 2023	31 March 2023
EU 1b	Number of data points used in the calculation of averages	**12**	**12**	**12**	**12**	**12**	**12**	**12**	**12**
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					10,526.22	10,731.92	11,203.71	11,463.52
CASH-OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	9,239.09	9,389.62	9,484.30	9,577.53	824.04	866.87	901.72	929.71
3	*Stable deposits*	3,873.95	3,975.31	4,083.70	4,156.85	193.70	198.77	204.19	207.84
4	*Less stable deposits*	4,454.84	4,719.62	4,931.43	5,114.87	630.34	668.11	697.54	721.87
5	Unsecured wholesale funding	7,968.77	8,319.25	8,991.76	9,265.63	5,669.81	6,024.88	6,639.94	6,888.30
6	*Operational deposits and deposits in networks of cooperative banks*	-	-	-	-	-	-	-	-
7	*Non-operational deposits (all counterparties)*	7,714.56	8,067.85	8,751.28	9,058.13	5,415.59	5,773.48	6,399.46	6,680.81
8	*Unsecured debt*	254.21	251.40	240.48	207.50	254.21	251.40	240.48	207.50
9	Secured wholesale funding					15.89	23.46	31.15	53.75
10	Additional requirements	3,656.69	3,534.19	3,424.10	3,388.60	869.37	843.68	794.59	770.67
11	*Outflows related to derivative exposures and other collateral requirements*	349.97	349.51	347.82	324.32	349.97	349.51	347.82	324.32
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	3,306.72	3,184.68	3,076.27	3,064.29	519.40	494.17	446.77	446.35
14	Other contractual funding obligations	-	-	-	-	-	-	-	-
15	Other contingent funding obligations	955.73	1,014.23	1,076.12	1,119.80	9.56	10.14	10.76	11.20
16	TOTAL CASH OUTFLOWS					7,388.67	7,769.03	8,378.16	8,653.63
CASH-INFLOWS									
17	Secured lending (eg reverse repos)	247.48	248.21	196.55	153.91	35.87	35.60	27.85	21.46
18	Inflows from fully performing exposures	633.99	641.03	607.53	554.69	461.03	464.35	429.13	381.25
19	Other cash inflows	818.93	848.49	891.16	921.67	197.41	210.18	217.80	218.33
EU-19a	Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies					-	-	-	-
EU-19b	Excess inflows from a related specialised credit institution					-	-	-	-
20	TOTAL CASH INFLOWS	1,700.39	1,737.73	1,695.24	1,630.26	694.31	710.13	674.78	621.04
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows Subject to 90% Cap								
EU-20c	Inflows Subject to 75% Cap	1,700.39	1,737.73	1,695.24	1,630.26	694.31	710.13	674.78	621.04
21	LIQUIDITY BUFFER					10,526.22	10,731.92	11,203.71	11,463.52
22	TOTAL NET CASH OUTFLOWS					6,694.36	7,058.90	7,703.38	8,032.58
23	LIQUIDITY COVERAGE RATIO (%)					158.38%	152.84%	145.92%	142.88%

4.3.6. Net Stable Funding Ratio

The NSFR, reflecting the long-term liquidity position of an institution, requires the available amount of stable funding to exceed the required amount of stable funding over a one-year period of extended stress.

(in EUR million)	2022	2023
Available Stable Funding (ASF)	18.55	18.02
Required Stable Funding (RSF)	14.98	14.56
NSFR ratio	124%	124%
Trigger	106%	
Limit	104%	

As at 31 December 2023, the Bank's NSFR stood at 124% (stable compared to year-end 2022). The decrease in the size of the on-balance sheet resulted in a slight and balanced decrease of ASF and RSF. On one hand, the decline in the funding provided by financial customers has been mitigated by the central bank reserves shrinkage. On other hand, the reduction of loans and non-liquid assets has offset the negative impact from a decrease of retail and non-financial deposits. The NSFR ratio remains well above both the minimum regulatory requirement of 100% as well as internal triggers and limits defined in the Bank's Risk Appetite Framework.

TEMPLATE EU LIQ2: NET STABLE FUNDING RATIO

		a	b	c	d	e
		Unweighted value by residual maturity				
	(in EUR)	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
	Available stable funding (ASF) Items					
1	Capital items and instruments	2,330,425,637.00	0.00	0.00	333,912,221.00	2,664,337,858.00
2	Own funds	2,330,425,637.00	0.00	0.00	333,912,221.00	2,664,337,858.00
3	Other capital instruments		0.00	0.00	0.00	0.00
4	Retail deposits		8,823,006,000.74	229,423,173.79	680,900,370.83	9,014,017,962.73
5	Stable deposits		3,718,626,696.45	0.00	0.00	3,532,695,361.63
6	Less stable deposits		5,104,379,304.29	229,423,173.79	680,900,370.83	5,481,322,601.11
7	Wholesale funding:		11,947,409,981.58	402,725,358.11	529,649,262.16	3,816,893,778.12
8	Operational deposits		0.00	0.00	0.00	0.00
9	Other wholesale funding		11,947,409,981.58	402,725,358.11	529,649,262.16	3,816,893,778.12
10	Interdependent liabilities		0.00	0.00	0.00	0.00
11	Other liabilities:	0.00	1,647,497,428.20	627,976,287.07	2,316,219,850.26	2,630,207,993.80
12	NSFR derivative liabilities	0.00				
13	All other liabilities and capital instruments not included in the above categories		1,647,497,428.20	627,976,287.07	2,316,219,850.26	2,630,207,993.80
14	**Total available stabel funding (ASF)**					**18,125,457,592.65**

		a	b	c	d	e
		Unweighted value by residual maturity				
	(in EUR)	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
	Required stable funding (RSF) Items					
15	Total high-quality liquid assets (HQLA)					347,529,316,60
EU-15a	Assets encumbered for more than 12m in cover pool		0.00	0.00	0.00	0.00
16	Deposits held at other financial institutions for operational purposes		0.00	0.00	0.00	0.00
17	Performing loans and securities:		2,419,498,740.90	1,219,918,709.21	14,202,627,168.72	12,514,848,814.54
18	Performing securities financing transactions with financial customerscollateralised by Level 1 HQLA subject to 0% haircut		0.00	0.00	0.00	0.00
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		733,036,741.05	235,206,623.78	1,027,717,658.39	1,202,965,897.08
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		1,332,526,853.82	772,728,601.48	5,519,320,930.78	10,090.009,034.18
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		0.00	0.00	0.00	4,345,958,515.37
22	Performing residential mortgages, of which:		249,742,373.43	168,240,064.86	6,364,565,071.12	0.00
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		249,742,373.43	168,240,064.86	6,364,565,071.12	0.00
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		104,192,772.61	43,743,419.09	1,291,023,508.43	1,221,873,883.27
25	Interdependent assets		0.00	0.00	0.00	0.00
26	Other assets:	1.7.2	1,027,400,724.32	0.00	992,659,668.63	1,480,401,126.72
27	Physical traded commodities				0.00	0.00
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs			133,162,457.32		113,188,088.72
29	NSFR derivative assets				558,230	12,966,679.94
30	NSFR derivative liabilities before deduction of variation margin posted				418,687,606	15,824,695.77
31	All other assets not included in the above categories		564,777,671.67	0	997,303,747	1,338,421,662.29
32	Off-balance sheet items		4,303,812,228.07	-	0	173,988,931.45
33	**Total RSF**					**14,516,768,188.31**
34	**Net Stable Funding Ratio (%)**					**1.248587658**

4.3.7. Asset encumbrance

Since 2016, the Bank has set up a report of key metrics and a limit regarding asset encumbrance which is based on data of regulatory reporting. The following metrics have been selected to provide key information:

- Level of asset encumbrance;
- Credit quality of unencumbered debt securities;
- Sources of encumbrance;
- Contingent encumbrance.

A reference to the LCR classification has been added in the section "Credit quality of unencumbered debt securities" in order to give complementary information about the quality of unencumbered assets.

The European Asset Encumbrance ratio[18] is calculated and presented in the internal report presented to the ALCO and BRC, and sent quarterly to the CSSF and the JST. A reference to the LCR classification has been added to the section "Credit quality of unencumbered debt securities" to provide additional information on the quality of unencumbered assets. The asset encumbrance ratio is defined as equal to the encumbered assets of an institution and the collateral received by the institution and reused divided by the total assets of the institution, including the total collateral received by the institution. Therefore, the formula is:

$$AE\% = \frac{\text{Total encumbered assets + Total collateral received re-used}}{\text{Total assets + Total collateral received available for encumbrance}}$$

This ratio measures the asset encumbrance of credit institutions in Europe in a harmonised way. The overall weighted average encumbrance ratio calculated and published regularly by the EBA [1] (for example 25.8% in Q4 2022) is an available benchmark. By comparison, BIL's ratio is around 2% and reflects a low level of asset encumbrance compared to other institutions. As at 31 December 2023, EUR 0.7 billion of BIL Group's balance sheet assets are encumbered and the asset encumbrance ratio is 2%, compared to 4% in December 2022. The annual variation of the ratio is essentially explained by the complete early repayment of the TLTRO outstanding. It is worth mentioning that the limit in the Risk Appetite Framework is set at a level of 20%.

(in EUR million)	31/12/2022	31/12/2023
Level of asset encumbrance		
Encumbered assets	1,357	702
Collateral received re-used	0	0
Total amount	1,357	702
Ratio	4%	2%
Limit	25%	25%

18. Commission Implementing Regulation (EU) No 2015/79, Paragraphs 9-11 of Annex III.

(in EUR million)	31/12/2022	31/12/2023
Credit quality of unencumbered debt securities[19][20]		
Step 1 (AAA to AA-)	5,888	6,615
of which eligible as LA for LCR	*5,689*	*6,503*
Step 2 (A+ to A-)	1,283	1,344
of which eligible as LA for LCR	*920*	*1,221*
Step 3 (BBB+ to BBB-)	747	387
of which eligible as LA for LCR	*445*	*315*
Non-rated securities	68	431
of which eligible as LA for LCR	*0*	*0*
Total amount	7,985	8,777
of which eligible as LA for LCR	7,054	8,040
Sources of encumbrance		
OTC Derivatives	419	316
Repurchase agreements	771	354
Collateral swaps	19	20
Securities Lending	0	0
Central Bank Reserves	0	0
Total amount	1,209	690
Contingent encumbrance		
OTC Derivatives	159	83
Repurchase agreements	234	113
Collateral swaps	11	12
Securities Lending	0	0
Total amount	405	209

The disclosure requirements in Article 443 of the CRR are specified in the EBA Guidelines on the disclosure of encumbered and unencumbered assets (the EBA Guidelines 2014/03). The required information is provided in the tables hereafter.

TEMPLATE EU AE3 - SOURCES OF ENCUMBRANCE

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
(in EUR million)	010	030
010 Carrying amount of selected financial liabilities	680,000,677	677,569,324

19. Assets and collateral received available for encumbrance.

20. Additional amount of encumbered assets resulting from a decrease by 30% of the fair value encumbered assets.

TEMPLATE EU AE1 – ENCUMBERED AND UNENCUMBERED ASSETS

(In EUR)		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		*of which notionally eligible EHQLA and HQLA*		*of which EHQLA and HQLA*		*of which EHQLA and HQLA*
		010	030	040	050	060	080	090	100
010	Assets of the disclosing institution	718,058,105	*129,115,643*			30,367,807,497	*7,575,474,868*		
030	Equity instruments	0	*0*	0	*0*	340,356,363	*0*	*335,225,721*	*0*
040	Debt securities	429,523,385	*129,115,643*	426,346,463	*128,103,604*	8,528,639,499	*7,575,474,868*	*8,475,602,901*	*7,527,465,096*
050	of which: covered bonds	149,719	*149,719*	153,984	*153,984*	437,890,032	*426,330,407*	*435,886,917*	*424,327,293*
060	*of which: securitisations*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
070	*of which: issued by general governments*	*109,424,257*	*109,424,257*	*108,582,846*	*108,582,846*	*4,842,366,835*	*4,784,098,140*	*4,815,719,808*	*4,598,430,405*
080	*of which: issued by financial corporations*	*332,023,602*	*19,691,386*	*330,327,722*	*19,520,758*	*2,597,472,868*	*2,072,745,304*	*2,559,958,588*	*1,959,901.952*
090	*of which: issued by non-financial corporations*	*11,653,555*	*0*	*11,500,792*	*0*	*811,756,223*	*515,782,111*	*772,021,225*	*515,963,660*
120	Other assets	348,507,992	0			21,616,801,947	0		

TEMPLATE EU AE2 – COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED

		Fair value of encumbered collateral received or own debt securities issued		Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		*of which EHQLA and HQLA*
(In EUR)		010	030	040	060
130	Collateral received by the disclosing institution	0	*0*	946,216,392	*435,063,741*
140	Loans on demand	0	0	0	0
150	Equity instruments	0	0	0	0
160	Debt securities	0	0	329,872,245	329,872,245
170	of which: covered bonds	0	0	0	0
180	of which: securitisations	0	0	0	0
190	of which: issued by general governments	0	0	19,541,317	19,541,317
200	of which: issued by financial corporations	0	0	310,204,615	310,204,615
210	of which: issued by non-financial corporations	0	0	0	0
220	Loans and advances other than loans on demand	0	0	622,723,744	0
230	Other collateral received	0	0	0	0
240	Own debt securities issued other than own covered bonds or securitisations	0	0	21,960,997	0
241	Own covered bonds and securitisations issued and not yet pledged			0	0
250	**TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED**	**718,058,105**	**129,115,643**		

4.4. Interest rate risk in the banking book

Interest Rate Risk in the Banking Book (IRRBB) refers to the current or prospective risk to a Bank's capital and its earnings, arising from the impact of adverse movements in interest rates on its banking book.

The reference document for the IRRBB framework is the IRRBB Policy, validated by the ALCO. The document covers the key topics of the Regulation:

- Regulatory context;
- Scope;
- Methodology (accounting reconciliation, EVE/NII, products specificities, stress scenario);
- Governance (frequency, limits and triggers for EVE and NII).

The drafting of this policy allows BIL to manage the IRRBB in compliance with the current regulatory framework.

Two complementary methods measure the impacts of changes on the IRRBB: Section 4.4.1: changes in economic values and changes in expected earnings (earnings-based measures, Section 4.4.2)

The IRRBB strategy of BIL is part of the overall Bank strategy and is steered by the ALCO as the emanation of the Management Body. BIL's risk appetite for IRRBB is notably derived from the regulatory limits expressed in relation with the total capital (and T1 capital) for economic value and in relation with the CET1 for earnings. The Bank monitors and strives to reduce its natural commercial gap, basis and option risks.

4.4.1. Monitoring of Economic Value of Equity

BIL defines its EVE measure as the measure of changes in the net present value of all interest rate sensitive instruments (over the remaining life for the fixed rate instruments or over their next repricing date for floating rate instruments) resulting from interest rate movements. The EVE measurement is defined by the difference of the current EVE and expected EVE under an alternative scenario.

In accordance with the principle 8 of BCBS and the EBA 2018 Guidelines on IRRBB, BIL discloses the measurement of EVE variation with the following basis:

- The EVE measurement is a scenario-base measurement and the scenario is an instantaneous shock to the current yield curves;
- The EVE measurement is a calculation assuming a run-off balance sheet;
- The EV measure is calculated at the most granular level (deal by deal);
- All positions from interest rate sensitive instruments are taken into account;
- For EVE exposures purposes, the instruments with unconditional cash flows are neither renewed nor extended after their maturity date and the instruments with conditional cash flows are amortised according to a central scenario;
- For the supervisory outlier tests, the non-interest-bearing assets and liabilities (of which the CET1 instruments and other perpetual own funds without any call date) are excluded of the EVE measurement. The other EVE measurements takes into account all non- interest-bearing including the capital. The additional Tier 1 and 2 instruments with a call date are part of the EVE measure until their next call date. The Tier 2 instruments without any call dates are part of the EVE measure until their contractual date;
- The change in present value includes any repayment or repricing of principal. The interest payments are estimated without margin, in other words limited to the initial reference rate (i.e., excluding the potential liquidity premium, credit spread and other spread components);
- The EVE measure does not depend on the accounting rules;
- The non-performing exposures (net of provisions) are part of the EV measure based on their expected cash flows and their timing if the NPE ratio is greater than 2%;
- The contractual floors are considered in the calculation and concern floating rate notes (assets and liabilities) and commercial loans

DEFINITION OF EVE LIMITS:

The Bank defined a set of limits in accordance with the BCBS standards1[21] and EBA 2018 guidelines. Depending on the type of scenarios (regulatory or internal shocks), specific set of triggers and limits were defined in EUR million:

Perimeter		EVE measure (EUR)	Regulatory Limit		Limit	Trigger
BIL Group and BIL Luxembourg	Banking book	SOT (+/-200bp)	-362	20% of total capital	-180	-148
		SOT (BCBS scenarios)	-235	15% of Tier 1	-180	-148
		Expert scenarios	n/a	n/a	-180	-148
	ALM book	+/-100 bp parallel shift	n/a	n/a	-90	-74
	Treasury book	+/-100 bp parallel shift BCBS scenarios	n/a	n/a	-9 -18	n/a n/a
	OCI book	+/-100 bp parallel shift	n/a	n/a	-35	n/a
	Investment Portfolio	Credit spread basis point value	n/a	n/a	-5	-4.5

FREQUENCY OF THE CALCULATION

The Bank computes the EVE at least on a quarterly basis. The results are presented to the ALCO and the Management Body through the Risk Dashboard.

4.4.2. Monitoring of Net Interest Income

The earnings risk is the difference between expected earnings under a base scenario and expected earnings under an alternative scenario (more adverse or more stressed).

In accordance with the BCBS and EBA standards, the Bank adopts the following principles to measure the earnings risk:

- The earnings risk is calculated assuming a constant balance sheet, where maturing or repricing cash flows are replaced by new ones with identical features, with regard to the amount, repricing period and spread components;
- The earnings risk, which was until now limited to the interest income and expenses, has been complemented with the impact of interest rate on the market value of instruments that are measured either through P&L or through OCI, for which specific risk appetite trigger/limit have been defined;
- The earnings risk is measured before tax;
- The earnings risk includes expected cash flows arising from all interest rate-sensitive instruments and products in the banking book;
- The non-interest-bearing assets and liabilities (including capital instruments) are excluded from the calculation measuring the earnings risk;
- The earnings risk takes into account the effectiveness of hedging relationship;
- The earnings measures and associated risk are not limited to the Rate Transfer Pricing (RTP) but also include the Liquidity Transfer pricing (LTP) and the commercial margin;
- The treatment of automatic options (cap and floors) is dependent on the specific interest rate scenario, while behavioural options are not;
- The earnings risk is measured over a horizon of 1 year. The variation of NII is disclosed as the difference in the future interest income over a rolling of 12-months period.

DEFINITION OF NII LIMITS:

The EBA has proposed to introduce a new SOT to identify institutions that experience a NII decline greater than 5%[22] of their Tier 1 capital, which represents EUR 85 million for the Bank as at end of December 2023 and before P&L allocation. The Bank has already implemented the SOT NII methodology and closely monitors its outcome to ensure that it remains below the regulatory thresholds.

21. Basel Committee on Banking Supervision – Standards – Interest rate risk in the banking book– April 2016.

22. The EBA suggested an amendment to its initial draft RTS on SOT, replacing the large decline original level of 2.5% of Tier 1 Capital with a level of 5% of Tier 1 Capital (please refer to The EBA update on the definition of a large decline of NII in relation to the IRRBB). The process of publication of the updated RTS on SOT by the European Commission is ongoing.

For the earnings measure, the Bank adopts the following limit system on the potential impact following parallel up and down scenarios over a 1-year time horizon:

KRI / scenario	Trigger (EUR M)	Limit (EUR M)
IRRBB NII - Supervisory Outlier Test (parallel scenarios)	-70.00	-80.00
IRRBB Market Value Change FVTPL (parallel scenarios)	-20.00	-25.00
IRRBB Market Value Change FVTOCI (parallel scenarios)	-60.00	-70.00
IRRBB Earnings (parallel scenarios)	-130.00	-150.00

In line with the new EBA Guidelines on IRRBB and CSRBB and RTS on Supervisory Outlier Test, the following methodological changes have been implemented:

- The +200bp and -200bp scenarios have been replaced by parallel up and parallel down scenarios (same shock sizes for EUR/USD / decrease to +/-100bp for CHF);
- Positive changes in each material currency are weighted by a factor of 50%

	Trigger (EUR M)		Limit (EUR M)	
Eur million	-78.7	-78.6	-38.3	19.2
Trigger	-70		-70	
Limit	-80		-80	

The combined results (including FVP&L and FVOCI) are summarised in the table below.

Measure	Scenario	Exposure (in EUR M) 31/12/2023	% RAF trigger 31/12/2023	RAF trigger	RAF limit
Net Interest Income (NII)	Parallel down	38,31	55%	70,00	80,00
	Parallel up	19,15	0%		
FVOCI market value changes	Parallel down	0,23	0%	60,00	70,00
	Parallel up	5,68	9%		
FVPL market value changes	Parallel down	2,24	0%	20,00	25,00
	Parallel up	5,75	29%		
Earnings	Parallel down	28,94	22%	130,00	150,00
	Parallel up	14,59	0%		

The 2023 NII sensitivity decreased significantly driven by the remedial actions considered to decrease the negative impact for the scenario "Down" that started in 2022 and continued in 2023 (e.g., unwind of asset swap hedges, new cash flow hedge on floating rate notes, fair value hedge on long term deposits).

In addition to the parallel shocks, the Bank complements its stress testing on NII with stress on competitive components (e.g., decrease of the margin on mortgage loans) and behavioural components (e.g., changes in non-maturing deposit (NMD) product mix) based on empirical studies.

FREQUENCY OF THE CALCULATION

The Bank computes the NII on a quarterly basis for the next 12 months. The results are presented to the ALCO and the Management Body through the Risk Dashboard.

4.4.3. Products specificities

4.4.3.1. Modelling of non-maturing deposits (NMD)

BIL developed a model that reflects the principles stated in the IRRBB and CSRBB BIL documentation and EBA guidelines. The model covers customer's current, savings and notice accounts (in EUR and USD) of BIL Luxembourg for a balance of EUR 11.9 billion of deposits modelled as at 31 December 2023. The dataset is built at account level, on a monthly basis with historical dataset starting from January 2009. Data collection encompasses qualitative and quantitative variables.

The modelling elements of core deposits are defined as stable deposits minus the portion of deposits that were considered as highly rate-sensitive, less a conservative haircut for model risk. Stable deposits are instead obtained using a Value-at-Risk approach, with an NMD volatility based on the absolute value of historical VaR.

Core deposits volume determination has been modified to take the level of the client rates into account. More specifically, the core deposits volume sensitivity has been explained with respect to the spread between market interest rates and the client rates.

During 2023, following the sharp increase of interest rates, several tactical adjustments were deployed in order to improve the model:

- Excessive conservatism in the sensitivity estimation was removed,
- A trend component was included on the core determination formula,
- The regulatory caps on core ratios were removed.

4.4.3.2. Adjustable-rate loans

Adjustable-rate loans, which are discretionary rate instruments, are replicated with a 3-month repricing profile, assumption supported by a qualitative and quantitative empirical analysis.

4.4.3.3. Loan commitments

The fixed-rate mortgage loan commitments are included in the EVE calculation, based on a time to draw time of 1 month, a maturity profile derived from the new production observed during the last 6 months and the following pull-through rates:

- 100% for offers that have been accepted by the clients;
- A conditional rate for offers that have not yet been accepted by the clients: 0% in a scenario with a decrease of long-term rates and 100% in the other scenarios.

4.4.3.4. Automatic option (floor)

The contractual floors are considered in the EVE and NII calculation and concerns floating rate notes (assets and liabilities) and commercial loans.

4.4.3.5. Prepayment

The developed model consists in fitting a curve based on lifetime CPR estimated by vintage. In other words, loans are grouped by origination date and the cumulative prepayment rate is calculated based on the observed prepayments after origination. In Q4-2023, the back-testing of the model was undertaken. The back-testing showed that the model was not forecasting the prepayments accurately. The main reason was the change in the interest environment which resulted in a decrease of the prepayments. The model was hence recalibrated, including an amendment of the model: the modelling dataset has been split in two, the first dataset running until 2021 (i.e., before the increase of the interest rates) and the second starting from 2021. The back-testing and this amendment of the methodology are under review by Internal Validation.

4.4.4. IRRBB Stress scenario

In addition to the supervisory outlier stress test and the pre-defined BCBS / EBA scenario, the Bank defined a set of expert scenarios to stress the earnings risk and the EVE.

4.4.4.1. EVE: IR scenario for the supervisory outlier test

The supervisory outlier test is defined as follows[23]:

- Sudden parallel +/- 200 basis point shift of the yield curve;
- BCBS standardised scenarios, capturing parallel and nonparallel gap risk:
  - Parallel shock up;
  - Parallel shock down;
  - Short rates shock up;
  - Short rates shock down;
  - Steepener shock;
  - Flattener shock.

The following principles are applied to each scenario:

- The shock is applied by deal (or position) and the result is first aggregated by tenor and then by currency;
- The shocks are applied for each material currency;
- The floor is applied for each material currency starting with 100 bp for the overnight maturity and an increase by 5 bp per year (eventually reaching a floor of 0% for maturities of 20 years and more).

When calculating the aggregated EVE change for each shock scenario, the Bank adds together any negative and positive changes occurring in each currency. Positive changes are weighted by a factor of 50%.

Term	SOT Parallel Up			SOT Parallel Down			SOT Steepener			SOT Flattener			SOT Short Rate Negative			SOT Short Rate Positive		
	EUR	USD	CHF	EUR	USD	CHF	EUR	USD	CHF	EUR	USD	CHF	EUR	USD	CHF	EUR	USD	CHF
1M	200	200	100	-200	-200	-100	-157	-188	-94	195	233	116	-245	-294	-147	245	294	147
3M	200	200	200	-200	-200	-100	-147	-175	-86	184	220	109	-235	-282	-141	235	282	141
6M	200	200	100	-200	-200	-100	-133	-156	-75	169	201	99	-221	-265	-132	221	265	132
1Y	200	200	100	-200	-200	-100	-107	-122	-56	142	167	80	-195	-234	-117	195	234	117
2Y	200	200	100	-200	-200	-100	-63	-65	-24	98	110	49	-152	-182	-91	152	182	91
3Y	200	200	100	-200	-200	-100	-29	-21	1	63	66	25	-118	-142	-71	118	142	71
4Y	200	200	100	-200	-200	-100	-3	14	21	36	31	6	-92	-110	-55	92	110	55
5Y	200	200	100	-200	-200	-100	18	40	36	14	5	-8	-72	-86	-43	72	86	43
6Y	200	200	100	-200	-200	-100	34	61	48	-2	-16	-20	-56	-67	-33	56	67	33
7Y	200	200	100	-200	-200	-100	46	78	57	-15	-33	-29	-43	-52	-26	43	52	26
8Y	200	200	100	-200	-200	-100	56	90	65	-25	-45	-36	-34	-41	-20	34	41	20
9Y	200	200	100	-200	-200	-100	63	100	70	-33	-55	41	-26	-32	-16	26	32	16
10Y	200	200	100	-200	-200	-100	69	108	75	-39	-63	-45	-21	-25	-12	21	25	12
15Y	200	200	100	-200	-200	-100	84	127	86	-54	-82	-56	-6	-7	-4	6	7	4
20Y	200	200	100	-200	-200	-100	88	133	89	-58	-88	-59	-2	-2	-1	2	2	1
25Y	200	200	100	-200	-200	-100	90	134	90	-59	-89	-60	0	-1	0	0	1	0

23. According to paragraph 113 and 115 EBA/GL/2018/02

4.4.4.2. EVE: IR internal expert scenarios

In addition to the regulatory IR scenarios, the Bank computes +100 bp sensitivities, applies one historical scenario and defines one non-standard scenario specific to BIL that is more related to the Bank's balance sheet characteristics.

Those scenarios are applied for the EVE Measure and are defined as follows:

- The sudden parallel shocks are defined in accordance with the table displayed below and are applied to all yield curves;
- The IR shocks are not floored;
- When calculating the aggregated EVE change for each shock scenario, the Bank adds together any negative and positive changes occurring in each currency.

The following table displays the sudden shocks applied for each internal expert scenario:

Term	Prospective scenario			Historical scenario			Sensitivies	
	Stagflation			Financial Crisis 2008			-100bp	+100bp
	EUR	USD	CHF	EUR	USD	CHF	All	All
1M	131	-230	131	-240	-530	-240	-100	100
3M	125	-207	125	-244	-486	-244	-100	100
6M	150	-145	150	-242	-421	-242	-100	100
1Y	160	-75	160	-240	-290	-240	-100	100
2Y	195	-10	195	-223	-265	-223	-100	100
3Y	225	75	225	-205	-240	-205	-100	100
4Y	185	105	185	-188	-215	-188	-100	100
5Y	130	115	130	-170	-190	-170	-100	100
6Y	124	112	124	-154	-189	-154	-100	100
7Y	118	109	118	-138	-188	-138	-100	100
8Y	112	106	112	-122	-187	-122	-100	100
9Y	106	103	106	-106	-186	-100	-100	100
10Y	100	100	100	-90	-185	-90	-100	100
15Y	85	100	85	-90	-185	-90	-100	100
20Y	70	100	70	-90	-185	-90	-100	100
25Y	70	100	70	-90	-185	-90	-100	100

4.4.5. IRRBB Outcomes

The outcomes of the supervisory shocks' scenarios are displayed in the below table, and further detailed in the two following sections "4.4.5.1 EVE Outcomes" and "4.4.5.2 NII Outcomes".

TEMPLATE EU IRRBB1 - INTEREST RATE RISKS OF NON-TRADING BOOK ACTIVITIES

Supervisory shock scenarios (In EUR million)		Changes of the economic value of equity		Changes of the net interest income	
		Current period	Last period	Current period	Last period
1	Parallel up	-82.16	-49.2	19.2	78.7
2	Parallel down	9.14	10.8	-38.3	-78.6
3	Steepener	-10.23	-60.8		
4	Flattener	0.64	30.9		
5	Short rates up	-25.82	24		
6	Short rates down	-7.61	-50.4		

4.4.5.1. EVE Outcomes

The results of the **+200/-200 bp scenarios (EBA/GL/2018/02 -Article 113)** are disclosed below:

SOT (+/- 200bp)	31/12/2023 In EUR million					
	TOTAL	Regulatory limit	Internal limit	EUR	USD	CHF
Δ Economic Value of Equity under a Parallel Shock Down	5,16	-429	-180	116,49	-42,77	-10,32
Δ Economic Value of Equity under a Parallel Shock Up	-81,29			-100,89	36,87	2,32

The parallel shock up shows a result of EUR -81.29 million, of which:

- EUR -100.89 million for the EUR;
- EUR 36.87 million EUR for the USD;
- EUR 2.32 million for the CHF.

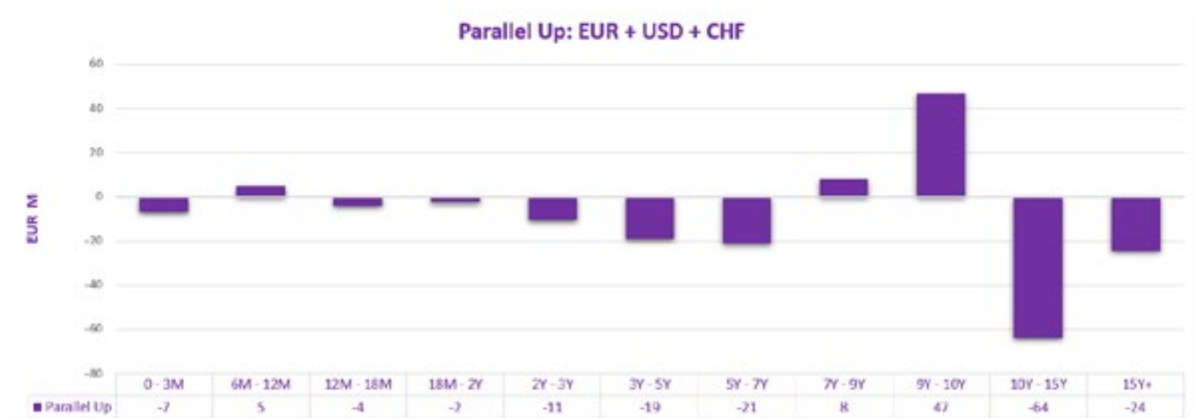
The impacts for the EUR are mainly driven by the fixed rate mortgage loans at the long term.

The results of the **BCBS standardised scenarios (EBA/GL/2018/02 – Article 114)** are disclosed below:

SOT (BCBS SCENARIOS)	31/12/2023 In EUR million					
	TOTAL	Internal limit	Internal trigger	EUR	USD	CHF
Parallel Down	9,14	-180	-148	116,49	-42,77	-6,34
Parallel Up	-82,16			-101,16	36,87	1,12
Short Rate shock down	-7,61			22,75	-16,34	-2,63
Short Rate shock up	-25,82			-34,86	15,57	2,52
Steepener	-10,23			-12,34	8,60	-2,19
Flattener	0,64			2,72	-0,57	-0,15

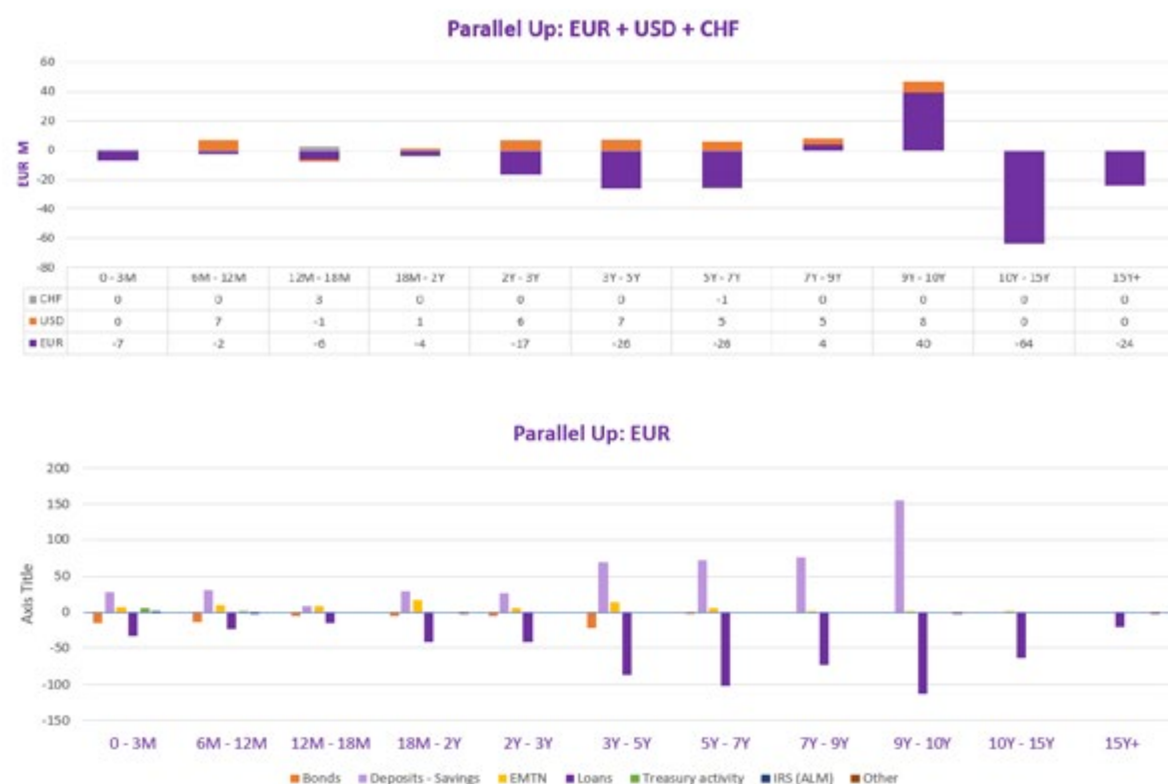
The BCBS parallel up appears as the most adverse scenario (EUR -82.16 million). No trigger or limit was breached in 2023.

The chart below details the distribution of the BCBS parallel up for all currencies by bucket as at 31 December 2023.



The negative impact is generated by the long-term asset exposure (induced by the fixed rate mortgage loans).

Parallel Up scenario results by currency:



The results of the **internal scenarios** are disclosed below:

Internal scenarios	31/12/2023 In EUR million	
	Financial crisis 2008	Stagflation
EVE impact	31.8	-48.1
Trigger	-148	
Internal limit	-180	

The table below presents the results for the three currencies that are material for BIL. The EUR remains the main contributor of the results and the main factor of variation between 2022 and 2023.

	2022		2023	
EUR million	-200bp	+200bp	BCBS DOWN	BCBS UP
EUR	-67	67	-23	11
USD	-10	10	-14	7
CHF	-2	2	-2	1

4.4.5.2. NII Outcomes

Measure	Scenario	Exposure (in EUR M) 31/12/2023	% RAF trigger 31/12/2023	RAF trigger	RAF limit
Net Interest Income (NII)	Parallel down	38,31	55%	70,00	80,00
	Parallel up	19,15	0%		
FVOCI market value changes	Parallel down	0,23	0%	60,00	70,00
	Parallel up	5,68	9%		
FVPL market value changes	Parallel down	2,24	0%	20,00	25,00
	Parallel up	5,75	29%		
Earnings	Parallel down	28,94	22%	130,00	150,00
	Parallel up	14,59	0%		

The 2023 NII sensitivity decreased significantly for the scenario down driven by the remedial actions considered to decrease the negative impact for the scenario down that started in 2022 and continued in 2023.

4.5. Credit Spread Risk in the Banking Book (CSRBB)

The Credit Spread Risk in the Banking Book (CSRBB) is the risk driven by changes in credit spreads, while assuming the same level of creditworthiness, that affects the value of credit spread sensitive instruments in the banking book.

The CSRBB perimeter should not deviate from the IRRBB perimeter unless it is proven that some positions are not sensitive to Credit Spread Risk. In this respect, the Bank has adopted a product-by-product analysis based on criteria such as market liquidity or pricing practices to determine the credit spread sensitive instruments.

According to the last assessment, the balance sheet items included in the CSRBB perimeter are the following:

- The debt securities investment portfolio, irrespective of the accounting classification (i.e., HTC and HTCS positions), composed of market liquid instruments;
- The European Private Placements (EURO PP) portfolio, composed of less liquid instruments for which market prices exist and depend on the credit assessment of the counterparty;
- The debt securities issued, composed of less liquid instruments, for which the credit spread component depends on the Bank's funding cost evolution, which is derived from similar market liquid instruments (liquid debt securities issued by banks).

The credit spread strategy is defined mainly in relation with the Investment Portfolio strategy defined in the financial plan, enabling the generation of a credit spread margin, and integrates a forward-looking analysis of the macroeconomic environment and market expectations.

The CSR resulting from the credit spread strategy is steered via internal limits on credit spread earnings and EV sensitivity.

	31/12/2023		
	Trigger*	Limit*	% RAF trigger
CSRBB EV (+1bp)	- 4.500.000	- 5.500.000	**85%**
CSRBB Earnings (+1bp)	- 400.000	- 500.000	**18%**

The Bank monitors its exposure to CSRBB in terms of potential changes to both earnings and economic value.

4.5.1 Monitoring of Economic Value (EV)

The general principles applied for the calculation of the CSRBB EV are aligned with the methodology used within the IRRBB framework. The specificities of the CSRBB EV measure are the following:

- The scenario is an instantaneous shock to the current credit spreads (tightening or widening of the relevant instruments credit spreads);
- The change in present value does not include the rate repricing of principal;
- The interest payments include all the applicable margins (full coupon);
- The discount factors are based on a risk-free yield curve plus the current credit spread.
- The deterioration of the institution's credit quality should not have any positive impact on the EV measure.

4.5.2 Monitoring of earnings and Net Interest Income (NII)

The general principles applied for the calculation of the CSRBB earnings are aligned with the methodology used within the IRRBB framework. The specificities of the CSRRB earnings measure are the following:

- The scenario is an instantaneous shock to the current credit spreads (tightening or widening of the relevant instruments credit spreads), which applies when the cash flows are replaced;
- The earnings measure is calculated assuming a constant balance sheet, where only maturing cash flows are replaced by new cash flows with identical features (in other words, the CSRBB measure is based on a liquidity maturity schedule whereas the IRRBB measure is based on an interest rate maturity schedule);
- The earnings measure is computed on a more granular level (deal by deal);
- The computation of the earnings measure is not based on forward rates;The deterioration of the institution's credit quality should not have any positive impact on the earnings measure.

4.5.3 CSRBB Stress Tests

The outcomes of the stress tests are displayed below.

Portfolio ID	Entity	Sum of Nominal CTV	CSRBB EV CS01	CSRBB FVOCI CS01	CSRBB NII CS01	CSRBB Earnings CS01
Investment Portfolio		**8.787.443.469**	**-3.731.925**	**-93.120**	**88.748**	**-4.371**
	BIL Luxembourg	8.614.624.895	-3.724.450	-93.120	77.666	-15.454
	BIL Switzerland	172.818.575	-7475	0	11.083	11.083
EURO PP		**330.000.000**	**-72.518**	**0**	**3.286**	**3.286**
	BIL Luxembourg	263.400.000	-60.214	0	3.286	3.286
	BIL Switzerland	66.600.000	-12.304	0	0	0
Debt securities issued		**5.452.760.270**	**0**	**0**	**-72.825**	**-72.825**
Grand Total	23.00	1.84	17.26	1.38	17.26	1.38

4.6. Assessment of the regulatory capital requirement

BIL no longer applies the internal VaR model to calculate its regulatory capital requirement for general interest rate risk and currency risk within trading activities.

From 2013 onward, all market risks are treated under the Basel III standardised approach. The table below presents the Bank's regulatory capital required broken down by risk type for both year-end 2022 and 2023.

	2021		2022	
	RWAs	Capital requirements	RWAs	Capital requirements
OUTRIGHT PRODUCTS				
Interest rate risk (general and specific)	8	1	15	1
Equity risk (general and specific)	-	-	0	0
Foreign exchange risk	9	1	10	1
Commodity risk				
OPTIONS				
Simplified approach				
Delta-plus method				
Scenario approach				
Securitisation (specific risk)				
Total	**17**	**1**	**24**	**2**

05. Operational risk

Operational Risk

Operational risks are risks of losses due to breaches, errors, interruptions, and/or damages caused by inadequate and/or failure from internal processes, people, systems or external events. The definition provided in Basel II also includes legal risk as part of operational risks.

5.1. Operational risk governance

5.1.1. Organisation

Please refer to section "1.2.1 Organisation" of this report.

5.1.2. Operational Risk Policy and committees

BIL Group's Operational Risk Management (ORM) framework relies on strong governance, with clearly defined roles and responsibilities.

ORM POLICY

In 2023, the processes supporting the Operational Risk Policy was reviewed. This resulted in the creation of a comprehensive Operational Risk Management Framework (ORMF) which replaces the existing policy.

The ORMF sets out the processes, tools and organisational arrangements that ensure material operational risks facing the Bank are identified and understood. It provides assurance that appropriate responses are put in place to protect BIL and prevent detriment to its clients, employees, or the community, enabling the Bank to meet its goals, while enhancing its ability to respond to new ideas and opportunities.

It should be noted that the management of the Bank's ORMF also includes the transfer of part of the financial consequences of certain risks, through the Bank's insurance programme.

COMMITTEES

BIL's ORMF relies on strong governance, with clearly defined roles and responsibilities.

The following committees are responsible for operational risk at BIL:

- The Internal Control Committee (ICC), a management committee with delegated powers from the Management Board that is (i) responsible for strengthening cooperation between the three lines of defence functions through coordination of the activities of each Internal Control function and (ii) taking decisions on cross-cutting issues related to Internal Control. The main topics discussed include:
  - Internal audit matters (mainly audit reports, follow-up of recommendations, activity reports, audit plan);
  - Compliance matters (mainly compliance activity reports, compliance action plan, compliance visit reports);
  - ORM matters (mainly reporting on major risks, incidents);
  - Any other matters relating to Internal control (at BIL and its entities).
- Group Operational Risk Management Committee
- To implement the ORMF and related procedures, including a forum to evaluate the Group Operational Risk Profile in a consistent fashion, a complete revision to the Group Operational Risk Management Committee (GORMC) took place in Q3-2023. The revised GORMC is now responsible for monitoring the level of adoption of the ORMF, escalating operational risks outside BIL's approved risk appetite and finally to provide operational risk assurance through BIL's CRO to the BRC. The GORMC brings together the individuals who have direct or indirect influence over Operational Risk, using BILs Taxonomy. These individuals are qualified through their expertise or position at BIL to be able to provide credible challenge to BIL's operational risk profile, on a quarterly basis.
- The New Product Committee (NPC) is a multidisciplinary management committee with delegated powers from the Management Board, and is responsible for new products, services and markets based on proposals from all of the Bank's business areas, including the Innovation and Digital Forum. The Committee also checks the relevance of the underlying business case against the Bank's strategy. The Head of BIL's Financial Markets business line acts as the chair and, the deputy CRO acts as a member for risk matters.
- The Monthly Operational Committee (MOC) under the responsibility of the Financial Markets business line, and with the participation of ORM, supervises BIL's financial markets projects and operational risks, takes decisions to address day-to-day issues and monitors other risks related to Luxembourg's financial markets activities.
- The Compliance, Audit and Risk Committee (CARco) meets quarterly to cover aspects of compliance, audit, and risk between BIL and its main IT provider. It comprises the BIL Data Protection Officer, BIL Head of Audit, BIL Head of Operational Risk Management and BIL Chief Information Security Officer and their equivalents from the Bank's main IT provider.
- The ICT & Security Risks Committee (ISRC) is mandated by the Management Board (please refer to the ICT section).
- •he Crisis Committee (CC) is composed of the Management Board members and can decide to set up an Operational Crisis Committee (OCC), composed of different members of the functions required to manage the crisis. Depending on the nature of the crisis, this OCC is complemented by the heads of the entities concerned.

5.1.3 Risk reporting

The main internal reporting on Operational Risks is the following:

Report	Freq	Topics covered by internal report	Recipients	Scope
Quarterly ORM Report	Q	Incidents: statistics data, detailed information on incidents, KRI Actions, RCSA update, specific operational topics	Management Committee (ICC)	Group
Annual RCSA	Y	Report on risks evaluations /assessment from the annual RCSA exercise		
Actions	Q	Follow up of all action plan		
ORM (Risk Dashboard)	Q	Focus on ORM topics: Incidents, RCSA, KRI	Board of directors Committee (BRC)	Group
Weekly Incident Review	W	Report on IT incidents with a high or critical rating and follow up on related actions	Head of Operational Risk / CISO	Group

Q=Quarterly / Y=Yearly / H=Half-yearly / M= Monthly / W= Weekly

Among the external reporting realised by ORM, there is:

- The main one which is dedicated to operational losses on incidents (Corep C17) and produced semi-annually;
- Basel III QIS, which is a qualitative assessment to collect data on incidents and produced semi-annually;
- Reporting on the Operational & Security Risks linked to payment service providers (PSD II regulation) and produced annually.

5.1.4. Risk measurement

The operational risk framework is based on the following elements:

- To manage operational risks such that these remain within BIL's approved Risk Appetite Statement;
- To minimise the impact of events suffered in the normal course of business, including financial, client or employee implications;
- To avoid or reduce the likelihood or impact of an extreme event that could materially impact the Bank, its stakeholders, or its reputation;
- To calculate and retain appropriate operational risk capital to safeguard the viability of the Bank;
- To improve the effective management of the Bank and strengthen its brand and external reputation.

OPERATIONAL RISK EVENT DATA COLLECTION

According to the Basel Committee, the systematic recording and monitoring of operational incidents is a fundamental aspect of risk management: "Historical data on banking losses may provide significant information for assessing the Bank's operational risk exposure and establishing a policy to limit/ manage risk".

Regardless of the approach used to calculate the capital, data collection is required. Having a relevant procedure in place allows BIL to comply with the Basel Committee's requirements. Recording incidents provides information used to improve the internal control system and determine the Bank's operational risk profile.

OPERATIONAL RISK RWA

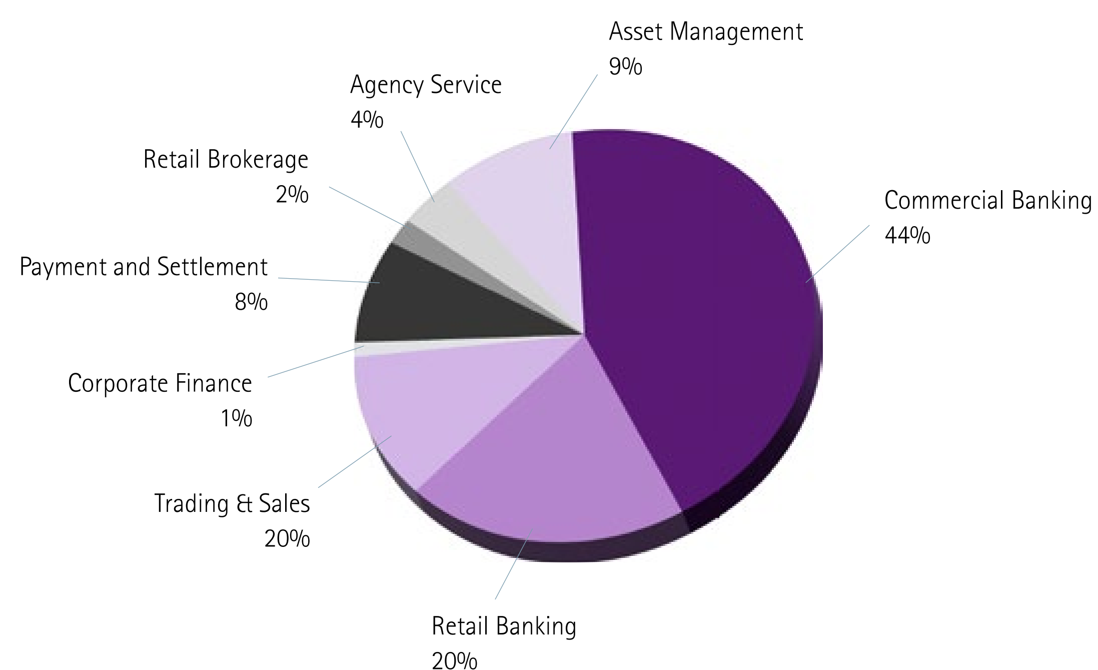
BIL group applies the standardised approach to calculate the regulatory capital requirements for operational risk. This approach consists of applying a percentage (called the "beta factor", ranging from 12% to 18%) to an appropriate activity indicator, calculated for each of the eight business lines defined by the Basel Committee (i.e., corporate finance, commercial banking, retail banking, trading and sales, asset management, agency services, retail brokerage, payment and settlement).

The relevant indicator is defined by the regulator and is based on the operational results of the underlying business lines, using an average over the past three years. The calculation is updated at the end of each year.

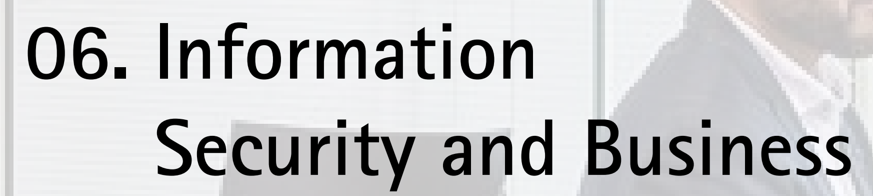
The table below provides details on the computation of the regulatory capital requirements as at year-end 2022 and 2023.

Banking activities (EUR million)	Beta Factor	P&L	Capital Requirements 2022	Capital Requirements 2021
Commercial Banking	15%	327.7	49.2	24.0
Retail Banking	12%	185.1	22.2	24.6
Trading and sales	18%	77.6	14.0	11.1
Corporate Finance	18%	5.7	1.0	1.3
Payment and Settlement	18%	50.3	9.1	8.9
Retail Brokerage	12%	19.6	2.3	1.5
Agency Services	15%	26.6	4.0	4.4
Asset Management	12%	81.0	9.7	10.8
TOTAL		**773.6**	**111.5**	**86.6**

The chart below presents the breakdown by business lines (according to Basel definitions) of the capital requirements for operational risk as at 31 December 2023.



	Banking activities (In EUR million)	a	b	c	d	e
		Relevant indicator			Own funds requirements	Risk exposure amount
		Year-3	Year-2	Last year		
1	Banking activities subject to basic indicator approach (BIA)					
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	562.90	615.45	773.63	92.28	1,153.60
3	Subject to TSA:	562.90	615.45	773.63		
4	Subject to ASA:					
5	Banking activities subject to advanced measurement approaches AMA					



06. Information Security and Business

Information Security and Business

The Information Security Business Continuity unit is responsible for managing ICT and security risks, including preserving the confidentiality, integrity and availability of BIL information and information system. The unit analyses the risks to which BIL's information is exposed and define the IT and security objectives that must be reached to reduce these risks to an acceptable level. They control the implementation and effectiveness of the IT and security measures deployed to reach these objectives.

6.1. Information Security governance

6.1.1. Organisation

Please refer to section "1.2.1 Organisation" of this report.

6.1.2. Policies and committees

POLICIES

The ICT & Security Risk Management charter frames the management of ICT and security risks, and in particular defines:

- The objective and scope of ICT & Security risk management;
- The high-level operating model as well as roles and responsibilities across multiple lines of defence;
- The requirements for an ICT & Security risk management process for identifying, evaluating and handling these risks;
- The requirements for ICT & Security risk reporting that includes an annual report to the Board Risk Committee and the Board of Directors.

Annual presentation on ICT & Security risks is performed to the BRC.

The Business Continuity Management and Crisis Management charter defines the objectives, methodology and governance to ensure the continuity of the critical activities.

COMMITTEES

- **The ICT & Security Risks** are handled by the ICT & Security Risks Committee (ISRC). The ISRC is mandated by the Management Board to:
  - Oversee the ICT & Security risks (as defined in the ICT & Security Risk Management charter) linked to BIL's use of information technologies and that of its subsidiaries;
  - Oversee the ICT & Security controls in place to mitigate the ICT & Security risks;
  - Take a position on the risks its members have identified and analysed in order to provide adequate protection for BIL's Information and IT assets;
  - Monitor ICT and Security incidents;
  - Analyse that the implementation and the support of a global Business Continuity Plan respects the strategy defined by the BIL Management Board.
- **The Crisis Committee (CC)** is composed of the Management Board members and can decide to set up an Operational Crisis Committee (OCC), composed of different members of the functions required to manage the crisis. Depending on the nature of the crisis, this OCC is complemented by the heads of the entities concerned.

6.1.3. Risk reporting

The main reporting on ICT & Security risks are the following:

Report	Freq	Topics covered by internal report	Recipients	Scope
ICT & Security Risks Dashboard	B	High or Very High Risks identified in the period, if any	Internal Management Committee (ICT & Security Risk Committee)	Group
PSD2 risks report	Y	Mandatory report on Operational and Information Security risks on payment services	Internal Management Committee (ICT & Security Risk Committee) CSSF	Group
ICT & Security Risk Management Annual update	Group	ICT & Security Risk annual status	BRC & BoD	Group

Y=Yearly / / B= Every two months

6.1.4. Risk measurement

Security Risk assessment and mitigation

The ICT & Security risk assessment process of BIL is composed of the following high-level activities:

- Risk identification;
- Risk analysis;
- Risk evaluation.

In order to mitigate the ICT & Security risks faced by BIL, a comprehensive repository of control baselines has been established.

Risk analysis consists of identifying and measuring the controls in place that allow the Bank to address the vulnerabilities, thereby reducing the risk.

Risk evaluation is a computation of:

- The impact in case of availability, confidentiality or integrity loss;
- The likelihood of the threats;
- The coverage of vulnerabilities by security controls.

The output of the risk evaluation is a score representing the residual risk for the Bank taking into account the mitigation measures in place.

Definition and follow-up of action plans

All risks are subject to one or more of the following treatment actions:

- Acceptation: The risk is knowingly accepted as is and no further remediation is taken;
- Transfer: The risk is transferred to a third party (e.g., insurance);
- Avoidance: The activity or condition that gives rise to the risk is avoided. In that case, the risk no longer exists;
- Mitigation: Remediation controls are implemented to reduce the likelihood and/or the impact of the risk.

The implementation of the treatment plans is monitored and reported to the ICT & Security Risk Committee.

07. Remuneration Charter and practices

Remuneration Charter and practices

7.1. Key pillars

The latest version of BIL's Remuneration Charter (the "Charter") was reviewed and approved by the BoD in March 2024. It is applicable to all entities of BIL Group.

To both reflect BIL Group's core values and comply with the regulatory requirements in terms of remuneration policies and principles, the Charter has been defined around the following pillars:

- **MAINTAIN A SOUND AND EFFECTIVE RISK MANAGEMENT FRAMEWORK**

The Charter and its associated practices aim at defining the remuneration within BIL Group with a view to protect the interests of BIL Group's clients, providers, employees, shareholders as well as BIL Group's financial sustainability in a long-term perspective.

The Charter is also designed to support the Bank in achieving and maintaining a sound capital base.

The Charter is consistent with and promotes sound and effective risk management and does not induce excessive risk-taking. It is fully aligned with BIL Group's aim to efficiently manage conflicts of interests and promote best banking industry practices.

- **ATTRACT AND RETAIN TALENT WITH COMPETITIVE REMUNERATION PACKAGES**

Client satisfaction and protection remain at the heart of the philosophy of BIL Group. BIL Group wishes to attract, retain and motivate highly qualified professionals in their respective domains. Therefore, BIL Group offers remuneration packages that, while in line with market practices and ESG considerations, are attractive and competitive, both in terms of amounts and structure and are gender neutral.

The remuneration components granted by BIL Group to its staff are regularly benchmarked through market studies performed by experts or external consultants, in order to verify the positioning of its remuneration packages in comparison to any given reference market. The remuneration analyses may be carried out at local or international level and aim to provide a benchmark of BIL Group's position against comparable financial institutions.

By decision of the BoD, ad hoc measures may be envisaged in certain entities of BIL Group when significant distortions are observed, with a view to enable BIL Group to attract the talent it needs and keep those already in position. Although remuneration must be kept attractive, it must respect the budgetary framework set by the BoD and not jeopardise the financial situation of BIL Group.

- **PRIMACY OF CLIENTS' INTERESTS**

Clients have to be treated fairly and their interests are not impaired by the remuneration practices, BIL Group does not remunerate or assess the performance of its staff in a way that conflicts with its duty to act in the best interest of its clients.

In the same way, no arrangement should be made that could provide an incentive to recommend a particular product to a customer when a different product would better meet the client's needs.

- **LINK BETWEEN PERFORMANCE AND REMUNERATION**

Variable remuneration is part of the standard compensation package offered by BIL Group. To protect the interests of all stakeholders and encourage responsible business conducts, variable remuneration must be aligned with short-, medium- and long-term collective and individual performance. Effective performance is therefore subject to strict assessment rules that primarily aim at preventing excessive risk-taking behaviour. This is why the BIL Group Remuneration Charter takes into ac- count the main outcomes of the ICLAAP. Moreover, and more generally, BIL Group does not reward failure.

Remuneration and similar incentives shall not be solely or predominantly based on quantitative commercial criteria and shall take into account appropriate qualitative criteria reflecting compliance, the fair treatment of clients and the quality of services provided to clients. A balance between fixed and variable components of remuneration shall be maintained at all times, so that the remuneration structure does not favour the interests of BIL Group against the interests of clients.

- **COMPLY WITH THE REGULATORY FRAMEWORK**

The Charter complies with the requirements on remuneration policy and practices in the financial sector that have been defined by applicable and mandatory laws and regulations. The Charter implements requirements relating to the CRD IV and CRD V principles transposed into Luxembourg national legislation under the law of 5 April 1993 on the financial sector "LFS".

- **FOSTER TRANSPARENCY**

Transparency is a keystone of the Charter. Detailed information on the Charter's rules and practices is made available both internally and externally in order to aim that employees as well as stakeholders are timely and accurately informed about BIL Group's Remuneration Charter.

- **FOSTER ESG**

ESG considerations are embedded throughout the organisation and all employees are sensitized and encouraged to uphold BIL's sustainability initiatives. In line with ECB requirements, ESG objectives have been defined for most of the Bank's departments and are progressively cascaded down. In line with SFDR regulation the consideration of ESG risks have been integrated in the investment processing. Appropriate ESG criteria and metrics are linked to the remuneration framework for all people managers and specific functions.

Gender neutrality is part of the ESG considerations. The Remuneration Charter is set up with a view that gender neutrality and equal pay between men and women are upheld at every level of the organisation.

BIL will monitor and benchmark equal pay between men and women, country-by-country, both overall and by categories. This includes Identified Staff, members of the BoD (executive and non-executives) and other staff.

- **ENSURE GROUP CONSISTENCY**

BIL Group Remuneration Charter is applicable to all BIL entities (including subsidiaries, branches, and representation offices) in Luxembourg and abroad. In order to reach consistency throughout the group, all entities of BIL Group are requested to examine the conformity of the Charter versus local specific rules and regulations. Should mandatory specific local rules apply, local entities must adapt the Charter accordingly. Should local regulations provide stricter rules, the latter shall prevail.

BIL Group regularly carries out internal audits across the various entities to verify their compliance with the Charter.

7.2. Determination of Identified Staff and Exclusions

BIL performs, at least on an annual basis, a detailed analysis in order to identify those staff members who, at Group level, have a material impact on BIL Group's risk profile (hereafter referred to as the "Identified Staff").

BIL Group applies the guidance provided by the EBA when determining the Identified Staff. The list of Identified Staff is established every year based on the analysis of job functions and responsibilities according to the following governance:

1. Each entity is requested to identify staff members who meet the Identified Staff criteria and definition. This analysis is made based on the basis of:

- The qualitative and quantitative criteria detailed in the Commission Delegated Regulation EU 2021/923 on the identification of categories of staff whose professional activities have a material impact on an institution's risk profile and, whenever appropriate;
- The specific definition set forth in the context of AIFMD.

2. The analysis is combined into a consolidated Identified Staff list which is assessed at Group level during an ad hoc meeting;
3. This annual process is coordinated by Human Resources (HR) in close collaboration with Risk Management, Compliance, Audit and Secretary General Office departments;
4. The final consolidated list is reviewed by the Board Remuneration and Nominations Committee (BRNC-N) and subsequently recommended to the BoD for decision.

Moreover, as foreseen by CRD V and provided that he/she does not have a significant impact on the risk profile of a material business unit or does not belong to a material business unit, BIL may exclude or request to exclude a staff member as Identified Staff despite him/her meeting quantitative remuneration criteria:

- Internal exemption request for staff member with a remuneration between EUR 500,000 and EUR 749,000: The analysis is made at Group level during an ad hoc meeting held with the Internal Control Functions (Risk Management, Compliance and Internal Audit) as well as members of the Legal department, upon presentation of a duly motivated request prepared by the relevant employing entity of the Group. The exemption request is reviewed by the BRNC-N and the BRC and approved by the BoD;
- Following its approval by the BoD, the exemption request is sent out to the regulator.

Proportionality principle at the level of Identified Staff

The Charter applies to all Identified Staff at BIL Group level.

However, as foreseen by the law of 5 April 1993 on the financial sector (as amended), BIL may apply the remuneration requirements in a proportionate way to Identified Staff who have a less material impact on BIL Group's risk profile.

More precisely, BIL shall apply the proportionality principle to Identified Staff who have a less material impact on BIL Group's risk profile and have an annual Variable Remuneration below or equal to EUR 50,000 or that does not represent more than one third of the beneficiary's total annual remuneration.

In this context, the following specific remuneration requirements are neutralised for the Identified Staff for whom the proportionality principle is applied:

- Requirement to pay out a part of the variable remuneration in instruments and, as a consequence, the related instrument retention obligations;

- Requirement to pay out a part of the variable remuneration through a deferral scheme and, de facto, the related ex-post risk adjustment obligations (malus).

7.3. Determination of the “Relevant Persons”

As per Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU, BIL Group identifies and establishes, on a regular and continuous basis, a list of relevant persons. The list is established and yearly reviewed by HR and Compliance Departments.

It is to be noted that, even before the implementation of Directive 2004/39/ CE in 2007, BIL had already adopted and still maintains measures to define appropriate criteria to be used to assess the performance of relevant persons. These measures include the definition of qualitative criteria encouraging the relevant persons to act in the best interest of the client. In addition, organisational measures adopted in the context of the launching of new products or services appropriately take into account the remuneration policies and practices and the risks that these products or services may have in terms of conduct of business and conflicts of interests.

7.4. Performance assessment

7.4.1. Performance management system

7.4.1.1. Main characteristics of the system

The performance management approach at BIL is designed in a way that supports a sound performance culture that highly focuses on employees’ achievements in the spirit of growth mindset to reach BIL’s targets in a sustainable and risk-aware way.

BIL has defined two dimensions against which employees are assessed on a regular basis and at least once a year:

- Performance Objectives which refer to the specific targets the employee has to achieve, so-called the “What”. The “What” can be of different kinds and include a mix of individual, collective, financial and non-financial targets. In any case targets should be described in terms of strategic implication, key performance indicators, expected deliverables. The definition of the success factors, the way it will be measured must be clearly indicated. In order to ensure consistency with the company priorities, goals of the MMB members are agreed and communicated earlier at the beginning of the year and then cascaded through all departments of the bank. In principle, up to five goals are set to each employee and each goal has a certain weight.
- “How” to meet performance objectives: the Bank does not only pay attention to the specific performance achievements the employee has met (What). Employees are also mandatorily assessed against five “How” which reflect the Bank’s values and are identical for each employee, regardless their level or function:
  - Create;
  - Collaborate;
  - Care (that implies fair treatment of clients);
  - Ownership for staff and leadership for managers;
  - Compliance, risk and business ethics.

The setup and assessment of separate behavioural goals, ensure a right balance between qualitative and quantitative criteria and calibrate the performance criteria. The “How” in terms of “Care” notably avoids the use of quantitative commercial criteria that may create conflicts of interest or incentives that may lead the employee to favour his/her own interests or the Bank’s interests to the potential detriment of any client.

The “How” in terms of “Compliance, Risk and Business Ethics” also aims to address potential issues in terms of risk management and compliance, including compliance with the Code of Conduct of the Bank, and three lines of defence principles.

Formalised feedback are implemented through the year-end review as a mandatory process. The process requires managers and employees to record their assessment of goals and appraisal of performance in writing. Each “What” and “How” is evaluated separately with a rating scale based on colour coding and a final overall colour rate is provided by the people manager:

- Purple: the employee is a true role model in this area;
- Green: the employee masters this area correctly;
- Yellow: the employee masters this area partly but still has some attention points to work on ;
- Red: this area is an issue and needs to be addressed.

As far as the “How” is terms of “Compliance, Risk and Business Ethics” is concerned, each Internal Control Function as well as the Legal department gives its feedback and shares potential findings on every employee for the assessment year. HR compiles the findings, ensures their appropriateness and prepares with the employee’s manager the feedback to be given to the concerned employee. Should the Internal Control Functions and Legal Department raise unsatisfactory findings, HR coordinates appropriate actions to be taken with the people manager. These actions are to be aligned with the underlying reasons for underperformance and will range from the setting-up of a dedicated development plan with close follow-up to a change of role or to disciplinary actions including warning letters and / or the adjustment of the variable remuneration level.

In addition to the yearly review process, BIL has implemented various tools and trains its staff and managers on a regular basis in order to encourage an open dialogue and continuous feedback across business lines and hierarchical levels.

7.4.1.2. Link between remuneration and performance

BIL Group aims to attract, retain, and motivate highly qualified professionals. BIL Group offers remuneration packages that, while in line with market practices, are competitive and attractive, both in terms of amount and structure. An important element of the employees’ remuneration packages is the variable component which is strongly linked to the performance of BIL Group, the entity, the department, and the individual. If an employee is eligible for a variable remuneration, the manager confirms that the following criteria are met:

- No gross misconduct/appropriate compliance with policies, internal rules, applicable legal requirements, risks standards and procedures;
- No gross misconduct observation of the BIL Code of Ethics, company’s standards which govern relationship with clients and investors and relationships with internal clients and team members;
- Appropriate performance and behaviour (What and How).

After confirmation that the conditions above are met, managers make a proposal in terms of variable remuneration, increase of fixed remuneration or promotion.

The variable remuneration recommendation is based on a reference amount per Hay Group. Depending on the results of the feedback model, the variable remuneration can be set:

- Above the standard level (120% to 150% of the reference amount);
- At a standard level (80% to 120% of the reference amount);
- Below the standard level (50% to 80% of the reference amount);
- At zero for a poor performance or non-respect of the above-mentioned rules.

The reward exercise is validated during a special ExCo meeting called “Promotion Board”. Moreover, during the Promotion Board, the variable remuneration of all the identified staff is validated.

7.5. Remuneration structure and pay out modalities

7.5.1. Description of the remuneration structure and components

The principles set out below apply to all employees of BIL Group.

However, since BIL Group is active in multiple countries, it sometimes needs to align its practices with the local regulatory framework (e.g., labour, social security and tax laws, codes, rules, circulars issued by the local regulator, etc.) and with local remuneration market practices. Therefore, the structure and components of remuneration packages may slightly differ from one country to another.

The remuneration at BIL Group is structured around two pillars: fixed and variable remuneration.

FIXED REMUNERATION

Base salary:

A portion of the total remuneration periodically received in cash. It remunerates the competencies of the staff members, is based on the role and experience of the staff members and is guaranteed irrespective of their performance. A fixed remuneration may be impacted by a Collective Bargaining Agreement (CBA) and is generally composed of the following elements:

- Monthly salary;
- Additional monthly or annual fixed premium if provided for by the employment contract or by a Collective Bargaining Agreement;
- Mandatory additional premiums provided by a CBA.

Fringe benefits:

All advantages received in kind by an employee in addition to his/her base salary (such as a company car, pension schemes and loans). These benefits are non-discretionary and do not encourage under any circumstance, excessive risk-taking.

These benefits are linked to the employees’ classification in the CBA or internal grading (Hay grading) for executives, as well as the seniority within the BIL Group.

None of these benefits are linked to performance. Fringe benefits depend on each entity’s remuneration structure.

VARIABLE REMUNERATION

A portion of the total remuneration received in cash (or cash and instruments for Identified Staff for whom proportionality cannot be applied) which is entirely at BIL Group entities’ discretion and is determined based on individual and collective, financial and non-financial performance criteria. It enables the interests of the employee to be aligned with those of BIL Group.

A supplementary special program has been set up for Senior Management key members. The Senior Management of BIL may participate to a Long-Term Incentive Plan (LTIP). The beneficiaries are selected discretionarily by the ExCo upon recommendation of BRNC, approved by BoD.

LTIP is a profit-sharing plan based on the issuance of (phantom) certificates which reward Senior Management for the value created over an extended period of 5 plus 1 years. Rewards are based on the value of the institution's equity above a hurdle value of 5% and capped at an absolute maximum value per phantom certificate.

The (phantom) certificates, issued during the year, cannot be accessed, sold, pledged as security or mortgaged in any way during a blocking period and can be redeemed before the expiration date.

Each (phantom) certificate owned by the Holder who is still under employment contract with BIL on a specific date (triggering date) will be valued at its Redemption price per (phantom) certificate. Otherwise, upon termination of employment before the triggering date, each (phantom) certificate will be valued at its Redemption price with penalty per (phantom) certificate.

7.5.2. Staff identified as Material Risk Takers (MRT)

As at 31 December 2023, BIL Group identified 104 Identified Staff.

7.5.3. Variable Remuneration principles & Upper Limits

A Variable Remuneration is allocated to staff members according to:

- The status of the employee (employee/manager/ executive) and his/her job level;
- The appraisal obtained through the performance assessment process on the basis of individual and collective, quantitative and qualitative performance criteria;
- The average presence of the employee during the year.

The proportion of variable remuneration to the fixed remuneration of the Identified Staff depends on the categories of Identified Staff, as well as to the entities or countries where the entities are located.

As a general principle, and as per the CRD IV and the requirements of article 38-6 of the LSF, the variable component shall not exceed 100% of the fixed remuneration. In order to assess the ratio, the fixed remuneration to be taken into account is the one effectively paid over a specific year and the variable remuneration related to the same performance year.

On an exceptional basis, a higher maximum level of the ratio between the fixed and variable components can be decided but will in no case exceed 200% of the fixed component. In such a case, and to comply with the applicable laws, the BoD of each entity, subject to a prior decision by the General Meeting of Shareholders of BIL, will submit to their respective shareholders a detailed recommendation describing the reasons for, and the scope of, the approval sought (including the number of staff concerned, their functions and the expected impact on the requirement to maintain a sound capital base). The shareholders' decision will be taken at the General Meeting.

The procedure for increasing the ratio (including the quorum and voting thresholds) as described in CRD IV, the financial sector legal framework and the EBA Guidelines, are strictly followed. Copies of both the recommendation of the BoD to the shareholders and the shareholders' decision are provided to the regulator.

If one of BIL Group entities is in another EU Member State which has set a lower maximum percentage, the ratios defined in the Remuneration Charter will no longer apply and the local mandatory requirements will be respected.

7.5.4. Variable Remuneration principles for specific categories of staff

7.5.4.1. Non-executive directors in BIL Group entities

The annual General Meeting of the Shareholders of BIL decides each year on the remuneration of the Chairman, Vice-Chairman and the Members of the BoD, including the remuneration of the directors who are members of the specialised Board Committees.

Non-executive directors do not receive variable remuneration. The remuneration of non-executive directors of BIL for the exercise of their mandates, is set by the annual General Meeting of Shareholders of BIL, to the extent permitted pursuant to the applicable rules.

A director of BIL (or of a BIL Group entity) who is an employee of BIL (or of such a BIL Group entity), does not receive any remuneration for the exercise of his/her director mandate, unless such a director represents the staff.

7.5.4.2. Member of the Management Board (MMB) of BIL Group

The remuneration of a MMB is defined by the BoD, upon recommendation of the BRNC in accordance with the internal governance rules. The BRNC may, if the Committee decides so, be assisted by independent external advisers (who are experts in the field of remuneration) and/or by the Risk Management, HR, Compliance, Legal and Tax departments at BIL.

To offer remuneration, which is in line with market practice, the BRNC regularly receives a benchmarking study on the basis of which, if need be, it makes proposals to the BoD to adapt the remuneration conditions of the MMBs, including on the variable components.

In case a MMB receives a remuneration (allowances or attendance fees) for a mandate that he/she exercises in the name of or on behalf of BIL Group, this remuneration is retroceded to BIL Group.

Amount of variable remuneration

At the beginning of the year, objectives are set, and a target bonus is agreed upon.

This target bonus represents a percentage of the fixed remuneration of the MMB. The variable remuneration eventually paid out may be higher or lower than the target bonus and depends on the level of achievement of the objectives.

Variable remuneration is by no means guaranteed, remains discretionary and can be set to zero by the BoD if the BIL Group / business / individual performance targets are not met.

- Drivers of variable remuneration

Variable remuneration is determined on the basis of KPIs of three types, each type being assessed on the basis of quantitative or qualitative, financial or non-financial criteria:

- **GROUP KPIS**

These KPIs are common to all MMBs. BIL Group results determine whether and to what extend the KPIs are met. They are calculated based on of the financial indicators set by the BoD, acting upon recommendation of the BRNC.

- **BUSINESS KPIS**

The business KPIs are analysed individually with respect to the targets which have been set for the MMBs. The performance assessment depends on the manner in which the business or the support line has taken an active part in the achievement of the group targets. The performance assessment includes the monitoring of the risk elements specific to the MMB's activity line.

- **INDIVIDUAL KPIS**

The individual component is analysed separately with respect to the targets which have been set for the MMBs, based on qualitative criteria such as management skills, the manner in which the MMB has participated in the elaboration and/or the implementation of the transformation plan for his/her entity, support line or business line, and compliance with rules, procedures and values of the BIL Group. Below a certain result in the individual assessment, the entire variable remuneration may be set to zero. This decision is made by the BoD, upon the recommendation of the BRNC.

7.5.4.3. Members of Management Boards in BIL Group entities

For members of management boards in a BIL Group entity (other than BIL S.A.), variable remuneration components will depend on business and individual KPIs. In case the performance of the entity is not satisfactory, the BRNC can decide to lower the variable remuneration. The variable remuneration is not always in direct connection with BIL Group's results.

7.5.4.4. Internal Control functions

The performance analysis and the decision on the variable remuneration are performed in all independence for the Internal Control Functions. More precisely, in order to avoid conflicts of interests, the performance indicators in the Internal Control Functions mainly consist of non-financial individual criteria and do not in any case contain financial criteria related to the entities or activities they control.

The performance is assessed based on targets that are mainly qualitative and specific to the Internal Control Functions. Although there is no direct link with BIL Group's results, the variable remuneration is, per se, conditioned by the good results of BIL Group that impact the Bonus Pool.

For the avoidance of doubt, the CRO is appraised taking into consideration the specific KPIs of the Heads of the Internal Control Functions.

The remuneration components of the heads of the Internal Control Functions are defined in accordance with the TOR of the BRNC and decided by the BoD upon the BRNC's recommendation at BIL Group level.

For the variable portion of the remuneration, the appraisal and the objectives for the Heads of the Internal Control Functions are set as follows:

- Prepared by the CEO, and submitted to:
  - ✓ the Chairman of the Board Audit and Compliance Committee (BACC) for the CCO, in accordance with the TOR of the BACC, for his consideration, assessment and further recommendation of the BRNC;
  - ✓ the Chairman of the BRC for the CRO, in accordance with the TOR of the BRC, for assessment and further recommendation of the BRNC.
- Prepared by the Chair of the BACC and submitted for comments to the CEO for the CIA, before assessment and further recommendation of the BRNC.

The Heads of the Internal Control Functions of BIL Luxembourg must give their consent for any significant decisions regarding the remuneration of the Heads of the Internal Control Functions in all BIL Group entities.

7.5.4.5. Identified Staff for whom a Target Bonus Model may be set

Variable remuneration for all other Identified Staff is discretionary.

For some Identified Staff members, a target bonus model may be set in order to condition the pay-out of a bonus to the achievement of certain objectives.

Notwithstanding the setting of the target bonus, the variable remuneration is in no way guaranteed and its pay-out may be set to zero if the Group / business / individual performance targets are not fulfilled.

7.5.4.6. Selected sales functions

For selected sales functions, a formula-based bonus may be set by a BIL Group entity for a determined period. The formula-based approach takes into consideration financial KPI's such as net revenues, net new assets.

An adjustment factor (reducing the formula- based bonus up to zero) may apply if the qualitative criteria are not met. Qualitative criteria for formula-based bonuses are set as follows:

- Observation of the BIL Code of Ethics;
- Compliance with policies issued by BIL, internal rules, applicable legal requirements, the risks standards and procedures of the Bank;
- Proper and on time documentation of clients and transactions;
- Proper ethical behaviour in line with the Bank's standards which govern relationship with clients and investors and relationships with internal clients and team members;
- All key behaviours and key results outlined in the Bank's feedback model.

A dedicated committee called "Variable Remuneration Validation Committee" (composed of the Heads of the Internal Control Functions, the Head of business line and the Global Head of HR) decides on the compliance aspects and pay-out of the formula-based bonuses.

7.5.4.7. Selected categories of staff

BIL Group may set up retention programs for selected categories of staff whose engagement, competencies or potential are important for the Bank to retain in the short, medium or long term.

These retention programs might be dedicated to selected individuals or to groups of individuals and may have different lengths. These retention programs are limited in time and their pay-out may be bound to specific conditions.

The variable remuneration might be paid out in cash or in phantom shares.

7.5.5. Variable remuneration pay-out principles

For employees who are not Identified Staff or who are Identified Staff but under the proportionality principle, variable remuneration (discretionary, target or formula-based bonus) is generally paid out in cash at the end of the 1st quarter of the year following the performance year. As an exception to this principle, any variable remuneration equal or above EUR 100,000 is subject to specific deferral rules, vesting and payment conditions that may vary from one country to another, depending on local market practices.

7.5.5.1. Procedure governing the payment of Variable Remuneration of Identified Staff

The rules described below are applicable to the Identified Staff members for whom the proportionality principle cannot be applied.

General rules for deferral

Variable Remuneration of an Identified Staff member equal or above EUR 50,000 or that represents more than one third of his/her total annual remuneration shall be deferred and paid for 50% under the form of phantom shares, in order to establish a clear link between the Variable Remuneration and the evolution of his/her performance and potential future impact. In that respect, the performance assessment is part of a multi-annual framework, thereby guaranteeing an assessment of long-term performance. As such, payment of a part of the Variable Remuneration is deferred and subject to the fulfilment of conditions described in the following points. The Deferred Part will not be paid out in case these conditions are not met. Upon exit, the beneficiaries can be proposed to receive their deferred pay out under the form of cash profit participation premium provided that specific conditions foreseen by Luxembourg tax law are met.

Calculation of the Deferred Part of the Variable Remuneration

The percentage of Variable Remuneration and the period of deferral for an Identified Staff varies as follows depending on the category of the beneficiary:

Variable remuneration	MMB	Other IS
% Deferred	50%	40%
Min period	5 years	4 years

In any case, 50% of the variable remuneration (immediate portion and deferred portion) is allocated under the form of phantom shares subject to a one-year vesting period. Moreover, the Variable Remuneration is of a particular high amount, the portion of the Variable Remuneration to be deferred will be increased to 60%. Whether the variable component is considered a particular high amount will be determined by reference to the CSSF guidelines once such guidelines will be issued. In the meantime, it must be understood as Variable Remuneration above EUR 1,000,000.

Conditions of vesting and payment of the deferred elements and conditions of payment of variable remuneration

First condition: Any vesting of a deferred Variable Remuneration (in cash or instruments) is subject to a prior analysis of a long-term multi-year performance assessment that is verified and confirmed during the performance assessment review.

BIL Group may reduce part of or all the Variable Remuneration that has not been vested yet in case the sustainability of the performance of the institution as a whole, the entity and/or the staff member is not in line with expectations. As an ex-post risk adjustment measure, Malus will be used to reduce part of or all the deferred remuneration in order to take into account the potential negative underlying performance of BIL Group as a whole, of the BIL Group entity or of the Identified Staff individual.

A Malus shall in principle be applied:

- In case of misbehaviour or serious error by the staff member (e.g., breach of code of conduct or other internal rules, especially concerning risks, failing of misconduct impairing client's interests). If a Malus is applied, all deferred but not yet vested bonus amounts (as well as the bonus amount for the current year) will be reduced in proportion to the severity and impacts of the error / misbehaviour;
- When BIL Group and/or the underlying BIL Group entity suffers a significant downturn in its financial performance. If the performance for the year, assessed at Group and entity level under review is more than 20% lower than those in place when the deferred bonuses were granted, these deferred bonuses will be reduced in proportion to the performance decrease, unless this decrease is fully independent of the strategy employed during the previous years;
- When BIL as a whole and/or the underlying BIL Group entity in which the staff member works suffers a significant failure of risk management. If this is the case, all deferred, but not yet vested, bonus amounts (as well as the bonus amount for the current year) will be reduced in proportion to the severity and impacts of the failure;
- In case of significant changes in the Bank's economic or regulatory capital base;
- In case of regulatory sanctions (e.g., punitive, administrative, disciplinary or otherwise), where the conduct of the Identified Staff member contributed to the sanction.

Second condition: any payment of Variable Remuneration, whether non-deferred or deferred, and whether in cash or Phantom Shares, requires the existence of an active professional relationship.

An active professional relationship means a contract of employment or, as the case may be, a mandate as a director and/or as a member of a management board, with a BIL Group entity that is neither terminated nor under notice of termination (whether initiated by the BIL Group entity or the staff member). For the avoidance of doubt, a relationship that has been subject to a notice of termination (whether initiated by the BIL Group entity or the staff member) but still running until the end of a statutory or contractual notice, counts as inactive, irrespective of whether the staff member is on garden leave or not.

There needs to be an active professional relationship linking the beneficiary to a BIL Group entity on the date of vesting and payment.

Notwithstanding this principle, if the contract is terminated by statutory or early retirement, or on BIL Group's initiative on grounds other than serious misconduct or disciplinary/performance/conduct reasons (including with notice), or by automatic termination of the employment contract in accordance with article L.121-4 of the Labour Code or by death, the beneficiary whose contract is terminated may, nonetheless, remain entitled to the non-deferred and Deferred Parts of his Variable Remuneration. The Deferred Parts of the Variable Remuneration will be settled in line with the original vesting and payment schedule and the principles of this Charter (in particular ex-post risk adjustments).

The non-deferred parts (in cash or instruments) will not be paid and the Deferred Parts of the Variable Remuneration (in cash or instruments) will not be vested in all other scenarios of termination or notice of termination (whether initiated by the BIL Group entity or the staff member) before the payment/vesting, in particular, but not exclusively, if the beneficiary leaves BIL Group voluntarily or if there is a termination on the grounds of serious misconduct disciplinary/performance/conduct reasons (including with notice). Nevertheless, the BoD reserves the right to adopt a more favourable position, on a case-by-case basis, upon recommendation of the BRNC, in accordance with the applicable laws and the BRNC TOR. In such a case, the BRNC may reserve the favourable treatment to compliance with a settlement agreement and/or restrictive covenants.

7.5.5.2 Specific provisions for identified staff

Claw-back

The payment of variable remuneration is based on the premise that, during the period when the Identified Staff member was working within BIL Group, he/she fully observed the law and the regulations specific to the relevant entity as well as the values of BIL Group.

In case fraud is observed after the award of variable remuneration, and in cases where it has been granted on the basis of intentionally erroneous information, the BoD reserves the right to claim back the part of the variable remuneration which might already have been paid, or at least to recover equivalent damages and interest, in cases where BIL might have suffered a significant loss.

BIL has the authority to reclaim any variable compensation granted. The claw-back provision is applied in case of established or proven fraud or in case of use of misleading information, if enforceable under local employment law.

Prohibitions of guaranteed variable remuneration

A variable remuneration is in no way guaranteed. In very particular circumstances, the only exception relates to the recruitment of new staff members to whom a variable remuneration might be guaranteed during the first year of employment.

Compensation and buy out from previous employment contract

In exceptional circumstances, the Identified Staff could be entitled to a one-time lump sum compensating the loss of the variable remuneration by leaving his/her previous employer.

Variable remuneration pay-out principles will apply automatically and a dedicated clause will be inserted in the employment contract.

Severance payments

Without prejudice to the application of the relevant and applicable legal and regulatory framework and agreements binding the relevant entity, payments associated with the early termination of an employment contract and/or a mandate as a MMB must reflect effective performance achieved over time and are designed not to reward failure or misconduct.

There are no so-called "Golden Parachutes" in the BIL Group's Remuneration Charter.

The BRNC decides in a consolidated manner, on termination packages for MBBs, in the event of termination of an employment and it recommends to the BoD for approval.

A severance payment will not be awarded in case of an obvious failure of BIL or of the Identified Staff pursuant to rule 169 of the EBA Guidelines. Obvious failure of Identified Staff will be assessed on a case by case basis and will notably include the situations described in the EBA Guidelines (e.g. acting contrary to BIL internal rules, values and procedures, not meeting BIL's standard of fitness and proprietary, behaviour allowing each BIL Group entity to terminate the employment contract with immediate effect).

Severance pays will not be awarded in case the employee/ member of the MMB resigns. In case the employment contract is terminated by mutual consent, the potential severance payment will be considered and reviewed on a case-by-case basis and subject to applicable laws definition by the BRNC and recommended to the BoD for decision.

Severance payments may be paid out in the context of a settlement agreement in order to prevent or terminate a potential or current labour dispute leading to costly and long court procedures. Severance payments are granted in the event a Court might declare the dismissal as unfair. In order to assess whether a dismissal is likely to be declared unfair by a Court, BIL Group will (as need may be) seek the assistance of internal or external lawyers.

BIL Group will manage that it does not pay severance amounts above what is applicable under the relevant laws, regulations and CBAs or, exceeding the benefits generally fixed by the relevant Court.

A severance pay is considered by the EBA Guidelines as variable remuneration. Severance paid to Identified Staff will thus in principle be subject to all principles described in the Remuneration Charter (e.g., deferral and payment in instruments) except for those amounts of severance payments that are mentioned in the EBA Guidelines.

Prohibition of personal hedging

It is forbidden for staff members to use personal hedge or insurance strategies linked to the remuneration or to responsibility in order to offset the impact of the ex-ante and ex-post risk alignment measures. Every Identified Staff is asked to comply which such requirement by accepting the principles laid in the Remuneration Charter.

7.6. Governance: roles and responsibilities in the design, implementation and ongoing supervision of the Remuneration Charter

7.6.1. The Board of Directors (BoD)

The BoD is responsible for the design, the review and the correct implementation of the Remuneration Charter in compliance with the mandatory laws and regulations applicable to BIL.

In this context, the BoD acts upon recommendation of the BRNC, based on preparation and proposed amendments of the relevant Internal Control Functions (Risk Management, Compliance, Internal Audit), HR and Secretary General departments. If needed, the BoD may seek the assistance of external remuneration specialists.

The implementation of the Charter is reviewed on a regular basis by the BRNC, which must be assisted by the Internal Control Functions or by external experts. Such an independent review will assess whether the remuneration system:

- Operates as intended;
- Is compliant with the applicable laws.

The BoD has final decision power and responsibility regarding all aspects of the Remuneration Charter.

7.6.2. The Board of Remuneration and Nominations Committee (BRNC)

BIL operates in the financial marketplace giving rise to business, regulatory, financial, operational and human capital issues from many aspects of its activities. The BRNC is a BoD specialised committee and has been set up by the BoD in order to enable the smooth management and operation of all relevant nomination and remuneration matters as part of the governance structure of BIL. The BRNC operates through two sub-meetings provided for in the BRNC TOR.

The responsibilities and the functioning of the BRNC at the level of BIL is laid down in the TOR of the BRNC. The BRNC TOR are reviewed annually by the BRNC and subsequently considered, and if thought fit, approved by the BOD in compliance with the applicable laws.

The BRNC is organised in two sub-meetings:

- Sub-meeting BRNC sitting for Nominations matters;
- Sub-meeting BRNC sitting for Remuneration matters.

7.6.3. The Management Board Members

Whereas the overall responsibility for the Charter is in the hands of the BoD, the Management Board of BIL SA and the ExCo oversee the correct operational implementation of the Charter throughout BIL Group and the monitoring of compliance risks related to that Charter. It takes all appropriate measures to enable that the Charter is applied properly and in line with mandatory local regulations.

7.6.4. The Internal Control Functions

BIL Group Internal Control Functions actively contribute to the design, application and review of the implementation of the Charter.

7.6.4.1. Internal Audit

- Takes part, in the annual identification of the Identified Staff;
- Takes part in the annual review of the Charter in collaboration with other Control Functions and the Legal department;
- Reviews on a regular basis the practical application of the Charter within BIL Group;
- Assesses employees against the key result "Compliance, Risk and Business Ethics".

7.6.4.2. Compliance

- Takes part, in the annual identification of the Identified Staff;
- Takes part to the annual review of the Remuneration Charter and monitors that it effectively complies with regulatory requirements, in close collaboration with HR, the other Control Functions and the Legal department;
- Communicates to the HR Department any new regulations to be taken into account with regard to the Charter;
- Advises the BRNC and the BoD on any update related to regulatory requirements;
- In collaboration with
- Internal Audit and Risk Management, Compliance identifies and reports to the Management Body (both in its management and supervisory functions) any compliance risks and issues of non-compliance on the definition and application of the Remuneration Charter. The findings should be taken into account by the supervisory function during the approval, review procedures and oversight of the remuneration policy;
- Assesses employees against the key result "Compliance, Risk and Business Ethics".

7.6.4.3. Risk Management

- Takes part, in the annual identification of the Identified Staff;
- Takes part in the annual review of the Charter and monitors that it effectively complies with regulatory requirements, in close collaboration with HR, the other Internal Control Functions and the legal department;
- Assesses employees against the key result "Compliance, Risk and Business Ethics";
- Assists with and informs on the definition of suitable risk adjusted performance measures (including ex post adjustments), as well as with assessing how the variable remuneration structure affects the risk profile and culture of the institution;
- Validates and assesses risk adjustment data as well as be invited to attend the meetings of the Remuneration Committee on this matter.

7.6.5. Human Resources

- HR is the process owner and coordinator of the Charter definition and implementation process;
- HR proceeds with the annual review and updates the Charter on the basis of the new regulatory requirements in collaboration with other Control Functions and adapts BIL Group procedures and processes accordingly;
- HR informs staff and concerned parties about all changes;
- HR coordinates the circulation of the Charter within BIL Group, follows up on the approval by local management and keeps track of the finalised version applicable in each entity;
- HR ensures that BIL Group entities comply with the Charter during the appraisal/reward process (coherence checks, awareness of managers, etc.);
- HR, together with General Secretary, initiates updates especially regarding the identification of the Identified Staff;
- HR manages the day-to-day performance assessment and pay-out processes.
-

7.7. Diversity and succession plan at the level of the Management Body

BIL's BoD has reviewed and approved (on 21 July 2022) the Diversity Charter to be considered by the Bank when selecting members of the Management Bodies (BoD and ExCo).

The purpose of establishing the Diversity Charter is to document, among other things, the principles, commitments and measurable objectives in relation to diversity upon which BIL Group forms and implements its nomination strategy for the Management Bodies.

In making recommendations to the BoD regarding vacant Management Bodies position, the BRNC-N sitting in nomination matters (the BRNC-N) will consider, among other things, the following diversity criteria:

- Specific skills, expertise and/or experience that would complement the overall competence of the Management Body;
- Age and experience;
- Gender;
- Geographical background;
- Educational background;
- Cultural background;

The quantitative objective laid down in the Diversity Charter is to reach (i) a minimum of three persons of the underrepresented gender among the members of the Management Body, representing at least 5% out of the total number of the Management Bodies members by the year 2020, (ii) a minimum of five persons of the underrepresented gender among the members of the Management Body, representing at least 10% out of the total number of the Management Bodies members by the year 2024 (excluding Staff Representatives at Board of Directors level) and (iii) a minimum of 30% of the underrepresented gender among the combined ExCo and BoD by the year 2028 .

The BRNC-N is responsible for reviewing on a regular basis (at least every three years) the Diversity Charter and assessing on an annual basis its implementation.

BIL's Suitability & Succession Charter aims at defining the selection, replacement or renewal process of members of the Management Bodies of BIL, in accordance with the joint ESMA and EBA Guidelines on the assessment of the suitability of members of the Management Body and key function holders under Directive 2013/36/EU and Directive 2014/65/EU. The individual suitability of all members of the Management Body is assessed considering, among other things, the candidate's good repute, the balance of knowledge, skills, and experience, the time and availability to perform his/her duties, the compliance with the limitation of mandates, the absence of conflict of interests and, as the case may be, the independence criteria (at Board level). The BRNC-N and ultimately the BoD of BIL performs the initial individual suitability assessment of a member of BIL's Management Body based on the documentation received (e.g., individual suitability assessment questionnaire, CV, etc.). On that basis the skills, experiences and competencies are analysed and duly documented. The Management Bodies are assessed as a whole and shall possess adequate collective knowledge, skills, and experience to be able to understand the Banks' activities, including main risks.

The evaluation of the individual and collective suitability assessment of the members of the Management Bodies is conducted at least once a year or ad hoc in accordance with the above principles as further defined in BIL's Suitability & Succession Charter and is duly documented.

The members of the ExCo have collectively a wide and strong experience in the banking sector and a very good balance in terms of collective knowledge in the fields of economics, finance, risk management, legal affairs and corporate governance, business administration and operations and human resource management. Most members of the Management Board held senior executive positions before joining the Management Board.

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The biographies of the members of the Management Bodies are available on the website of the Bank.

7.8. CRD IV mandates limitation

All members of the Management Bodies comply with the mandate limitation and the time commitment requirements established by CRD IV and article 38-2 of the Law of 5 April 1993 on the Financial Sector, as amended.

The annual assessment of the BoD and the Management Board did not reveal any issues of potential violation of either the mandate limitation requirement or the time spent requirement. Consequently, the members of the Management Bodies are considered to have sufficient time available to perform their duties at BIL.

The number of directorships, as defined in CRD IV regulations, held by the members of the Board of Directors and Management Board as at 31 December 2023 is as follows[1]:

Board of Directors:

- Ms. Jing Li holding one executive directorship;
- Mr. Charles Li holding three non-executive directorships;
- Mr. Peng Li holding one executive directorship;
- Mr. Maurice Lam holding three non-executive directorships;
- Mr. Marcel Leyers holding one executive directorship and two non-executive directorships;
- Mr. Pierrot Rasqué holding one non-executive directorship;
- Mr. Vincent Thurmes holding four non-executive directorships;
- Mr. Chris Van Aeken holding four non-executive directorships;
- The staff representatives on the Board of Directors holding one non-executive directorship each.

Management Board:

- Mr. Marcel Leyers holding one executive directorship and two non-executive directorships;
- Mr. Jeffrey Dentzer holding one executive directorship and one non-executive directorship;
- Mr. Nico Picard holding one executive directorship;
- Mr. Hédi Ben Mahmoud holding one executive directorship;
- Ms. Karin Scholtes holding one executive directorship;
- Mr. Bernard Mommens holding one executive directorship.

7.9. Disclosure

7.9.1. Internal disclosure

Employees of the BIL Group are informed through the Blink and Colibri intranet and/or by their hierarchy on the annual performance assessment and reward process and the main principles of the Remuneration Charter.

The discretionary nature of the variable remuneration is mentioned in the employment contracts.

BIL Group informs its staff members, appropriately and in a timely manner, of any amendments to the Remuneration Charter which might affect them.

7.9.2. External disclosure

As set out in article 450 (Part Eight) of EU Regulation 575/2013 on prudential requirements, BIL Group complies with the aforementioned rules and that the relevant BIL Group entity makes available to the public information regarding its remuneration policy and practices for those categories of staff whose professional activities have a material impact on BIL Group's risk profile (i.e., the Identified Employees).

In addition, according to (1) article 68 of the Law dated 17 June 1992 on the annual accounts and consolidated accounts of credit institutions and (2) article 22(2) (f) of the EU Directive 2011/61 on AIFM, certain remuneration data are disclosed under the respective annual accounts of BIL Group entities when required.

7.9.3. Recommendation

With reference to Article 450(1)(a) of the CRR, BIL has not employed external consultants whose services have been used for the determination of the remuneration. Allen & Overy is solicited in respect of the matter when required.

7.10. Quantitative information

The tables with the quantitative data are disclosed in Appendix 3.

24. Since the end of 2023, there have been changes to the composition of BIL's Management Body.

08. ESG Risk Framework

ESG Risk Framework

8.1. ESG Governance

8.1.1. Background

ESG is a highly relevant topic for banks, their customers, the supervisors but more globally for the populations and the governments all around the world. The financial sector must take its part on this ambitious roadmap for a better world. It is why the Bank decided to move forward regarding this topic beyond the fact that the ECB has given clear instructions to banks to deploy a sound and robust sustainability framework.

8.1.2. ESG Governance at BIL

The Board of Directors, with the support of the Board Strategy Committee, is responsible for defining the Bank's Strategy and for overseeing its implementation by Management. The ESG strategy is fully integrated into our Energise Create Together 2025 (ECT2025) corporate strategy and is therefore monitored by the Board of Directors.

Indeed, the Board of Directors defines and oversees the implementation of the ESG strategy: targets and ambitions, risk appetite and risk approach, evolution of sustainable finance initiatives and the progressive integration of ESG considerations in policies and processes.

Reporting to the Board of Directors on ESG-related topics takes place through the following channels:

- A quarterly update on the implementation of the ESG strategy is included in the ECT2025 dashboard and presented to the Board of Directors / Board Strategy Committee.
- A more detailed report on the ESG Program is presented to the Board of Directors on a quarterly basis. In 2023, the Board of Directors validated an initial set of ESG targets and a new ESG Dashboard (please refer to section 8.1.4.), which monitors key qualitative and quantitative indicators relating to ESG risks and ensures that the Bank tracks and takes advantage of any ESG opportunities that may arise. From 2024 onwards, the ESG Dashboard will serve as a global monitoring tool and will be systematically presented to the Board of Directors twice a year.

ESG risks are also specifically addressed in the overall Risk Governance procedures. Following ECB and EBA guidance, ESG factors are not included in the Bank's Risk Taxonomy as "stand-alone" risks but are treated as drivers and are therefore assessed based on their impact on all other existing risks. ESG topics (ESG stress tests, ESG Risk Cartography, etc.) have been progressively incorporated into the global Risk Dashboard which is presented on a quarterly basis to the Management Body (Executive Committee and Board of Directors).

Moreover, a specific governance framework defines the responsibilities for the implementation of BIL's Sustainability Strategy:

- At management level, the CEO is sponsor of the Sustainability Strategy, which is a recurring item on the agenda of the Executive Committee and the Board of Directors;
- The Group Head of Sustainability reports directly to the Executive Committee Member in charge of the Bank's strategy.

The Group Head of Sustainability leads the sustainability team, conducts a systematic dialogue on ESG issues with key internal and external stakeholders, and leads the ESG Steerco and the Towards Sustainability Committee[25], reporting directly to the Executive Committee.

To strengthen ESG governance, a new ESG Strategic Steering Committee was created in January 2023 which covers all ESG projects at BIL. The main objective of this new committee is to ensure that the business side of the Bank is fully committed to driving this transformation, not only from a regulatory perspective, but also from a commercial and strategic standpoint. The ESG Strategic Steering Committee is composed of seven permanent members, all members of the Executive Committee (including four members of the Authorized Management, and the Group Head of Sustainability:

- The Head of Strategy and Financial Markets;
- The Head of Risk Management;
- The Head of Wealth Management;
- The Head of Luxembourg Market and CIB;
- The Head of People, Culture and Communication;
- The Chief Financial Officer;
- The Chief Compliance Officer.

In addition, permanent invitees ensure that all programme, business, control and support functions are represented, including the 3 Lines of Defence. This level of management involvement ensures that the ESG strategy is properly planned and managed for BIL and BIL Group.

25. The "Towards Sustainability Platform": Because the deployment of the ESG strategy cannot be achieved without cross functional efforts from all employees, the sustainable development team runs an ESG information platform, the "Towards Sustainability Platform", open to all bank employees, to raise awareness of key ESG and CSR issues and inform them of the bank's main advances in this area. Participants in this platform come from all the bank's departments and constitute a privileged ESG community for infusing best practices throughout the bank and identifying new initiatives for the future. The Platform is held regularly (five times in 2023).

The ESG Steering Committee is sponsored by the Head of Strategy and Financial Markets and meets every six weeks to manage all initiatives.

The Committee does not interfere with existing governance bodies and ensures that decisions are submitted to the appropriate governance body (e.g., NPC, ALCO, Green Bond Committee) and that the Bank's management bodies are regularly informed about the ESG Implementation.

To note that Risk Management, Data Management and training are identified as main enablers of the ESG program, with dedicated resources to assist the program.

The Committee is responsible for:

1. DEFINING AND IMPLEMENTING BIL'S ESG STRATEGY:

- At Entity level:
  - Selecting and prioritising initiatives for launch
  - Addressing the initial strategic aspects such as climate strategy, target settings and business approach, before making proposals at a higher level
  - Monitoring ESG performance at entity level
- At the Products & Services level:
  - Ensures strategic consistency
  - Validating the proposed commercial strategy
  - Selecting and prioritising new products and services or major key existing products and services for submission to the NPC;
  - Validating front change management approach;
  - Monitoring the performance of ESG products;
- At Regulatory level:
  - Monitoring regulatory compliance;
  - Approving cases of risk acceptances to be submitted to the ICC / ExCo and other governance bodies (BSC, BRC, etc.).

2. RESOLVING INTER-PROJECT DEPENDENCIES AND DELIVERABLES

The Committee acts in coordination with other committees (Asset and Liabilities Committee (ALCO), Credit Risk, Green Bond, etc.). As mentioned previously, a regular update of this steering committee is provided to the Executive Committee, with the Head of Strategy and Financial Markets and the Head of Sustainability presenting a quarterly report. Ad hoc presentations are included on the agenda if deemed necessary, in addition to regular updates. In 2023, this was notably the case for approval of the initial ESG targets, the validation of the Bank's ESG engagement plan (Materiality Assessment) and the ESG Dashboard.

To ensure ESG awareness and ownership at Executive Committee and Board level, two dedicated ESG sessions were organised in 2023 for the Bank's management bodies:

- On 7 February 2023, the Executive Committee and the Board of Directors attended an ESG training session focusing on the ESG regulatory landscape, which provided an in-depth look at the regulations with which the Bank must comply and explained the opportunities, challenges and interdependencies arising from them;
- On 6 March 2023, the Executive Committee held an in-depth workshop to discuss ESG targets and climate strategy. 13 objectives were discussed, divided into 5 categories: (i) reducing financed emissions, (ii) integrating ESG into business objectives, (iii) improving environmental impact, (iv) improving social impact and (v) ensuring good governance. The management bodies approved the proposed categories of objectives and gave their support to continue working on more quantitative objectives which were approved in the second half of the year.

It should also be highlighted that in June 2024 a dedicated training was organised for the Management Body on the CRR3/CRD6 with an important focus on the ESG part.

Finally, it is also important to mention the ESG data governance. BIL is aware that strong ESG data governance is crucial to ensuring the quality, reliability, and integrity of ESG data. This involves establishing clear protocols for data collection, verification, and reporting, in order to promote consistency and accuracy.

For this reason, the ESG program has set up a dedicated, cross-functional data and reporting stream to support all ESG projects, as detailed in the next section. An ESG Data Officer has been appointed to assess and map the data needs of the business and control functions (risk, compliance, financial markets, sustainability, finance, value chains and front office) across all initiatives, while ensuring compliance with the Bank's data governance principles. Given that ESG data is a relatively new area for both the Bank and the market, BIL adopts a pragmatic approach tailored to the needs of the different projects.

BIL is therefore progressively assessing the type of data that is required to determine whether it is already available, requires collecting from clients or via an open source for external data, or purchasing from a third party. BIL also takes part in discussions at market level and engages in dialogue with its peers.

Given this pragmatic approach, it is also the role of the ESG Data Officer to ensure the overall consistency of the data used by all stakeholders, as well as any potential synergies.

8.1.3. ESG Program 2023

The Group Head of Sustainability[26] leads the sustainability team and engages in systematic dialogue on ESG issues with key internal and external stakeholders through the ESG Program. On of the sub-component of the ESG Program is the ESG Core Team that is composed of sustainability experts, **enterprise and credit risk experts**, a data officer, and members of the Project Office, and deals with the various cross-functional ESG initiatives to address risk, reporting, data, product development and ESG awareness issues.

In this context, the ESG program is organised around three pillars:

- **ESG Strategy & Governance:** this implies ESG target setting, strategy, client engagement approaches and the integration of ESG aspects into the business model and strategy, in line with regulatory expectations.
- **ESG products and services:** as a financial intermediary, BIL plays a crucial role in transforming corporate models, by integrating ESG considerations into the financial instruments and solutions offered to our clients, thereby contributing towards the transition through the investments offered to clients and the projects the Bank finances. Our objective is two-fold: identify material ESG risks to which our clients are exposed and identify growth opportunities in line with our business ambition of becoming a key transition facilitator.
- **ESG at Corporate level:** including all projects that involve the integration of ESG factors into the Bank's processes or activities without direct impact on our clients, as well as the more "traditional" CSR initiatives (donations & community support, social & environmental impact). Cross-functional ESG data management and ESG training workflows complete the overall structure of the ESG Program. ESG data needs are assessed across all initiatives, while ensuring compliance with the Bank's data governance principles. Training and communication needs are centralized to ensure consistent delivery.

One important point concerns the remuneration framework based on sustainability related performance. In this context, BIL's Remuneration Charter and its associated practices aim to define remuneration within BIL Group with a view to protecting the interests of our clients, suppliers, employees, and shareholders, as well as the Bank's financial sustainability over the long term.

For most of the staff members, variable remuneration is discretionary and is based on a reference amount that depends on the results of the year-end performance review. In line with requirements set by the European Central Bank (ECB), ESG objectives have been defined for most of the Bank's departments and are progressively cascaded down from the Executive Committee (ExCo) to all people managers and specific functions.

Performance is assessed from two perspectives:

- On "What", which refers to specific targets (a mix of individual, collective, financial, and non-financial targets), and
- On "How", which takes account of the Bank's values and behavioural goals (such as care, compliance, and business ethics, etc.).

ESG considerations are included in both perspectives.

Both performances are evaluated separately with a rating based on a colour scale, resulting in a final overall colour "average". There is consequently an indirect link between variable pay and sustainability-related targets. Moreover, the "How", in terms of care, compliance and business ethics notably, avoids the use of quantitative commercial criteria that may create conflicts of interest or incentives that could lead the employee to favour their own interests or the Bank's.

The variable remuneration envelope is approved by the BoD upon recommendation from the BRNC. The launch of incentive schemes is also subject to the prior approval of the BRNC or Executive Committee (depending on the scheme).

8.1.4. ESG Strategy and Business model

The challenges of sustainable development (climate crisis, preservation of biodiversity, reduction of greenhouse gas emissions, etc.) are at the heart of the concerns of not only citizens and governments, but also businesses, with the latter being called upon to review their model and strategy in favour of a greener and more resilient economy. In this rapidly changing world, the banking sector, which directly or indirectly finances a major part of the economy, is called upon to play a central role in accompanying and supporting this necessary transition.

BIL's Executive Committee and BoD are fully aware of the strategic role that BIL, as a financial actor, must play in the transition to a sustainable world, and ESG factors are being gradually incorporated on different levels:

- As a responsible institution, ESG considerations are embedded in our corporate practices. This approach includes managing the environmental impact of the Bank's premises, reducing paper usage, adopting sustainable procurement and responsible human capital management policies, and integrating ESG considerations in our risk management framework.
- As financial intermediaries, banks play a crucial role in transforming corporate models. Our objective is to make a positive impact through our activities as a bank. We can do this, firstly, by actively participating in financing the economy and supporting companies with their own energy transition and, more broadly, ensuring they take into consideration the various CSR issues. Secondly, we can make a positive impact through our private banking activities, by offering sustainable investment product ranges to our clients to enable them to support this transition.

These two levels are reflected in the Bank's 4-pillar Sustainability Strategy, which addresses the development of sustainable practices at corporate level and the development of sustainable products and services. The overall objective is (i) To manage ESG risks ensuring resilience and profitability and, (ii) To limit any potential negative impacts and increase positive impacts on people and the planet.

The sustainability strategy is sponsored by our Group CEO and guided by a clear ambition:

"We are an international bank that provides strong support to the local economy and communities. We are engaging with our employees to facilitate the transition to sustainable banking, conscious of our responsibilities and keen to develop products that allow us, together with our clients, to have a positive impact and build solid foundations for future generations." - Marcel Leyers.

In July 2022 BIL's Executive Committee, with the support of the Bank's BoD, expressed its ambition to "become a key transition facilitator". This mainly implies:

- Developing our range of financing solutions and advice to support our individual and corporate clients in their own transition journeys;
- Progressively adapting our ESG investment product portfolio to ensure a complete range of ESG and sustainable solutions.

BIL continued to implement its Sustainability Strategy in 2023, with initiatives underway in each of its pillars:

- The Bank has strengthened its overall ESG governance and defined initial targets that will be monitored by the Executive Committee and BoD using a dedicated ESG Dashboard. BIL's Risk Management function has progressively integrated the management of ESG risks, with a special focus on climate related risks, throughout the whole organisation using its global risk framework.
- A broader range of ESG products and services was developed, and advisors were trained to address customer sustainability preferences when advising on investments, and to support homeowners in their renovation projects. BIL measures and screens its balance sheet as well as its investment portfolios for managing exposure to various ESG risks and supporting the strategic commitments to sustainability.

ESG HIGHLIGHTS IN THE INVESTMENT PROCESS

In 2023, BIL made several important developments in terms of commercial activities. Firstly, the Bank defined its Sustainable Investment Framework, formalising the in-house definition of a "sustainable investment" which allows us to classify each type of asset and align these with our clients' sustainability preferences. BIL also obtained two new LuxFlag ESG Label accreditations for the BIL Invest Bonds EUR Corporate Investment Grade and BIL Invest Equities Europe funds, noting that both are classified as SFDR Article 8 funds from 2023. Finally, BIL published its first Principal Adverse Impact (PAI) Report in June 2023[27] .

ESG HIGHLIGHTS IN THE LENDING PROCESS

In 2023, BIL continued the work started in the previous year on identifying, understanding and assessing the most material risks and impacts in connection with its lending portfolio. This has led to better consideration of ESG criteria in lending process. While improving the visibility and content of its sustainable finance range of product and services, BIL has also focused on raising client awareness and training staff on the issue of energy transition.

POSITIVE ACTIONS TO PROMOTE ESG VALUES

As a responsible employer, BIL continued with its awareness-raising and educational initiatives on diverse sustainability-related topics for employees. In its external myLIFE blog, BIL published various articles on sustainability topics, contributing to the financial education of readers. As in the previous year, the Bank supported a variety of non-profit organisations in Luxembourg.

ESG DASHBOARD AND TARGET SETTING

First set of ESG targets for BIL: High-level ESG commitment improves the financial performance of banks by ensuring that they remain resilient and adaptable in an evolving business landscape and align their operations with global sustainability goals and regulatory requirements, thereby fostering long-term stability and growth.

In July 2022, BIL defined its strategic ambition to "become a key transition facilitator". This high-level ambition has subsequently been translated into tangible targets forming part of the Bank's overall strategy. The aim is to:

- Maximise any business opportunities that emerge, especially but not solely from climate-change adaptation and mitigation by financing/investing in opportunities resulting from the transition;
- Identify and adapt to business disruptions that emerge from climate change, which includes both, physical impacts and impacts resulting from policy and technology changes.

26. The Group Head of Sustainability reports directly to the Member of the Executive Committee with responsibility for the Bank's strategy and is assisted by an ESG Core Team with the implementation of the ESG program.

27. A second PAI report covering 2023 will be disclosed in July 2024

Translating a strategic business ambition into tangible targets and commitments is a complex process. BIL must define in detail the impact it wishes to make as a financial intermediary, as well as how it needs to manage its own operational impact on environmental and social considerations.

In October 2023, BIL defined an initial set of ESG targets to enable it to better manage ESG risks and exploit any opportunities that may arise. In 2023, these targets were approved by the highest management bodies, the Executive Committee and the BoD, with the aim of setting the pace and encouraging the integration of non-financial considerations into the Bank's strategy.

Defining a climate strategy is part of the target-setting process as it demonstrates the Bank's commitment to managing climate risks whilst at the same time seizing opportunities in the transition to a low-carbon economy and to national and global sustainability goals. As a signatory of the UN PRB, BIL is committed to reaching net zero by 2050.

Although BIL has not yet set specific deadlines for decarbonisation targets, we have nevertheless decided to set intermediate objectives to better assess the effectiveness of our actions. Improving the monitoring of our impacts, calculating our carbon footprint, in particular our financed emissions, systematically collecting ESG data and engaging with our clients to assess their transition readiness are key preliminary steps to defining and committing to a concrete climate strategy.

BIL has identified the following major business activities where there are material impacts, risks and opportunities in relation to sustainability matters on which it will monitor progress:

- ESG risks & opportunities linked to BIL's Real Estate Lending Portfolio:

  BIL's Real Estate Lending Portfolio is exposed to physical and transition risks, as well as to some social risks. Transition risks are the most material due to potential changes in ESG factors. Energy performance is a key consideration in real estate portfolios. Indeed, properties with superior energy performance may see increased demand, higher tenant satisfaction and be better positioned to navigate regulatory changes related to energy efficiency standards. In this context, managing and improving energy performance is integral to mitigating risks, enhancing an asset's market appeal and ensuring long-term viability within the evolving landscape of real estate.

  As a facilitator of our clients' transition, and to mitigate our own transition risk, it is our mission to support our clients in their energy transition by collecting and improving the energy performance data for the real estate that we finance.

  As real estate properties contribute to GHG emissions mainly through their energy consumption, this involves gradually improving the average energy performance class of the real estate lending portfolio, either by gradually increasing the proportion of properties with a high energy efficiency rating, or by encouraging clients to carry out renovation work to improve energy efficiency. The Energy Performance Certificate (EPC) is essential to effective monitoring. ESG targets related to BIL's Real Estate Lending Portfolio therefore cover the training of our Housing Advisors, EPC data collection, the proportion of new mortgages granted for properties with a high energy efficiency rating and commercial targets for renewable energy loans.

- ESG risks & opportunities linked to BIL's Motor Vehicle Lending Portfolio:

  As a facilitator of our clients' transition, it is our mission to support them in their e-mobility transition by improving the share of electric cars. New targets have been proposed for loans and leases for green cars (please refer to section 7.1.2.).

- ESG risks & opportunities linked to BIL's Corporate Lending Portfolio:

  BIL is indirectly exposed to ESG risks through its corporate portfolio as poor ESG performance can lead to financial losses, reputational damage and regulatory issues. The main risks with regards to climate and environment come from clients with high emission levels through their exposure to transition risks. It is therefore important for the Bank to engage with these clients to address their transition plans and an engagement target has therefore been defined. This will enable the Bank to better assess the challenges facing its clients and determine how best to support them. In 2024, BIL aims to define a transition policy on how it intends to adapt its support based on its assessment of clients' transition risks.

- ESG risks & opportunities linked to BIL's Bank Investment Portfolio:

  BIL has integrated ESG considerations into its investment processes, as described in its Sustainability Risk Policy, implemented under Sustainable Finance Disclosure Regulation (SFDR).

  As well as applying ESG investment strategies to mitigate ESG risk factors, BIL has set a target of sustainable investments within its bank investment portfolio, reducing the likelihood of reputational damage, and enhancing the portfolio's global resilience.

- ESG risks & opportunities linked to BIL's client Investment Portfolios:

  To mitigate ESG risks in clients' investment portfolios, BIL has integrated ESG considerations into its investment processes, as described in its Sustainability Risk Policy, implemented under SFDR. The consideration of PAIs will also help mitigate ESG risks and BIL will continue to enhance the process for considering PAIs. As well as applying ESG investment strategies, BIL is committed to developing ESG products and progressively increasing the assets under management (AuM) in its in-house ESG products, in line with market and client demand. The level of client demand requires assessment and a collection target for "client sustainability preferences", which has also been set.

- ESG risks & opportunities linked to BIL's operational Carbon Footprint:

  The operational carbon footprint refers to the total amount of GHG emissions produced because of an organisation's day-to-day operations. A high carbon footprint poses several risks, ranging from financial and regulatory concerns to reputational and operational challenges. Positioning itself as a transition facilitator, BIL therefore needs to lead by example and address its own operational footprint. This will help to reduce reputational risks, create stakeholder engagement and enhance operational efficiency. BIL has therefore been measuring its operational carbon footprint since 2022 and has defined a medium-term target of a reduction of at least 2% per year until 2025.

- ESG risks & opportunities linked to BIL's Human Capital Management:

  Alongside its focus on "environmental targets", BIL has also reflected on social targets to address any Human Capital risks and to contribute positively to its employees' well-being and performance.

  These initial ESG targets reflect a dynamic commitment to environmental, social and governance responsibility. Recognising the everchanging landscape of sustainable practices and societal expectations, these targets are designed to adapt and improve over time. Our ambition is to stay responsive to emerging challenges, integrate new industry standards and continuously enhance our positive impact. For an overarching view of these ESG targets, please refer to the following tables:

Activity		Metric	TARGET
LENDING PORTFOLIO	Global Lending Portfolio	Credit Risk Appetite Exposure to sectors with high ESG risks	< Limit 343 M€
		Carbon footprint – Financed emissions [1]	-
		Of which Real Estate Portfolio Motor Vehicle Portfolio Corporate Portfolio	-
	Real Estate Portfolio	EPC collection for new production	100%
		Share of A/B class in new production	50%
	Motor Vehicle Portfolio	Share of electric cars in new production (consumer loans and leasing combined)	22% (in unit)
	Corporate Portfolio	# client engagement meetings	55
		Share of financed emission in business loans	20%
BANK INVESTMENT PORTFOLIO	BIL Investment Portfolio	Share of sustainable investment	30% (2025)
		Carbon footprint – Financed emissions [1]	-
	BIL Reinsurance	Share of sustainable investment	30% (2025)
		Carbon footprint – Financed emissions [1]	-
CLIENT INVESTMENT PORTFOLIO		ESG Client Preferences collection [2]	100%
		Share of ESG Client Preferences interest	-
		# of ESG products (BIL Invest Funds) # of ESG services (DPM/Advisory, Flexicav)	Under review
		Share of AUM in article 8/9 in BIL Invest	Under review

Activity		Metric	TARGET
OPERATION		Operational carbon footprint [1]	-2%/y
HUMAN CAPITAL	Diversity	% Women in Management Bodies and Job Classes 18+	26%
	Training	Number training days per employee	4
	Turnover	All leaves / average yearly headcount	< 15%
EXTERNAL ESG RATING		ESG Rating	-
ESG LABELS & COMMITMENTS [2]		United Nations Global Compact LUXFLAG	

- **ESG Dashboard**:

  In parallel with the definition of its ESG targets, BIL also established an initial version of an ESG Dashboard that enables us to monitor key qualitative and quantitative indicators in relation to ESG risks and to track and take advantage of any ESG opportunities that may arise. Indeed, introducing an ESG Dashboard as a key monitoring tool is a major step towards transparent and effective sustainability management.

  Based on current trends in disclosure and regulatory requirements and investor preferences, the purpose of the ESG Dashboard is to provide a complete overview of ESG challenges, risks, and opportunities. Its objective is to ensure that ESG topics are discussed at senior management level, to progressively enhance the ESG competences of directors and key stakeholders and to ensure that ESG is embedded in overall board processes. The ESG Dashboard serves as a centralised hub, providing a complete overview of the Bank's ESG performance. It enables all stakeholders to track progress, measure risks and impacts and make informed decisions.

  The ESG Dashboard was approved in 2023 by the highest management bodies, the Executive Committee and the BoD. The ESG Dashboard is submitted on a regular basis to the ESG Steering Committee and bi-annually to the Executive Committee and the BoD.

  Monitoring our progress in sustainability through key performance indicators is part of our commitment to transparency. We invest heavily in improving our data environment, as data availability and quality remain important challenges in ESG.

  The ESG Dashboard will evolve over time, in line with the Bank's experience of ESG-related topics, its commitments and objectives and the availability and quality of data.

8.2. ESG Risk Management

Background: In accordance with the ECB's guidelines on its Climate and Environmental Risk Guide and the EBA's Report on Management and Supervision of Environmental, Social and Governance Risks, the Risk Management function is gradually integrating the management of ESG risk drivers throughout the organisation using the following themes:

- Risk identification and materiality assessment;
- Business model and strategy;
- Risk appetite and governance;
- Risk management framework;
- Reporting.

A detailed description of the integration of ESG considerations into risk management can be consulted in our publicly accessible policy document, ESG integration Framework and public Risk Management report (Pillar III reports), which explain our commitments and implementation and governance procedures for incorporating ESG criteria into the Bank's business activities.

During 2023, building on the ECB Climate and Environmental Risk Guide and moving forward on its level of preparedness and the adequacy of its ESG implementation plans, the Bank worked to address and resolve the shortcomings that were identified.

The main achievements are as follows:

- BIL conducted an ESG risk materiality assessment in its 2023 ESG risk mapping exercise, with the objective of identifying the transmission channels for climate-related risk drivers on financial and non-financial risks, based on a medium to long-term horizon.
- BIL improved the data coverage of its ESG data by creating qualitative and quantitative indicators in internal reporting and introducing an ESG Dashboard to monitor the impact of climate change and environmental degradation on its business activities, key sectors, and portfolios.
- BIL applied ESG stress testing scenarios for the first time to identify potential weaknesses, challenge the business strategy and gain an overview of the impacts of ESG drivers on credit, market, liquidity and non-financial risks.
- As previously mentioned, BIL set ESG objectives and financial targets in the context of climate risk, taking into consideration the relevance of client-specific mitigation measures following scientific transition pathways.

Additionally, in 2023, apart from the review of BIL's Risk Appetite Framework for ESG classifying the loan book exposures according to the SASB criteria, the Bank also realised a more granular identification of the exposures subject to Biodiversity Risk. Moreover, interbank exposures are considered from an ESG perspective in the Global Risk Dashboard, starting from Q3-2023. This Global Risk Dashboard is presented quarterly to the Management Body (Management Board and BoD).

8.2.1. ESG Risk Cartography

The Bank's Risk Cartography is an annual exercise and ESG risk drivers are included in the overall analysis as part of an iterative assessment to better manage ESG-related risks and to embed them in the existing mitigation techniques for traditional risks. In 2023, the ESG Risk Cartography was merged with the Global Risk Cartography to highlight the mapping between the ESG drivers and the way they impact all existing risks through their transmission channels. The main elements in common with the Global Risk Cartography are the unified methodology, a common list of stakeholders contributing to the exercise and setting materiality thresholds.

Enterprise Risk Department (ERM), along with the contribution of the ESG Program stakeholders, designed ESG scenarios to be assessed, starting from a proposed ESG Risk classification and assessment that follows the EBA and ECB guidance on the categorisation of ESG risk drivers. In this context, ESG factors are not included in the Bank's Risk Taxonomy as "stand-alone" risks but considered as drivers, hence assessed through their impact on all other existing risks. This approach allows to manage ESG factors inherent in the Bank's business.

According to their guidelines, the Bank adopted a classification of ESG risk drivers as detailed below:

Environmental Risk Drivers	
Transition Risk	**Physical Risk**
Policy and Legal Risk	Acute
Technology Risk	Chronic
Market Sentiment	
Reputational Risk	
Social Risk Drivers	
Environmental Risk	
Changes in social policy	
Changes in market sentiment	
Governance Risk Drivers	
Inadequate management of E and S risks	
Non-compliance with corporate governance frameworks/codes	
Ensuring the inclusion of E and S considerations	

The approach was built on the expertise of several Departments, relied on a materiality threshold for the determination of the Gross view (frequency/monetary impact) and accounted for key controls/mitigation actions to derive the Net view.

The participants were selected from the different business lines and control functions across all BIL Group entities to ensure that all Bank activities were covered within the scenario drafting. Thus, the questionnaires were collected from a list of selected experts requested to participate, from both the first and second line of defence.

The ESG scenarios were selected to cover ESG Risks, with the inclusion of the consideration of medium- to long-term horizons in all areas of climate-related and environmental risk assessment, in line with the following table:

ESG Risk	Time Horizon
Environmental Risk	Short term (1-3 years)
Social Risk	Medium term (3-5 years)
Governance Risk	Long term (> 5 years)

The ESG scenarios impacted the overall risk assessment, affecting the various risk types identified in the Bank's Risk Taxonomy. To capture the effects of ESG risk drivers, the methodology takes a forward-looking analysis mainly based on the overall economic environment, the global outlook and macro trends.

Please find below a summary of the outcomes. To note that the results of the Global Risk Cartography and the ESG dedicated section are presented in the Global Risk Cartography document which was embedded in the 2023 ICLAAP package submitted to the Management Body and to the ECB in March 2024:

		Pre-Control Materiality		Post-Control Materiality	
Risk Category	Risk Type	2023 ESG Excluded	2023 ESG Included	2023 ESG Excluded	2023 ESG Included
Credit Risk	Solvency Risk	Medium ([illegible])	Medium ([illegible])	Low ([illegible])	Low ([illegible])
	Residual / Recovery risk	Low ([illegible])	Medium ([illegible])	Medium ([illegible])	Medium ([illegible])
	Country Risk	Medium ([illegible])	Medium ([illegible])	Low ([illegible])	Low ([illegible])
Market & Asset Liability Management (ALM) Risk	Credit Spread Risk	Medium ([illegible])	Medium ([illegible])	Low ([illegible])	Medium ([illegible])
	Balance Sheet Price Risk	Medium ([illegible])	Medium ([illegible])	Medium ([illegible])	Low ([illegible])*
	Liquidity Risk	Medium ([illegible])	Medium ([illegible])	Low ([illegible])	Low ([illegible])
	Commodity Risk	Medium ([illegible])	Medium ([illegible])	Low ([illegible])	Low ([illegible])
Operational Risk	Employment Practice and Workplace Safety Risk	Medium ([illegible])	Medium ([illegible])	Low ([illegible])	Low ([illegible])
	Damage to Physical Assets Risk	Low ([illegible])	Low ([illegible])	Low ([illegible])	Low ([illegible])
	Clients, Products and Business Practices Risk	Medium ([illegible])	Medium ([illegible])	Low ([illegible])	Low ([illegible])
	Execution, Delivery & Process Management Risk	High ([illegible])	Medium ([illegible])*	Medium ([illegible])	Medium ([illegible])
Information, Communication & Technology (ICT) Risk	ICT Security Risk	Low ([illegible])	Low ([illegible])	Low ([illegible])	Low ([illegible])
	Business Continuity Management Risk	Low ([illegible])	Low ([illegible])	Low ([illegible])	Low ([illegible])
Compliance Risk**	Regulatory Compliance and Compliance Framework	Medium ([illegible])	Medium ([illegible])	Low ([illegible])	Low ([illegible])
	Personal Data Protection (incl. outsourcing)	Low ([illegible])	Low ([illegible])	Low ([illegible])	Low ([illegible])
	Investor Protection (incl. MiFID and clients Complaints)	Medium ([illegible])	Medium ([illegible])	Medium ([illegible])	Medium ([illegible])
Enterprise Risk	Strategic Risk	Medium ([illegible])	Medium ([illegible])	High ([illegible])	Medium ([illegible])*
	Reputational Risk	Medium ([illegible])	Medium ([illegible])	Low ([illegible])	Low ([illegible])
	Model Risk	Medium ([illegible])	Medium ([illegible])	Low ([illegible])	Low ([illegible])
	Legal Risk	Low ([illegible])	Low ([illegible])	Low ([illegible])	Low ([illegible])
	Outsourcing and Third-Party Risk	Medium ([illegible])	Medium ([illegible])	Low ([illegible])	Low ([illegible])

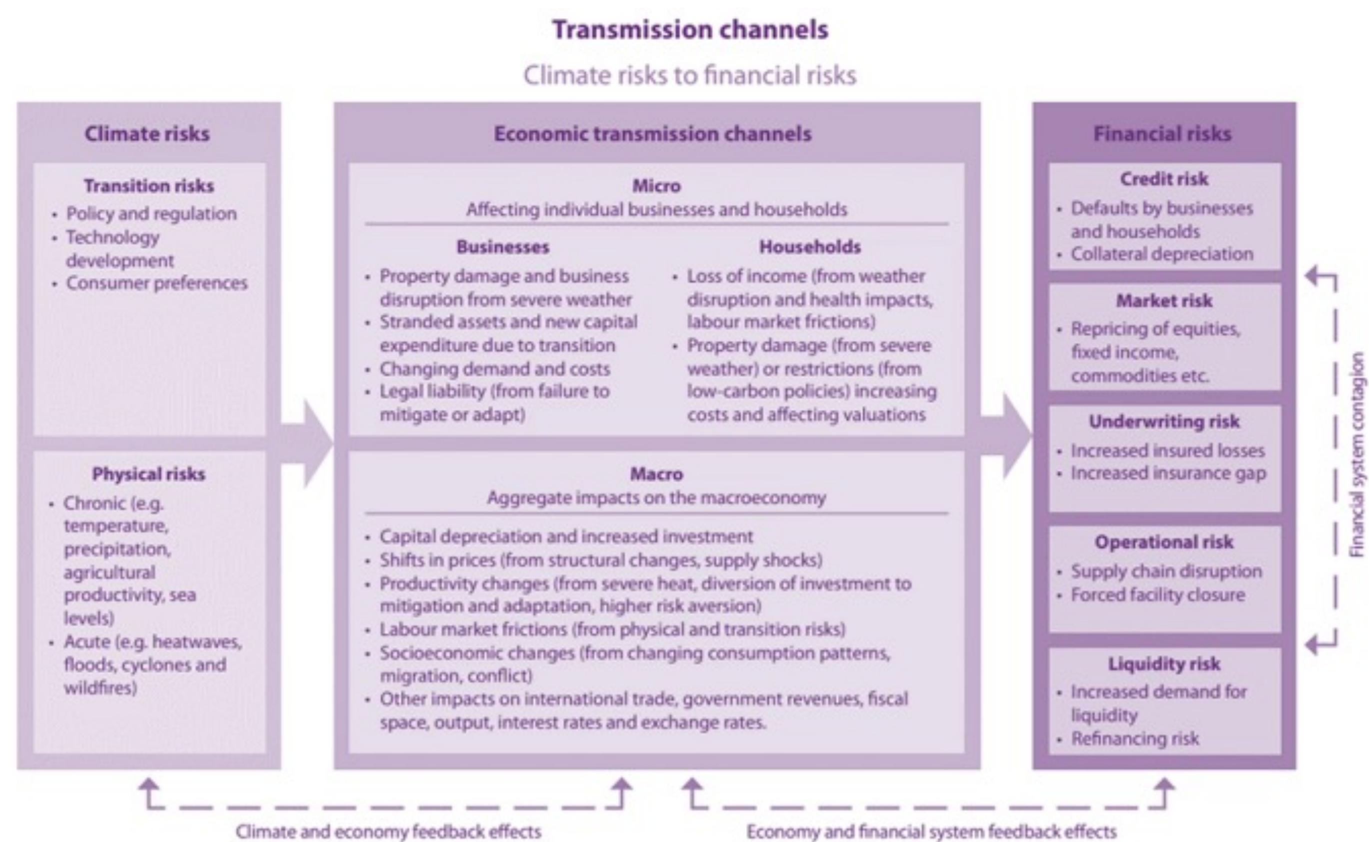
Finally, the ESG Risk Cartography serves as a basis for the Double-Materiality matrix currently designed in order to set up the new CSRD report that will be disclosed in 2025 on the 2024 end-of-year situation).

8.2.2. Stress testing

In line with the lesson learned from the 2022 ECB Climate Risk Stress Testing Exercise and the ESG Thematic review recommendation, BIL has introduced the use of advanced and forward-looking quantification methods to measure its climate-related risk exposure for different sectors with a focus on transition risk (stress testing scenarios in order to challenge the business strategy. This section provides a first high-level view of the ESG scenario assessments which are a quantitative assessment for all areas of material risk impacted by ESG drivers.

The exercise is a first view on the potential impacts of ESG drivers on classical Financial Risks: Credit Risk, Market Risk and Liquidity Risk and Non-Financial Risks (NFR) such as Operational Risks or Enterprise Risks. As mentioned previously, ESG factors/drivers are assessed in terms of their impact on classical risks and not ESG Risks. Indeed, as defined in the EBA Report on management and supervision of ESG risks for credit institutions and investment firms (June 2021)[28], ESG factors are not a new risk category but impact the classical ones as described in the table below:

28. While ESG factors can have positive or negative impacts on institutions through their core business activities, this report focuses more on the latter, in line with the prudential approach to risk management. On the negative side, ESG factors may impact institutions' financial performance by materializing through financial/usual risk categories, such as credit, market, operational, liquidity and funding risks, which are primarily affected by an institution's exposure to its counterparties and invested assets" (EBA, 2021).



"Source: NGFS Climate Scenarios for Central banks and supervisors (pag10) – June 2021"

In this context, a first way to assess the impacts of the ESG factors is to develop scenarios linking the ESG factors to the classical risks. Climate stress tests are defined as assessments featuring fully fledged scenarios that map out possible future development paths of transition variables (e.g., carbon prices), physical variables (e.g., temperature increases) and the related changes in macro variables (e.g., output in different sectors, GDP, unemployment) and financial variables (e.g., interest rates). These scenarios are then translated into changes in portfolio (risk) attributes.

Risk teams have focused therefore on ESG impact on theses variables and their implications on Credit Risk scenarios, Market Risk scenarios and Liquidity Risks and NFR. We consider as a first attempt each risk separately and we could not add the outcomes of the different assessments. In a second step (in the second semester of 2024), this methodology will be reviewed and will include joint behaviour between risks. They will also serve as a basis for ESG ECAP by thoroughly identifying and, where material, quantifying and managing in the ICAAP and ILAAP climate-related transition or physical risks (climate risk), in accordance with the Bank's internal risk taxonomy. The assessments in the ICAAP and ILAAP address climate risk and its contribution to other risk categories (e.g., credit, market, business/strategic or operational risks) under various scenarios to ensure forward-looking capital adequacy.

Risk teams are currently working on the inclusion of ESG scenarios directly in the global scenarios underpinning the Bank's Capital and Liquidity Planning. This work is notably a stream of the ESG transition project with the objective to feed the review of the Bank Strategy in 2024. Ongoing work will look to ensure (i) No overlapping with "classical" macro-economic variable projections and, (ii) Short-term ESG scenarios focusing on 3 to 5 years horizon in line with a longer view (2040-2050 horizon).

In October 2023, the NGFS published a conceptual note on short-term climate scenarios, which are essential to understanding near-term consequences of severe natural disasters and the macro-financial impact of net zero transition (please also refer to the first point). This indicates these types of scenarios will soon be introduced in NGFS climate scenario analysis exercises, in line with the need for banks to include ESG features in their strategy assessment before the end of 2024.

ESG ON CREDIT RISK:

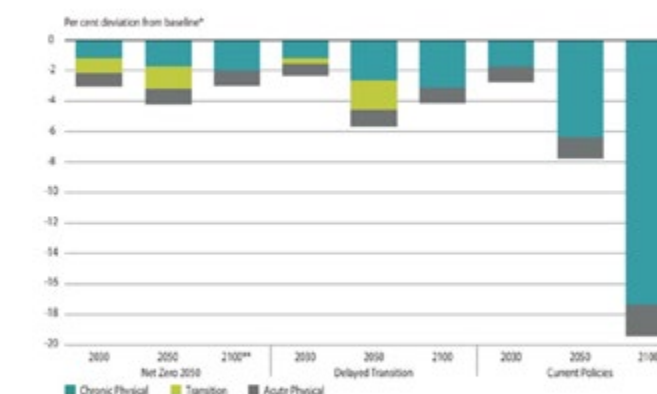
BIL has measured ESG impacts on Credit Risk with a focus on the ESG drivers on GDP, Unemployment, Inflation, Equity and Interest rate (including a view by sector of activity). These variables are used to forecast the ECL and RWA. As for the classical ECL forecasts, the Bank employs Moody's data buffet (with specific ESG scenarios). Moody's scenarios are based on the state-of-the-art scenarios provided by NGFS. At this stage, three scenarios out of NGFS's six scenarios are used in Moody's models. In this sense, BIL analyses are based on Moody's latter models, which are: (i) Up – Early Policy +1.5°C with Carbon Dioxin Remove (CDR), corresponding to NGFS orderly scenario, (ii) Down – Late Policy +1.5°C with Carbon Dioxin Remove (CDR), corresponding to NGFS disorderly scenario (also call Delayed +1.5°C and, (iii) Base – Current Policy + 3°C, corresponding to NGFS Current Policies scenario:

Phase I name	Phase II name	Changes
• Orderly (1.5°C with CDR)	• Net Zero 2050	This scenario still reaches 1.5°C and net zero by 2050. Individual regional pathways are updated.
• Orderly (2°C with CDR) and (2°C with limited CDR)	• Below 2°C	This scenario still leads to warming between 1.5-2°C. CDR has been limited in the new scenario.
• Disorderly (1.5°C limited CRD)	• Divergent Net Zero Policies	This scenario now reflects the impact of divergent policies across sectors and regions represented as carbon price variation.
• Disorderly (2°C delay with limited CDR) and (2°C delay with CDR)	• Delayed 2°C	Delay to policies still occurs until 2030. CDR has been limited in the new scenario. In addition, the scenario includes regional carbon price variation, i.e. regions with net-zero targets are more ambitious than regions without them after 2030.
• NDCs	• NDCs	Emissions and temperatures are lower due to increased climate policy commitments.
• Current Policies (+3°C with CDR)	• Current Policies	This scenario is the "Hot house world" scenario, in which, no additional policies are implemented and temperatures exceed 3°C.

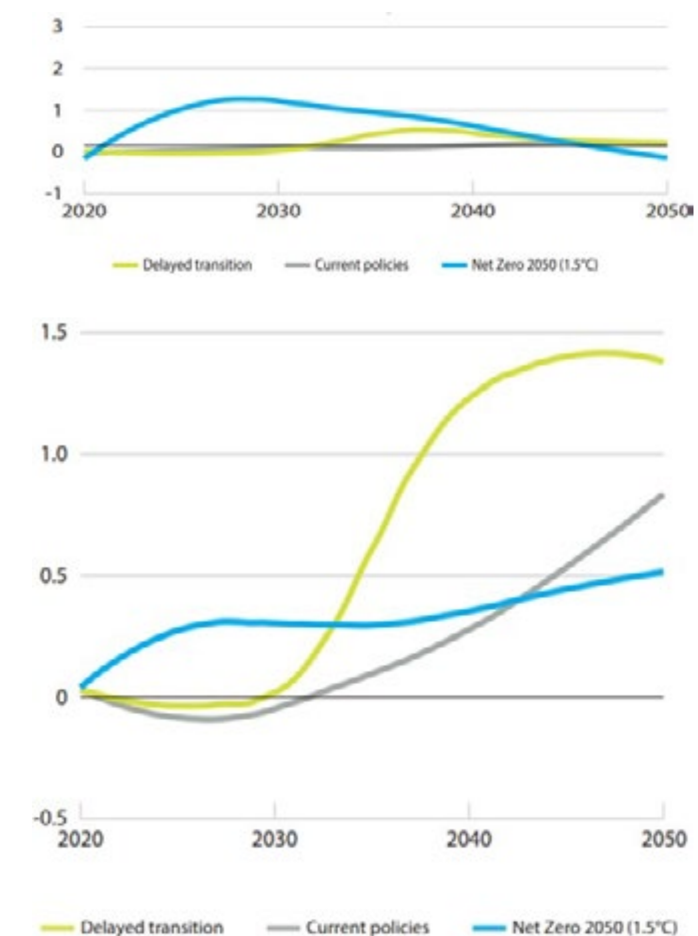
Key takeaways on NGFS assumptions:

- World GDP impacts from transition risk are slightly positive in Net Zero 2050 due to business growth linked to renewable solutions, increase in government investments and lower employment taxes. GDP impacts are negative in the disorderly scenarios as the speed of the transition combined with investment uncertainty affects consumption and investment.
- GDP losses from physical risks are correlated to climate change: the higher the temperatures, the higher the probability of acute risks and chronic risks. In this sense, it can be observed that whichever scenario is chosen, physical risks will impact GDP, even more with the current policies, hence the need to invest in adaptation.

The assumptions are presented in the following graphs:

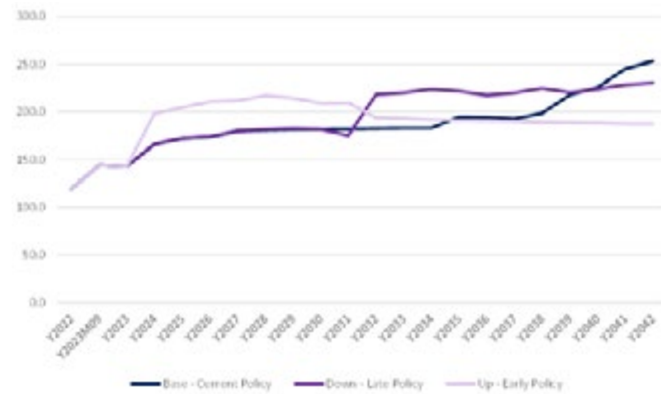


Moreover, in many countries, the implementation of carbon prices raises energy costs in the short-term leading to modest increases in inflation and unemployment before returning to prior trends. In Europe, it is expected that in the longer term, growth effects from carbon revenue recycling led to a reduction in unemployment. Regarding long-term interest rates, they tend to increase, reflecting the inflationary pressure created by carbon prices, as well as the increased investment demand that are required by the green transition.



ECL projections:

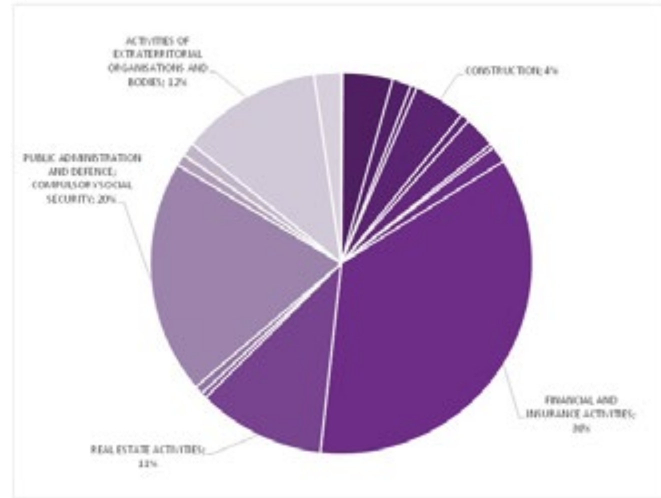
- Current Policy: the ECL increase in the long term as no policies are introduced to limit the climate change.
- Late Policy: the ECL follow the same dynamic as under the Current Policy scenario until 2030. Then, the implementation of new policies to catch-up on the decarbonisation leads to a more disruptive transition and a recession starts early 2030s, resulting in a sharp increase in the ECL. A slow recovery is then observed from mid-2030s, leading to a stabilisation and reduction of ECL over the long term.
- Early Policy: Governments continue the efforts to implement climate change policies, resulting in ECL increase in the short term. But over the long term, the scenario outperforms the other ones. The ECL decrease over the long term.



Scenario	Y2023M09	Y2025	Y2030	Y2042
Base - Current Policy	100	119	126	176
Down - Late Policy	100	120	126	160
Up - Early Policy	100	142	145	130

This assessment is made under a static balance sheet and an improvement of the approach will be to consider that BIL will adapt its portfolio over the years and thus will mitigate unhealthy exposures. This will be done in 2024 during the review of the Bank's strategy.

While computing ESG impacts per sectors of activities, 5 sectors present significant impacts. Proportionalities of impacts on these sectors do not change significantly (Max ≈ 1%) regardless of the scenario (Base, Up, Down). Therefore, the most impacted sectors by ESG chronologically are mainly: (1) Real estate activities, (2) Financial and insurance activities, (3) Construction activities, (4) Public administration and defence and, (5) Activities of extraterritorial organisations and bodies.



RWA projections:

For the projection of RWA, the same three scenarios are applied, and the following evolution of Credit Risk RWA.

Scenario	Y2023	Y2025	Y2030	Y2043
Base - Current Policy	100	103	107	125
Down - Late Policy	100	103	108	126
Up - Early Policy	100	103	108	124

In 2024, the Bank will contemplate the: (i) Inclusion of Basel IV impacts regarding RWA projections, (ii) Inclusion of the new set of NGFS scenarios, including a more accurate short-term view, noting that there are expected to be disclosed at the end of 2024 and, (iii) A more complete coverage in term of RWA approaches.

Based on these projections and in line with the current Credit Risk ECAP approach, we have estimated a first figures of ESG ECAP of around EUR 30 million. The inclusion within the global ECAP leads to a depletion of the AFR/ECAP ratio of about 2%, from 114% (including dividend distribution in AFR) to 112%.

ESG ON MARKET RISK:

In 2023, the Autorité de Contrôle et de Résolution (ACPR) carried out its second climate stress test, leveraging on the results of the first exercise in 2020-21, improving the scenarios and refining the set of macro-financial and climatic variables, and better considering physical risk drivers. The aim of this exercise is to update the assessment of vulnerabilities of financial institutions to climate change risks. The scenario leverages on the last generation of NGFS scenarios. ACPR stress tests introduced a short-term scenario, analysing the occurrence of extreme events in terms of acute physical risk, as well as transition risk with a shock on assets valuation linked to a sudden adjustment in financial markets. BIL decided to assess this short-term scenario. The hypothesis of this scenario is that the occurrence of successive extreme climate events would impact major infrastructures used in production of energy and water resources management, which would play a catalytic role in market anticipations. The cost of funding of most carbon-intensive sectors would increase suddenly, leading first to corporate spreads shocks as well as their stock prices sharply falling, and then spreading to all sectors. Finally, sovereign yields undergo a sharp increase:

- Corporate spreads (bp)

	France	Zone euro	États-Unis	Japon
Moyenne secteurs « bruns »	95	101	95	31
Moyenne secteurs « verts »	81	85	74	13

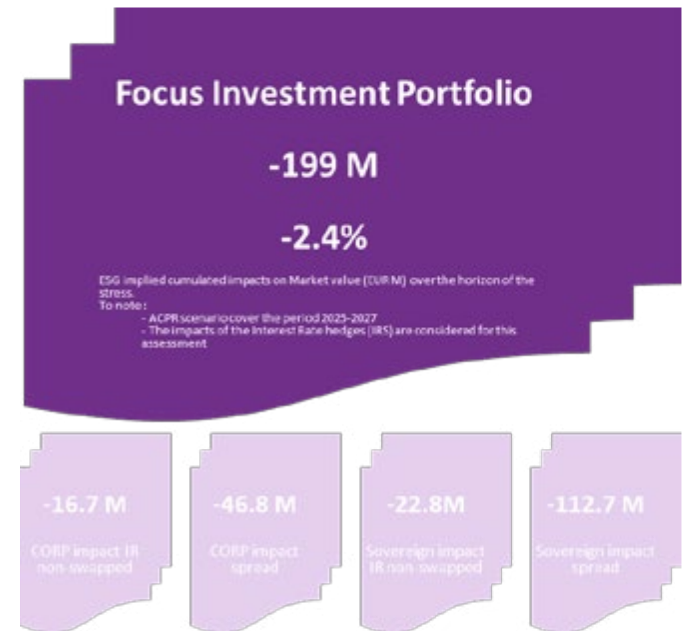
- Stock prices shocks

	France	Zone euro	États-Unis	Japon
Élasticités secteurs « bruns »	-40%	-40%	-41%	-57%
Élasticités secteurs « verts »	-31%	-31%	-32%	-46%

- Sovereign yields shocks (bp)

	France	Zone Euro	Etats-Unis	Japon
6M	404	439	476	14
1Y	381	448	455	15
3Y	288	401	342	43
5Y	264	343	282	81
7Y	80	208	238	139
10Y	48	111	178	175

After applying ACPR's climate stress test requirements on BIL's data lead to a depletion of around -2% to -3% of all financial asset market values (Bonds and participations). Please find below to a focus on the Bank Investment Portfolio (IP):



There is also an assessment of the impacts regarding the Liquidity metrics (LCR and NSFR). The impacts also remain limited at around -5% for the LCR and 2% for the NSFR.

ESG ON LIQUIDITY RISK:

As part of the Bank's Risk Appetite framework, the Bank has developed a credit risk appetite by economic sector based on ESG factors along with the Sector Vulnerability Index. It includes ESG factors based on the Sustainable Accounting Standard Board (SASB)'s Materiality Map. SASB's Materiality Map identifies likely material sustainability issues on an industry-by-industry basis. The map serves as a snapshot of likely material sustainability issues and enables determining the ESG issues that are most probable to materially affect the financial performance of a company within an economic sector. As such, the standards are well-suited to serve as a valuable input to the Bank's existing approach to identifying, assessing, managing, and monitoring risks and opportunities. It is summarised in the following table:

To assess BIL's ESG impacts related to Liquidity Risk, the Risk team applies the following approach:

- The main idea as suggested in a paper of Banca di Italia is to apply the SASB classification also on our depositors with the following scenario: "The need for some counterparties to incur some expenses in order to finance their green transitions could lead to a reduction of their deposits".
- The process to obtain the Liquidity Risk exposure was established according to the following method: (i) Liability exposures are classified by type of counterparties based on SASB classification (based on NACE codes), (ii) Sectors are allocated by ESG scores, to which sensitivity tests (% outflows) are applied and, (iii) Retail exposures are excluded, as sectors for natural persons correspond to the sectors where they are employed, and therefore the potential withdrawals of their cash is not related to this sector. For individuals, withdrawals due to ESG factors are more related to needs of insulation for their property, work on heating system, etc. which will be addressed in a version in 2024 (not through this 'liability by Cpty type' outflow analysis).

It leads to the following outcomes which, at this stage, reflect a rather limited impact[29] :

Grand Total before sensitivity analysis		-10 692M
Sensitivity analysis by SASB ESG scores	First analysis	Second analysis
Low	2%	5%
Medium	5%	10%
High	10%	20%
LCR - Results (from 173.95% as a starting point)		
Gross outflows	-219M	-543M
Weighted LCR	-168M	-418M
HQLA	9,908M	9,584M
Net Outflows	5,654M	5,403M
LCR	175.26%	177.37%
NSFR - Results (from 123.87% as a starting point)		
Gross outflows	- 219M	- 543M
Weighted NSFR	-29M	-70M
AFS	18,004M	17,963M
RSF	14,558M	14,558M
NSFR	123.67%	123.39%

ESG ON NON-FINANCIAL RISKS (NFR):

Based on the ESG risk strategy and appetite, the supervisors expect that the risk evaluation process needs to integrate climate and environmental risks into the existing well-known risk categories (credit, market, liquidity, NFR). Consequently, the NFR needs to be quantified as part of the process, notably to identify adequate capital requirements (e.g., ICLAAP) over a sufficiently long timeframe.

Additionally, the right data framework is key to covering these challenges as the ESG risk management requires a high level of transparency of the reports, focusing on identifying relevant risks and implementing measures to monitor and manage those risks to approach this challenge. The ECB suggests banks use available data and focus on integrating climate stress tests.

In this context, and due to the lack of data depth to link ESG drivers and their impacts on NFR, a first gateway is to look at the descriptive statistics implicated by the 2023 ESG Risk Cartography outcomes with a dedicated focus on NFR.

As mentioned previously, the 2023 ESG Cartography exercise have been built following the same approach used for the Bank's Global Risk Cartography, based on the collection of questionnaires provided to various stakeholders, requesting their assessment of ESG specific scenarios, with focus on Climate & Environmental risks and including social and governance aspects.

Regarding the scenarios covering the E, S and G sides, here are the main features: (i) We take for our analyses the Gross view (meaning not considering the control or mitigating actions, noting that the Net view produces similar results), (ii) We filter out of the analyses the scenarios outcomes that have a monthly or higher frequency, (iii) We use firstly the median of each range of the outcomes (range 1 from EUR 0,002 million to EUR 0,01 million, range 2 from EUR 0,01 million to EUR 0,2 million, etc.).

We consider the maximum loss (in absolute value: EUR 24 million) as a first assessment of the ESG driver impacts on NFR and it serves as a first ECAP estimate. We allocate this global loss based on the weighted loss of each NFR. The same principle is applied for the ESG driver allocation:

NFR	%	Allocation of Capital (M)
Compliance Risk	6,14%	1,5
Enterprise Risk	53,64%	12,9
ICT	1,97%	0,5
ORM	38,26%	9,2
Total	100%	24

ESG driver allocation	%	Allocation of Capital (M)
Environmental_Risk	31,88%	7,7
Social_Risk	23,22%	5,6
Governance_Risk	44,90%	10,8
Total	100%	24

29. To note that following constructive exchanges with the ECB, Risk teams will enhance the approach during the second semester of 2024.

We could see that ESG drivers are relatively homogenous (between E, S and G). Regarding the NFR allocation, it is interesting to highlight Enterprise Risk with notably the Governance Risk. It corresponds to some underlying scenarios that cover about 50% of the losses and are linked to potential bad customer perceptions (greenwashing) and strategic choices. In the second semester 2024, these themes will be reviewed in more detail to complete the panel of used scenarios.

ECB ONE-OFF FIT-FOR-55 CLIMATE RISK SCENARIO:

The Bank has been requested to participate in this top-down exercise launched in December 2023 and focused on climate data collection, which is coordinated by the EBA, in collaboration with the ECB and the European Systemic Risk Board (ESRB). This analysis aims to measure the resilience of the financial sector in supporting the transition to a lower carbon economy under conditions of stress. In May 2024, participating banks received a specific report containing findings and benchmarks, with the objective of assisting them in the identification of areas where more efforts are needed and highlighting progress and good practices in handling climate-relevant data.

8.2.3. Credit Risk framework

Credit risk appetite: Following the ECB Guide dated November 2020, BIL has incorporated climate-related and environmental risks as drivers of existing risk categories into its management framework, with a view to managing, monitoring and mitigating these risks over a sufficiently long-term horizon. In addition, as requested in ECB guidelines, BIL is expected to identify and quantify these risks as part of the Bank's overall process of ensuring capital adequacy.

Credit Risk Management (CRM) has therefore introduced several steps to enhance ESG integration in the credit granting and monitoring process. As part of the Bank's Risk Appetite Framework presented in the Global Risk Charter, CRM has developed a credit risk appetite by economic sector based on ESG factors in conjunction with the Sector Vulnerability Index (SVI). BIL has defined sector limits as part of its Global Risk Appetite Framework.

The Credit Risk Appetite is aligned with the Bank's 2025 Strategy.

The Credit Risk Appetite takes into consideration ESG factors based on the SASB Materiality Map (which is also used for the ESG scenarios as mentioned previously).

SASB is a market recognised standard for ESG assessment. The SASB Materiality Map identifies likely material sustainability issues on an industry-by-industry basis (including the real estate sector). The Materiality Map serves as a snapshot of potential material sustainability issues, covering transition and physical risks. This framework was also included in our internal Credit Risk Appetite Framework procedure in March 2022.

Assessing ESG exposure as part of our credit risk appetite enables BIL to assess how ESG factors impact a borrower's ability to repay a loan. Indeed, companies with high ESG risks may face regulatory risks or operational challenges in the future, affecting their creditworthiness.

Concretely, in order to have a classification for each dimension (i.e., E, S and G), SASB uses disclosure topics. Disclosure topics are industry-specific versions of sustainability issues. Each SASB standard includes a set of disclosure topics, which vary from industry to industry. The standard lists and briefly describes how management or mismanagement of various aspects of the topic may impact a company's ability to create long-term value. On average, SASB standards include 6 disclosure topics per industry. Each SASB standard includes standardised quantitative or, in some cases, qualitative metrics intended to measure performance on each disclosure topic or an aspect of the topic. On average, SASB standards include 13 accounting metrics per industry. In this context, Risk Appetite for each given sector takes into consideration SVI and ESG factors. The direction matrix is the basis for the Management Body to set the strategy for each sector: Grow, Maintain, Reduce and Watch. It is important to mention that this assessment gives a trend for the coming years. Assigning a "Reduce" or "Watch" direction to a sector does not prohibit new financing, especially for transition deals.

It is also important to specify that under EBA guidelines on loan origination and monitoring, ESG factors and associated risks now must be integrated into lending processes and have been included in our internal Loan Origination and Monitoring Policy.

The below is an extract of the SASB classification:

BIL Credit Risk Appetite - Sectors of Risk Limits	Total Granted Limits	Gross Drawn Amount	Max of drawn / limit (Gross of collateral)	Concentration %	Eco. Vulnerability Index	ESG Risks Materiality E	S	G	APPETITE DIRECTION	Risk Appetite 2024 Trigger	Limit	Projected limit 2025	2026	2027	2028
CONSTRUCTION & REAL ESTATE															
REAL ESTATE ACTIVITIES															
CONSTRUCTION OF BUILDINGS															
SPECIALIZED CONSTRUCTION ACTIVITIES															
Architectural and engineering activities; technical testing and analysis															
CIVIL ENGINEERING															

In 2023, an update to the credit risk appetite introduced a new limit for transition deals in sectors with high ESG risks. This specific limit will allow the Bank to assist its clients with their transition strategy and thus support its ambition of being a transition facilitator.

It should also be mentioned that the Bank is currently completing its panel of Risk Appetite Indicators, notably focussing on transition and physical drivers impacting residential real estate.

The Credit Charter sets out a general framework for the Bank's credit portfolio, which defines the principles, governance, authorities, responsibilities and risk strategy for credit, including:

- Prohibited sectors, countries and industries;
- Credit risk appetite and lending caps;
- Maximum exposures.

Regarding the ESG borrower's assessment, the Credit Risk Management department, in collaboration with the Sustainable Development and Enterprise Risk Management departments, has developed an ESG assessment for new credit transactions with Corporate and MidCorp counterparties. The ESG assessment is a qualitative approach developed to provide an ESG classification for each new credit transaction that is considered. The materiality of ESG factors to credit risks is assessed at sector, counterparty/borrower, and transaction level (i.e., from three perspectives) and is used to determine an overall ESG score. The overall ESG score is a combination of 3 sub-scores:

- The sector materiality score (accounting for 25% of the overall ESG score);
- The counterparty score (accounting for 35% of the overall ESG score);
- The transaction score (accounting for 40% of the overall ESG score).

For the counterparty and transaction scores, an ESG questionnaire is completed by the Relationship Manager and reviewed by Credit Risk Management at loan origination.

The ESG assessment is applied to all new MidCorp and Corporate transactions on a risk-based approach, i.e., counterparties are subject to an ESG assessment based on both their ESG risk level by sector (SASB Materiality Map) and the transaction amount. An assessment is required for counterparties meeting the following conditions:

- Counterparties in a sector with high ESG risk for a transaction above EUR 1.5 million;
- Counterparties in a sector with medium ESG risk for a transaction above EUR 3 million;
- Counterparties in a sector with low ESG risk for a transaction above EUR 5 million.

The Bank uses the ESG score as an additional consideration alongside the existing credit score. It is used as a stand-alone score and is not integrated into the credit rating. The possible recommendations resulting from the ESG assessment are as follows:

- A credit rating downgrade in the event of a high ESG score;
- A credit rating upgrade in the event of a low ESG score;
- No impact on the credit rating in the event of a medium ESG score.

The potential to override the credit rating will affect the Probability of Default (PD) of the borrower.

Moreover, following on from the internal initiative described above, namely the ESG assessment of borrowers, it is worth mentioning and welcoming the following initiative by the Luxembourg Banker's Association (ABBL), in conjunction with several banks in Luxembourg during the second half of 2023: the ESG Data Utility Project. This project involves the development of a single questionnaire dedicated to organisations not subject to CSRD, mainly SMEs, to collect sustainability information in a uniform manner across all banks, thereby simplifying the experience of SMEs. Several workshops have since been held, highlighting the willingness of the banks present to work on a common questionnaire for all SMEs.

The main objectives and benefits of this joint approach for both banks and SMEs would be to simplify dialogue by collecting ESG data through one uniform channel, and to prepare SMEs for upcoming regulatory and societal expectations. In 2024, the participating banks aim to collectively define the questionnaire and choose a collective platform to enhance and facilitate interaction with SMEs on ESG considerations.

One of the important information to assess the transition risk is related to the **Energy Performance Certificate (EPC)** and the linked collection process: The most material ESG risk factor for our real estate portfolio is the transition risk linked to climate change, particularly the energy performance of our financed real estate. As a facilitator of our clients' transition, and to mitigate

our transition risk, it is our mission to support our clients in their energy transition by collecting and improving the energy performance of our financed real estate. Several initiatives were implemented in 2023, including two with risk management perspectives:

- The compulsory collection of the Energy Performance Certificate for any new residential property used as a collateral to secure a loan;
- The inclusion of the energy class of the property financed into the retail mortgage pricing policy.

8.2.4. Assessing Bank Investment Portfolio risks

In addition to its role as a provider of investment solutions to private and institutional investors, BIL also manages an investment portfolio for its own account (IP as mentioned in the ESG scenario section). This portfolio is strategically managed as a liquidity buffer with a sound balance between risk and opportunities. Central to this strategy is the integration of ESG metrics, which serves a dual purpose: enhancing risk assessment and promoting sustainable societal impacts. The Bank's investment approach is carefully aligned with its exclusion policy and the newly implemented Sustainable Investment Framework. This Sustainable Investment Framework makes sure the Bank has a clear definition of what can be considered sustainable and is therefore able to carry out appropriate due diligence and avoid the risk of greenwashing. In our commitment to uphold high ESG standards, we have divested companies that do not meet our ESG standards and incorporated an ESG and controversy analysis into our traditional credit review process.

Moreover, the investment portfolio has been positioned so that by the end of 2025, at least 30% of the total portfolio will consist of Green, Social and Sustainable Bonds, noting this figure stood at around 22% at the end of 2023.

8.2.5. Green Bond framework

In April 2022, BIL was the first bank in Luxembourg to set up a Green Bond Framework dedicated to issuing green bonds. BIL has implemented its Green Bond Framework with a clear commitment to supporting the growth of the sustainable finance market. Since its inception, the Green Bond Framework has become an essential tool in enlarging our investor base, strengthening our access to liquidity and offering our clients investments that support the transition to an environmentally sustainable future. 2023 confirmed the relevance of this investment range.

Following a promising start and EUR 90 million of new issues in 2022 (primarily in the form of private placements as detailed in our Allocation and Impact Report), the total amount raised by BIL in Green Bonds stood at over EUR 440 million equivalent as of end-2023. The demand emerged from local and international institutional investors for tailor-made transactions. The appetite for this product among our retail and private banking network was very successful, with a single public offering of EUR 105 million. At institutional level, the green format enabled BIL to widen its scope of issuance, with an inaugural transaction denominated in Chinese Renminbi.

Our Green Bond issuance has been supported by the strong ESG rating awarded to BIL by Sustainalytics. This was granted on the back of strong management of material ESG issues such as corporate governance and business ethics.

BIL has set up a dedicated Green Bond Committee to ensure the compliance of the bonds issued under the Green Bond Framework. The Green Bond Committee is chaired by the Chief Financial Officer and composed of the ALM Committee5, the Head of Sustainable Development and the Head of Long-Term Funding. The Green Bond Committee meets at least annually.

BIL Green Bonds	2023	2022
Number of issuances (Target Market: Institutional and Professional)	20	7
Number of issuances (Target Market: Retail eligible)	5	1
Outstanding amount (million euros)	**442.70**	**93.00**

8.2.6. Carbon Footprint exercise

BIL measures emissions linked to its own activities on an annual basis. Through the help of a third-party, our carbon footprint calculations span all three scopes of greenhouse gas emissions in accordance with the GHG Protocol and the Partnership for Carbon Accounting for Financials (PCAF). The exercise involves calculating the Bank's emissions on two bases: operational and financed. BIL applies the PCAF's Global GHG Accounting and Reporting Standard Part A: Financed Emissions.

BIL'S OPERATIONAL EMISSIONS

The calculation of BIL Group's carbon footprint has been carried out using the Bilan carbone method, initially developed by ADEME (the French Agency for Ecological Transition) in 2004. The method is, first and foremost, a process to assess a company's operational GHG emissions and to reduce them. The Bilan carbone spreadsheets contain European and Luxembourg emission factors, which are based on life-cycle assessments. The calculation carried out also complies with the requirements of ISO 14069 and the Greenhouse Gas Protocol (GHG Protocol). The following greenhouse gases were considered under the Bilan carbone:

- Carbon dioxide (CO2);
- Methane (CH4),
- Nitrous oxide (N2O);
- Fluorinated hydrocarbons (HFCs, PFCs, SF6, CFCs, HCFCs);
- Non-Kyoto/Paris-protocol: Ozone (O3), Water (H2O).

This is summarised in the table below:

The BIL outcomes for 2023 are presented below:

BIL's operational carbon footprint by source	BIL Luxembourg		BIL Switzerland	
Reporting Period	2023	2022	2023	2022
TOTAL SCOPE 1 – DIRECT OWN OPERATIONS	1,482	1,724	44	49
TOTAL SCOPE 2 (market based) – INDIRECT – OWN OPERATIONS	307	219	54	84
TOTAL SCOPE 3 – INDIRECT OWN OPERATIONS	12,415	12,199	226	1,845
Upstream Scope 3 emissions	12,415	12,199	226	1,845
Downstream Scope 3 emissions excluding financed emissions	0	0	0	0
TOTAL EMISSIONS – OWN OPERATIONS FOOTPRINT (MARKET BASED)	14,203	14,142	326	1,980
TOTAL EMISSIONS – OWN OPERATIONS FOOTPRINT (LOCATION BASED)	17,204	17,496	335	1,993

Calculation of BIL's operational emissions can be found in the 2023 Sustainability Report.

BIL'S FINANCED EMISSIONS

Banks have an impact on the climate not only through their own business but also, more importantly, through the financed emissions from their lending and investment activities, which account for 99% of BIL's total carbon footprint. BIL has been calculating the financed emissions from its lending portfolio and bank investment portfolio since 2022. The calculation method is based on the GHG Protocol of the Partnership for Carbon Accounting Financials (PCAF). BIL has estimated emissions linked to the following five asset classes defined in this methodology:

- listed equity & corporate bonds;
- sovereign debt;
- business loans & unlisted equity;
- mortgages & commercial real estate;
- motor vehicle loans.

The outcomes are given in the Template 1: Banking book- Climate Change transition risk: Credit quality of exposures by sector, emissions, and residual maturity.

In this context, BIL has also defining a Transition Plan. It is a necessity from different perspectives: (1) Defining a transition plan is a must have from a risk management perspective and regulatory requirement (CSRD, CSD, CRR3), (2) Overall changing context needs to be integrated in business reflexion, (3) Climate Change, breaches of Planetary Boundaries, resources scarcity, geopolitics and regulations increase future uncertainty and systemic risks. In this context, continuing with "Business as usual" is becoming the riskiest option and, (4) Implications: For our clients, this translates to an urgent need to adapt their business model. For the Bank, this means an increase in ECL's and RWA's and necessitates the adaptation of our strategy, processes and risk model to cope with this new reality.

The transition also brings opportunities in Business Model Transformation. Transformation towards decarbonisation or circular economy are capital intensive, creating financing opportunities if we are equipped to benefit from them strategy, products, knowledge, data, risk model. Transition plan and sustainability cannot be separated from global business strategy.

This is translated in 3 streams: (1) Decarbonising our operations: BIL leads by example and decarbonizes its own operations in line with Paris Agreement, (2) Engaging clients (Real Estate, Corp/MidCorp) towards positive impacts: BIL acts as a transition facilitator, focusing on supporting existing clients in their transitions. The main objective is to steer BIL clients' portfolio towards net zero and, (3) Climate and environmental risks management.

Please refer to Template 3: Banking book - Climate change transition risk: Alignment metrics for detailed views of the figures but also explanation regarding the BIL approach to assess our decarbonation trajectory.

8.3. ESG Prudential Disclosures

8.3.1. Qualitative information on Environmental risk

8.3.1.1. Institution's business strategy to integrate environmental factors and risks, taking into account the impact of environmental factors and risks on institution's business environment, business model and financial planning.

Please refer to sections 8.1.4. and 8.2.

8.3.1.2. Objectives, targets and limits to assess and address environmental risk in short-, medium-, and long-term, and performance assessment against these objectives, targets and limits, including forward-looking information in the design of business strategy and processes

Please refer to section 8.1.4 for the ESG Dashboard part.

8.3.1.3. Current investment activities and (future) investment targets towards environmental objectives and EU-Taxonomy aligned activities.

New disclosures are required by the Taxonomy Regulation: The main reporting requirements for credit institutions set by the Article 8 Delegated Act became applicable on 1 January 2024.

Non-financial undertakings (subject to the NFRD/CRSD) should have disclosed in 2023 the proportion of their total turnover, capital expenditure (Capex) and operating expenditure (OpEx) associated with Taxonomy aligned economic activities. In 2024, BIL and other financial institutions are required to report their Taxonomy alignment for the first time, partly based on the information reported by their counterparties:

Financial undertakings (subject to the NFRD/CRSD) shall disclose KPIs (through 20 Excel templates) illustrating the green share of their assets financed and/or invested in Taxonomy aligned economic activities based on the Turnover KPI and on the CapEx KPI of the counterparties:

- Main indicator: GAR stock as at year-end 2023;
- Additional KPIs: (1) Breakdown by NACE code, (2) GAR flow over 2023 and, (3) GAR on off balance sheet for financial guarantees and AUM as at year-end 2023.

For this first exercise, our GAR stock is 0.06%. While this ratio may seem extremely low, it is broadly in line with the market. A recent study showed that the GAR was often between 0.5 and 2% with a few exceptions, and that the bulk of the GAR was "fuelled" by the alignment of mortgages, but which we have not yet included because we work on measuring physical risks[30] is ongoing.

Please refer to the quantitative templates 6, 7 and 8 for detailed views of the different figures and for the comprehensive descriptions of the methodology and approach adopted by BIL

8.3.1.4. Policies and procedures relating to direct and indirect engagement with new or existing counterparties on their strategies to mitigate and reduce environmental risks

A detailed description of the integration of ESG aspects in risk management can be consulted in our publicly accessible policy "ESG integration framework" (https://www.bil.com/Documents/documentation-legale/ESG-Integration-framework.pdf).

ESG considerations have been integrated in policies listed below.

30. As previously mentioned, Indicators are currently designing related to Physical Risk

CUSTOMER PORTFOLIO

Review of main policies and procedures, with the integration and ESG considerations:

- Sustainable Strategy & ESG integration framework
- SRI Policy
- Investment Decision Policy
- Fixed Income Selection Procedure
- Equity Selection Procedure
- ESG Fund Selection Procedure
- Fund Selection Procedure
- Advisory Investment Procedure
- Products & Services Governance Policy
- Remuneration Charter
- Financial promotion and marketing communication related to the distribution of Mifid & SFDR Regulated (BIL/NON-BIL) financial instruments
- Framework Banc assurance
- Sustainability Risk Policy
- PAI statement

BANK PORTFOLIO

- Portfolio Investment guidelines (section ESG)

LENDING PORTFOLIO

- Borrower assessment
- GHG and engagement strategy
- Integrate EPC collection in loan origination process

8.3.1.5. Responsibilities of the management body for setting the risk framework, supervising, and managing the implementation of the objectives, strategy and policies in the context of environmental risk management covering relevant transmission channels and,

8.3.1.6. Management body's integration of short-, medium- and long-term effects of environmental factors and risks, organisational structure both within business lines and internal control functions

In order to maintain the resilience and sustainability of the Bank's business model over different time horizons, the different stakeholders implied in the ESG framework development have proposed an action plan with a deadline by end of 2023:

- As-Is Assessment and Monitoring: Strategy and sustainability departments of the Bank work together to ensure that a close monitoring is performed for the main climate and environmental indicators through the implementation of a ESG dashboard that is integrated in our strategy and decision-making process. The objective is to ensure that the data being collected is robust enough to be integrated in our strategy, not only with a forward-looking perspective but also with a historical view. This exercise also enables the Bank to obtain a clearer view of the as-is situation regarding this topic, not only in terms of monitoring but also regarding reporting and disclosure frameworks that are currently being used.
- Budgetary Seminar: In the next budgetary seminar, to be held in 2024, we intend to include a first climate assessment review where the impacts of the several climate and environmental risks will be analysed.
- Full Strategy Review: For the next full strategy review, expected to occur in 2024, an exercise of mapping relevant climate and environmental information will be performed, including setting clear targets for certain KPIs.

8.3.1.7. Lines of reporting and frequency of reporting relating to environmental risk

Please refer to section 8.1.4. for the ESG Dashboard part.

8.3.1.8. Alignment of the remuneration policy with institution's environmental risk-related objectives

Please refer to sections 8.1.2. and 8.1.3.

8.3.1.9. Integration of short-, medium- and long-term effects of environmental factors and risks in the risk framework

Please refer to sections 8.2.1. to 8.2.3.

8.3.1.10. Definitions, methodologies and international standards on which the environmental risk management framework is based

Please refer to section 8.2.3.

8.3.1.11. Implementation of tools for identification, measurement and management of environmental risks

Please refer to section 8.2.3.

8.3.1.12. Description of limits to environmental risks (as drivers of prudential risks) that are set, and triggering escalation and exclusion in the case of breaching these limits

Please refer to section 8.2.3.

8.3.2 Qualitative information on social risk

8.3.2.1. Adjustment of the institution's business strategy to integrate social factors and risks taking into account the impact of social risk on the institution's business environment, business model, strategy and financial planning

Please refer to section 8.1.4.

8.3.2.2. Objectives, targets and limits to assess and address social risk in short-term, medium-term and long-term, and performance assessment against these objectives, targets and limits, including forward-looking information in the design of business strategy and processes

Please refer to sections 8.2.4 and 8.2.5.

8.3.2.3. Policies and procedures relating to direct and indirect engagement with new or existing counterparties on their strategies to mitigate and reduce socially harmful activities

The Bank manages its assets in compliance with ESG practices and strategies, such as screening companies/activities based on their environmentally/socially controversial activities (exclusion criteria) and positive/negative selection according to defined ESG criteria, etc.

In line with our Sustainability Risk Policy[31], client assets within mandates (advisory and discretionary) are covered by ESG sustainability risk management and subject to exclusion criteria and ESG integration strategies.

The same is true for the Bank's investment portfolio, for which investment guidelines clearly integrate ESG considerations (exclusion and integration).

Moreover, the ESG questionnaire borrower described in section 8.2.4 includes ESG features

31. https://www.bil.com/Documents/documentation-legale/SustainabilityRiskPolicy.pdf

8.3.2.4. Responsibilities of the management body for setting the risk framework, supervising and managing the implementation of the objectives, strategy and policies in the context of social risk management covering counterparties' approaches to: (i) Activities towards the community and society, (ii) Employee relationships and labour standards, (iii) Customer protection and product responsibility, and (iv) human rights

As a Luxembourg company, we comply with all national legal obligations relating to human rights.

We are a signatory to the UN Global Compact which encourage companies to voluntarily apply universal principles of sustainable development, including 10 principles relating to human rights,

Our company complies with the Luxembourg Labour Code. As such, it has made the following commitments to our staff:

- Code of Conduct references ILO core conventions: in Luxembourg, labour laws meet the objectives of the International Labour Organisation. In the financial sector, the ABBL signs multi-year agreements with employee representatives. These agreements are called "Collective Labour Agreements". This agreement reinforces the application of the ILO's objectives;
- Code of conduct covers forced labour: Law of 15 December 2020 approving Protocol P029 – Protocol of 2014 to the Forced Labour Convention, 1930, adopted by the General Conference of the International Labour Organisation, signed in Geneva on 11 June 2014;
- Code of Conduct covers child labour: Law of 6 December 1876 concerning child labour;
- Code of Conduct covers working hours: the coordination of working hours is regulated by the Luxembourg Labour Code and the collective bargaining agreement for the financial sector;
- Code of Conduct covers paid overtime: the management of paid overtime is regulated by the Luxembourg Labour Code and the collective agreement for the financial sector;
- Code of Conduct covers minimum wage: the management of paid overtime is regulated by the Luxembourg Labour Code and the collective bargaining agreement for the financial sector;
- Code of Conduct covers contractors and temporary workers: the Code of Conduct covering contractors and temporary workers is regulated by the Luxembourg Law of 23 July 1991 aimed at regulating subcontracting activities;

Notwithstanding our commitment to comply with legal frameworks, our monitoring duties continue to be enhanced and we remain committed to best practices and contributing to reflections on the market. Human Right considerations nevertheless remain difficult to control on the overall supply chain and seem somehow abstract. We are constantly learning about how we can improve our implementations on this aspect and are curious about evolutions on this topic.

8.3.2.5. Integration of measures to manage social factors and risks in internal governance arrangements, including the role of committees, the allocation of tasks and responsibilities, and the feedback loop from risk management to the management body

Please refer to sections 8.1.2. and 8.2.

Moreover, the ESG questionnaire borrower described in section 8.2.3. includes ESG features.

8.3.2.6. Lines of reporting and frequency of reporting relating to social risk

Please refer to section 8.1.4. for the ESG Dashboard part.

8.3.2.7. Alignment of the remuneration policy in line with institution's social risk-related objectives

Please refer to section 8.3.1.8. regarding the social component when considering ESG features.

8.3.2.8. Definitions, methodologies and international standards on which the social risk management framework is based

Please refer to section 8.3.2.4.

8.3.2.9. Processes to identify, measure and monitor activities and exposures (and collateral where applicable) sensitive to social risk, covering relevant transmission channels

Please refer to sections 8.2.3. and 8.2.4. regarding the social component within the Investment Portfolio (IP) of the Bank and the ESG Borrower assessment, considering ESG features..

8.3.2.10. Activities, commitments and assets contributing to mitigate social risk

Please refer to sections 8.2.3. and 8.2.4. regarding the social component within the Investment Portfolio (IP) of the Bank and the ESG Borrower assessment, considering ESG features.

8.3.2.11. Implementation of tools for identification and management of social risk

Please refer to sections 8.2.3. and 8.2.4. regarding the social component within the Investment Portfolio (IP) of the Bank and the ESG Borrower assessment, considering ESG features.

8.3.2.12. Description of setting limits to social risk and cases to trigger escalation and exclusion in the case of breaching these limits

Please refer to sections 8.2.3. and 8.2.4. regarding the social component within the Investment Portfolio (IP) of the Bank and the ESG Borrower assessment, considering ESG features.

8.3.2.13. Description of the link (transmission channels) between social risks with credit risk, liquidity and funding risk, market risk, operational risk and reputational risk in the risk management framework

Please refer to section 8.2.1.

8.3.3. Qualitative information on Governance risk

8.3.3.1. Institution's integration in their governance arrangements governance performance of the counterparty, including committees of the highest governance body, committees responsible for decision-making on economic, environmental, and social topics

Please refer to section 1.2.2. for the global governance and sections 8.1.2. and 8.2. specifically regarding ESG.

Moreover, the ESG questionnaire borrower described in section 8.2.3. includes ESG features.

8.3.3.2. Institution's accounting of the counterparty's highest governance body's role in non-financial reporting

Please refer to section 1.2.2. for the global governance and sections 8.1.2. and 8.2. specifically regarding ESG.

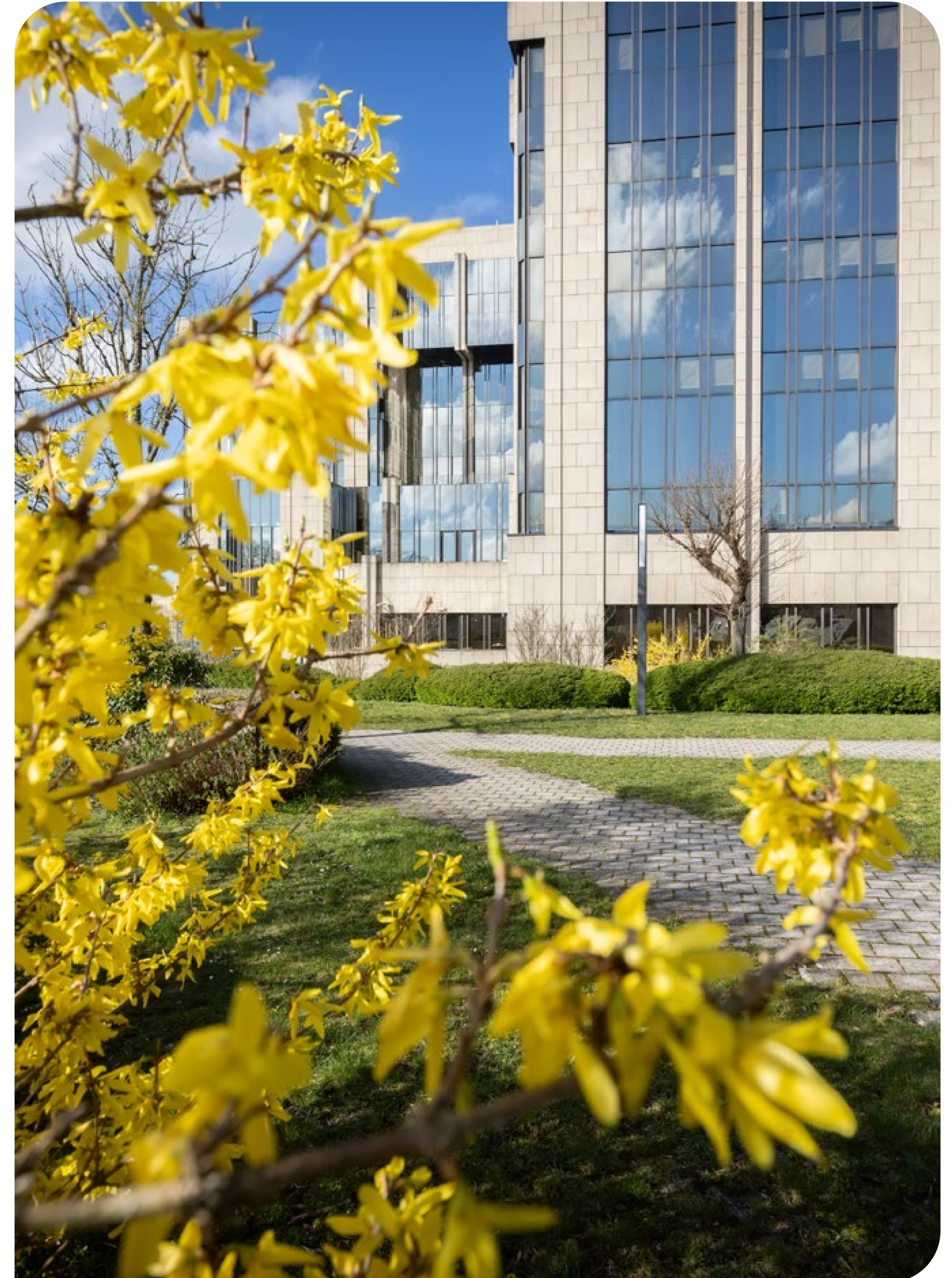
Moreover, the ESG questionnaire borrower described in section 8.2.3. includes ESG features.

8.3.3.3. Institution's integration in governance arrangements of the governance performance of their counterparties including: Ethical considerations, Strategy and risk management, Inclusiveness, Transparency, Management of conflict of interest, Internal communication on critical concerns, and

8.3.3.4. Institution's integration in risk management arrangements the governance performance of their counterparties considering: Ethical considerations, Strategy and risk management, Inclusiveness, Transparency, Management of conflict of interest, Internal communication on critical concerns

Please refer to sections 8.1.2. and 8.2.

Moreover, the ESG questionnaire borrower described in section 8.2.3. includes ESG features.



8.3.4. Quantitative templates

Template 1: Banking book– Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity

The template is realised considering the carbon footprint exercise conducted by South Pole in 2023 (with the outcomes of this assessment presented in section 8.2.6 of this report) assessing the GHG scopes 1/2/3.

	Sector/subsector	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Gross carrying amount (Mln EUR)					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (Mln EUR)			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)							
			Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures		Of which Scope 3 financed emissions	GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
1	Exposures towards sectors that highly contribute to climate change*	6,913.02	373.98	5,380.06	1,045.54	537.95	-65.67	-6.22	-48.39	0.89	0.43	0.00	3,820.18	901.57	1,467.55	723.72	0.00
2	A - Agriculture, forestry and fishing	124.32	0.00	124.32	6.80	1.12	-1.18	-0.11	-0.87	0.02	0.01	0.00	29.10	23.49	54.59	17.14	0.00
3	B - Mining and quarrying	35.78	5.72	0.00	1.96	0.32	-0.34	-0.03	-0.25	0.00	0.00	0.00	34.07	0.40	0.82	0.48	0.00
4	B.05 - Mining of coal and lignite	0.27	0.27	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.26	0.00	0.01	0.00	0.00
5	B.06 - Extraction of crude petroleum and natural gas	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6	B.07 - Mining of metal ores	32.27	2.21	0.00	1.77	0.29	-0.31	-0.03	-0.23	0.00	0.00	0.00	30.74	0.36	0.74	0.43	0.00
7	B.08 - Other mining and quarrying	1.70	1.70	0.00	0.09	0.02	-0.02	0.00	-0.01	0.00	0.00	0.00	1.62	0.02	0.04	0.02	0.00
8	B.09 - Mining support service activities	1.53	1.53	0.00	0.08	0.01	-0.01	0.00	-0.01	0.00	0.00	0.00	1.45	0.02	0.03	0.02	0.00
9	C - Manufacturing	635.04	294.85	0.00	34.74	5.72	-6.03	-0.57	-4.45	0.08	0.04	0.00	426.17	100.73	74.08	34.06	0.00
10	C.10 - Manufacture of food products	75.90	28.54	0.00	4.15	0.68	-0.72	-0.07	-0.53	0.01	0.00	0.00	50.94	12.04	8.85	4.07	0.00
11	C.11 - Manufacture of beverages	11.20	11.20	0.00	0.61	0.10	-0.11	-0.01	-0.08	0.00	0.00	0.00	7.52	1.78	1.31	0.60	0.00
12	C.12 - Manufacture of tobacco products	8.38	0.05	0.00	0.46	0.08	-0.08	-0.01	-0.06	0.00	0.00	0.00	5.63	1.33	0.98	0.45	0.00
13	C.13 - Manufacture of textiles	8.33	8.33	0.00	0.46	0.07	-0.08	-0.01	-0.06	0.00	0.00	0.00	5.59	1.32	0.97	0.45	0.00
14	C.14 - Manufacture of wearing apparel	1.00	1.00	0.00	0.05	0.01	-0.01	0.00	-0.01	0.00	0.00	0.00	0.67	0.16	0.12	0.05	0.00
15	C.15 - Manufacture of leather and related products	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
16	C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	44.37	7.49	0.00	2.43	0.40	-0.42	-0.04	-0.31	0.01	0.00	0.00	29.78	7.04	5.18	2.38	0.00
17	C.17 - Manufacture of pulp, paper and paperboard	3.96	0.04	0.00	0.22	0.04	-0.04	0.00	-0.03	0.00	0.00	0.00	2.66	0.63	0.46	0.21	0.00
18	C.18 - Printing and service activities related to printing	14.39	14.39	0.00	0.79	0.13	-0.14	-0.01	-0.10	0.00	0.00	0.00	9.66	2.28	1.68	0.77	0.00
19	C.19 - Manufacture of coke oven products	0.75	0.76	0.00	0.04	0.01	-0.01	0.00	-0.01	0.00	0.00	0.00	0.51	0.12	0.09	0.04	0.00
20	C.20 - Production of chemicals	75.27	13.18	0.00	4.12	0.68	-0.72	-0.07	-0.53	0.01	0.00	0.00	50.51	11.94	8.78	4.04	0.00
21	C.21 - Manufacture of pharmaceutical preparations	0.75	0.75	0.00	0.04	0.01	-0.01	0.00	-0.01	0.00	0.00	0.00	0.50	0.12	0.09	0.04	0.00
22	C.22 - Manufacture of rubber products	66.66	47.96	0.00	3.65	0.60	-0.63	-0.06	-0.47	0.01	0.00	0.00	44.74	10.57	7.78	3.57	0.00
23	C.23 - Manufacture of other non-metallic mineral products	25.63	10.85	0.00	1.40	0.23	-0.24	-0.02	-0.18	0.00	0.00	0.00	17.20	4.07	2.99	1.37	0.00
24	C.24 - Manufacture of basic metals	24.45	9.29	0.00	1.34	0.22	-0.23	-0.02	-0.17	0.00	0.00	0.00	16.41	3.88	2.85	1.31	0.00
25	C.25 - Manufacture of fabricated metal products, except machinery and equipment	41.68	35.71	0.00	2.28	0.38	-0.40	-0.04	-0.29	0.01	0.00	0.00	27.97	6.61	4.86	2.24	0.00
26	C.26 - Manufacture of computer, electronic and optical products	23.87	5.52	0.00	1.31	0.21	-0.23	-0.02	-0.17	0.00	0.00	0.00	16.02	3.79	2.78	1.28	0.00
27	C.27 - Manufacture of electrical equipment	39.55	12.67	0.00	2.16	0.36	-0.38	-0.04	-0.28	0.01	0.00	0.00	26.54	6.27	4.61	2.12	0.00

	Sector/subsector	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Gross carrying amount (Mln EUR)					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (Mln EUR)			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)							
			Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures		Of which Scope 3 financed emissions	GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
28	C.28 - Manufacture of machinery and equipment n.e.c.	62.94	13.58	0.00	3.44	0.57	-0.60	-0.06	-0.44	0.01	0.00	0.00	42.24	9.98	7.34	3.38	0.00
29	C.29 - Manufacture of motor vehicles, trailers and semi-trailers	52.73	42.73	0.00	2.88	0.47	-0.50	-0.05	-0.37	0.01	0.00	0.00	35.39	8.36	6.15	2.83	0.00
30	C.30 - Manufacture of other transport equipment	6.03	0.98	0.00	0.33	0.05	-0.06	-0.01	-0.04	0.00	0.00	0.00	4.04	0.96	0.70	0.32	0.00
31	C.31 - Manufacture of furniture	1.32	1.32	0.00	0.07	0.01	-0.01	0.00	-0.01	0.00	0.00	0.00	0.88	0.21	0.15	0.07	0.00
32	C.32 - Other manufacturing	37.96	21.23	0.00	2.08	0.34	-0.36	-0.03	-0.27	0.00	0.00	0.00	25.47	6.02	4.43	2.04	0.00
33	C.33 - Repair and installation of machinery and equipment	7.92	7.29	0.00	0.43	0.07	-0.08	-0.01	-0.06	0.00	0.00	0.00	5.32	1.26	0.92	0.42	0.00
34	D - Electricity, gas, steam and air conditioning supply	133.75	73.41	0.00	7.32	1.20	-1.27	-0.12	-0.94	0.02	0.01	0.00	46.28	36.14	47.99	3.33	0.00
35	D35.1 - Electric power generation, transmission and distribution	133.75	73.41	0.00	7.32	1.20	-1.27	-0.12	-0.94	0.02	0.01	0.00	46.28	36.14	47.99	3.33	0.00
36	D35.11 - Production of electricity	133.75	73.41	0.00	7.32	1.20	-1.27	-0.12	-0.94	0.02	0.01	0.00	46.28	36.14	47.99	3.33	0.00
37	D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
38	D35.3 - Steam and air conditioning supply	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
39	E - Water supply; sewerage, waste management and remediation activities	39.95	0.00	3.15	2.19	0.36	-0.38	-0.04	-0.28	0.01	0.00	0.00	37.69	0.03	0.00	2.23	0.00
40	F - Construction	1,547.61	0.00	1,537.61	47.00	130.00	-14.70	-1.39	-10.83	0.20	0.10	0.00	1,028.33	157.86	262.73	98.69	0.00
41	F.41 - Construction of buildings	1,279.08	0.00	1,269.08	38.84	107.44	-12.15	-1.15	-8.95	0.16	0.08	0.00	849.90	130.47	217.14	81.57	0.00
42	F.42 - Civil engineering	43.23	0.00	43.23	1.31	3.63	-0.41	-0.04	-0.30	0.01	0.00	0.00	28.72	4.41	7.34	2.76	0.00
43	F.43 - Specialised construction activities	225.30	0.00	225.30	6.84	18.93	-2.14	-0.20	-1.58	0.03	0.01	0.00	149.70	22.98	38.25	14.37	0.00
44	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	626.86	0.00	519.98	34.29	5.64	-5.96	-0.56	-4.39	0.08	0.04	0.00	381.48	53.17	117.56	74.66	0.00
45	H - Transportation and storage	595.45	0.00	263.62	32.57	5.36	-5.66	-0.54	-4.17	0.08	0.04	0.00	174.33	60.68	45.20	315.24	0.00
46	H.49 - Land transport and transport via pipelines	146.81	0.00	122.96	8.03	1.32	-1.39	-0.13	-1.03	0.02	0.01	0.00	42.98	14.96	11.14	77.72	0.00
47	H.50 - Water transport	9.46	0.00	9.46	0.52	0.09	-0.09	-0.01	-0.07	0.00	0.00	0.00	2.77	0.96	0.72	5.01	0.00
48	H.51 - Air transport	287.22	0.00	0.03	15.71	2.59	-2.73	-0.26	-2.01	0.04	0.02	0.00	84.09	29.27	21.80	152.06	0.00
49	H.52 -Warehousing and support activities for transportation	147.72	0.00	127.72	8.08	1.33	-1.40	-0.13	-1.03	0.02	0.01	0.00	43.25	15.05	11.21	78.21	0.00
50	H.53 - Postal and courier activities	4.23	0.00	3.45	0.23	0.04	-0.04	0.00	-0.03	0.00	0.00	0.00	1.24	0.43	0.32	2.24	0.00
51	I - Accommodation and food service activities	469.50	0.00	387.54	25.68	4.23	-4.46	-0.42	-3.29	0.06	0.03	0.00	265.42	57.74	93.98	52.37	0.00
52	L - Real estate activities	2,704.77	0.00	2,543.85	853.00	384.00	-25.70	-2.43	-18.93	0.35	0.17	0.00	1,397.30	411.33	770.61	125.54	0.00
53	Exposures towards sectors other than those that highly contribute to climate change*	23,582.19	0.00	9,871.97	1,289.95	212.24	-224.03	-21.22	-165.08	0.00	0.00	0.00	13,775.09	4.443.49	2,608.95	2,754.66	0.00
54	K - Financial and insurance activities	10,525.40	0.00	6,397.77	575.74	94.73	-99.99	-9.47	-73.68	0.00	0.00	0.00	8.142.41	1,365.66	604.11	413.22	0.00
55	Exposures to other sectors (NACE codes J, M - U)	13,056.79	0.00	3,474.20	714.21	117.51	-124.04	-11.75	-91.40	0.00	0.00	0.00	5,632.68	3,077.83	2,004.84	2,341.44	0.00
56	TOTAL	30,495.21	373.98	15,252.03	2,335.48	750.19	-289.70	-27.45	-213.47	0.89	0.43	0.00	17,595.28	5,345.06	4,076.50	3,478.37	0.00

* In accordance with the Commission delegated regulation EU) 2020/1818 supplementing regulation (EU) 2016/1011 as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks -Climate Benchmark Standards Regulation - Recital 6: Sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006

Template 2: Banking book - Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral

The template is based on the national statistic repartitions.

Explanations: As far as the EPC collection for the loan stock is concerned, it is important to mention that the different banks operating in Luxembourg, the ABBL and the Luxembourgish Minister of Energy are currently working on solutions to have a public/common database for Real Estate ESG features, and more especially EPC. The Bank considers access to this common platform as ultimately the most effective solution for massively and efficiently remediating the EPCs of all its existing stock. This solution nevertheless still faces several impediments, including the possibility of banks to access this data for GDPR purposes). This is why until complete access to this national database is established, the Bank uses national statistics as was done for the 2022 ECB Climate Risk Stress Testing (approach available upon request) and map proportionally to the Bank portfolio.

	Counterparty sector	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Total gross carrying amount amount (in MEUR)															
		Level of energy efficiency (EP score in kWh/m² of collateral)							Level of energy efficiency (EPC label of collateral)							Without EPC label of collateral	
			0; <= 100	> 100; <= 200	> 200; <= 300	> 300; <= 400	> 400; <= 500	> 500	A	B	C	D	E	F	G		Of which level of energy efficiency (EP score in kWh/m² of collateral) estimated
1	Total EU area	7.485,30	1.887,47	225,95	159,13	712,40	1.243,59	3.256,77	803,57	1.083,89	225,95	159,13	712,40	1.243,59	3.256,77	0,00	0,0000
2	Of which Loans collateralised by commercial immovable property	489,41	123,41	14,77	10,40	46,58	81,31	212,94	52,54	70,87	14,77	10,40	46,58	81,31	212,94	0,00	0,0000
3	Of which Loans collateralised by residential immovable property	6.995,89	1.764,06	211,18	148,72	665,82	1.162,28	3.043,83	751,03	1.013,02	211,18	148,72	665,82	1.162,28	3.043,83	0,00	0,0000
4	Of which Collateral obtained by taking possession: residential and commercial immovable properties	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,0000
5	Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	7.485,30	1.887,47	225,95	159,13	712,40	1.243,59	3.256,77	803,57	1.083,89	225,95	159,13	712,40	1.243,59	3.256,77	0,00	0,0000
6	Total non-EU area	52,59	13,26	1,59	1,12	5,01	8,74	22,88	5,65	7,62	1,59	1,12	5,01	8,74	22,88	0,00	0,0000
7	Of which Loans collateralised by commercial immovable property	0,06	0,02	0,00	0,00	0,01	0,01	0,03	0,01	0,01	0,00	0,00	0,01	0,01	0,03	0,00	0,0000
8	Of which Loans collateralised by residential immovable property	52,53	13,25	1,59	1,12	5,00	8,73	22,85	5,64	7,61	1,59	1,12	5,00	8,73	22,85	0,00	0,0000
9	Of which Collateral obtained by taking possession: residential and commercial immovable properties	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,0000
10	Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	52,59	13,26	1,59	1,12	5,01	8,74	22,88	5,65	7,62	1,59	1,12	5,01	8,74	22,88	0,00	0,0000

Template 3: Banking book - Climate change transition risk: Alignment metrics

BIL has developed a point in time distance that represents the current degree of alignment with a 1.5 degree scenario indicator for 2030 as a percentage based on the following formula:

$$Distance = \frac{Metric\ at\ reference\ year - (IEA\ scenario\ metric\ in\ 2030)}{(IEA\ scenario\ metric\ in\ 2030)} * 100$$

A list of carbon intensive sectors are covered in the assessment. Decarbonisation pathways available under the IEA NZE 2050 cover a set of sectors which have a significant contribution to global GHG emissions. To develop the decarbonisation pathways, BIL has used the data from the IEA NZE 2050 scenario as published in its latest edition of the World Energy Outlook 2023, which is the IEA's yearly publication. BIL has covered Scope 1 and Scope 2[31] .

	a	b	c	d	e	f	g
	Sector	NACE Sectors (a minima)	Portfolio gross carrying amount (Mn EUR)	Alignment metric**	Year of reference	Distance to IEA NZE2050 in % ***	Target (year of reference + 3 years)
1	Power	Please refer to the list below*	19,69	T CO2/ MWh	2022	-39%	
2	Fossil fuel combustion		0,69	gCO2/MJ	2022	62%	
3	Automotive (Heavy trucks)		22,82	gr CO2/ Tonne km	2022	24%	
	Automotive (Passenger cars)		175,11	gr CO2/ passenger km	2022	78%	
4	Aviation		249,32	gr CO2/ passenger km	2022	50%	
5	Maritime transport ****		0,06	gr CO2/ Tonne km	2022	153%	
6	Cement, clinker and lime production		0,00	T CO2/ Ton of product	2022	0%	
7	Iron and steel, coke, and metal ore production		0,17	T CO2/ Ton of product	2022	48%	
8	Chemicals		-	-	-	-	
9	Aluminium		0,57	T CO2/ Ton of product	2022	96%	
	Buildings (Residential)		8861,34	tCO2/ square meter	2022	104%	
	Buildings (Services)		1744,57	tCO2/ square meter	2022	177%	

*** PiT distance to 2030 NZE2050 scenario in % (for each metric)

****Maritime transport Shipping

Next steps:

One of the primary challenges in conducting a Paris-alignment assessment for a bank's portfolio is the availability and reliability of data. This is mainly driven by the scarcity of reported data from both private and public companies. Additionally, the absence of strict reporting guidelines in some industries results in non-uniformity and difficulties in comparing the figures. Another significant challenge lies in the sectoral heterogeneity and complexity, which limits the applicability of existing decarbonisation pathways.

Furthermore, decarbonisation pathways heavily rely on assumptions about future economic, technological, and policy developments, which are integrated into their models to create various scenarios. For instance, the International Energy Agency's (IEA) Net-Zero Emissions (NZE) 2050 projections hinge on assumptions regarding the availability and uptake of electric vehicles (EVs) and significant infrastructure policy changes. While the challenges outlined above represent significant challenges in conducting a Paris-alignment assessment for a bank's portfolio, it is essential to recognise that they do not encompass all potential complexities and variables affecting the reliability of this assessment. A continuous reassessment of the methodologies employed and the incorporation of emerging data and insights will ensure robust and accurate assessments of portfolio alignment with climate goals.

31. The entire process is available upon request.

Template 4: Banking book - Climate change transition risk: Exposures to top 20 carbon-intensive firms

The template discloses the aggregate information on exposures towards the most carbon-intensive counterparties in the world. It is realised considering the data source of the top 20 most carbon-intensive corporates worldwide published in the Carbon Majors Database - CDP Carbon Majors Report.

	a	b	c	d	e
	Gross carrying amount (aggregate)	Gross carrying amount towards the counterparties compared to total gross carrying amount (aggregate)*	Of which environmentally sustainable (CCM)	Weighted average maturity	Number of top 20 polluting firms included
1	30.495,00	0,00030%	0,00	1,00	1,00

*For counterparties among the top 20 carbon emitting companies in the world

Template 5: Banking book – Climate change physical risk: Exposures subject to physical risk

This template is realised starting from the identification of the main exposures by country. About 90% of the total exposures is represented by the coverage of 5 countries. We used the data sources provided by GFDRR – Think Hazard to assess the country level of Physical Risk (8 hazards level). Assessing the geographical coverage by country, we aggregated the exposures by economic sectors allocating the correspondent level of risk.

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Variable: Geographical area subject to climate change physical risk – acute and chronic events	Gross carrying amount (Mln EUR)													
		of which exposures sensitive to impact from climate change physical events													
			Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
			<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity							of which Stage 2 exposures	Of which non-performing exposures
1	A - Agriculture, forestry and fishing	124,32	20,35	25,65	59,61	18,71	16,23	0,00	0,00	124,32	6,23	1,02	-1,08	-0,10	-0,80
2	B - Mining and quarrying	35,78	33,89	0,44	0,91	0,53	5,74	0,00	0,00	35,78	1,76	0,29	-0,31	-0,03	-0,23
3	C - Manufacturing	635,04	300,47	161,59	118,35	54,63	10,79	0,00	0,00	635,04	21,25	3,50	-3,69	-0,35	-2,72
4	D - Electricity, gas, steam and air conditioning supply	133,75	24,69	45,06	59,85	4,15	14,02	0,00	133,75	0,00	5,87	0,97	-1,02	-0,10	-0,75
5	E - Water supply; sewerage, waste management and remediation activities	39,95	3,84	35,64	0,48	0,00	9,64	39,95	0,00	0,00	0,14	0,02	-0,02	0,00	-0,02
6	F - Construction	1.547,61	1.018,62	155,95	271,41	101,63	9,45	0,00	1.547,61	0,00	44,56	123,26	-13,94	-1,32	-10,27
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	626,86	325,40	65,48	144,04	91,94	11,90	0,00	0,00	626,86	27,84	4,58	-4,84	-0,46	-3,56
8	H - Transportation and storage	595,45	273,40	122,15	88,95	110,95	11,99	0,00	595,45	0,00	16,18	2,66	-2,81	-0,27	-2,07
9	L - Real estate activities	2.704,77	1.295,10	408,20	857,74	143,73	11,57	0,00	2.704,77	0,00	745,01	335,38	-22,44	-2,13	-16,54
10	Loans collateralised by residential immovable property	7.048,42	0,00	0,00	7.048,42	0,00	15,00	0,00	7.048,42	0,00	554,00	270,00	-73,00	-6,00	-50,00
11	Loans collateralised by commercial immovable property	489,47	0,00	489,47	0,00	0,00	7,00	0,00	489,47	0,00	39,89	8,00	-28,00	-9,00	-5,00
12	Repossessed collaterals	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
13	Other relevant sectors (breakdown below where relevant)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00

Templates 6,7 and 8 related to Taxonomy-aligned exposures, including the green asset ratio (GAR) as defined in the EU Regulation 2020/852

EU TAXONOMY REGULATION

In 2020, the European Parliament and the EU Council adopted Regulation (EU) 2020/852, hereinafter the EU Taxonomy Regulation, which establishes uniform and common criteria in the European Union to determine if an economic activity can be considered environmentally sustainable. The EU Taxonomy is a classification system that defines the criteria used to determine the environmental sustainability of a specific economic activity.

This classification is based on the following six environmental objectives:

- Climate change mitigation;
- Climate change adaptation;
- Sustainable use and protection of water and marine resources;
- Transition to a circular economy;
- Pollution prevention and control;
- Protection and restoration of biodiversity and ecosystems.

An economic activity must meet the following conditions to be considered taxonomy-aligned:

- Substantially Contributing (SC) to one or more of the six EU environmental objectives;
- Doing No Significant Harm (DNSH) to the other five EU environmental objectives;
- Complying with Minimum Safeguards covering social and governance standards (MSS).

To ensure that an economic activity substantially contributes to one of these objectives, while not doing significant harm to any of the other five objectives, the EU sets performance criteria (so called "technical screening criteria") in delegated acts.

ELIGIBILITY VS ALIGNMENT:

- Eligibility definition: an eligible activity is an economic activity that is described and has technical screening criteria set out in the taxonomy.
- Taxonomy alignment refers to an eligible economic activity that is making a substantial contribution to at least one of the climate and environmental objectives, while also doing no significant harm to the remaining objectives and meeting minimum standards on human rights and labour standards.

The revenue, CAPEX and OPEX for such an activity is aligned or in alignment. An economic activity that is eligible and does not meet the technical screening criteria and minimum social safeguards is not aligned.

DISCLOSURE REQUIREMENTS

Article 8 of the Taxonomy Regulation imposes sustainability disclosure obligations on actors in the EU market that are subject to the Non-Financial Reporting Directive (NFRD), namely large public interest companies (listed companies, banks, insurance companies that meet certain criteria relative to their size) and groups, with more than 500 employees.

In response to this disclosure requirement, BIL firstly published the eligibility ratio in its 2022 Sustainability and Pillar III reports. This ratio shows the proportion of activities on BIL's balance sheet that are included in the list of EU Taxonomy activities, but without determining if they are aligned.

For the first time in 2023, non-financial companies were required to report on the alignment of their activities by quantifying the proportion of their activities deemed environmentally sustainable. This assessment is based on technical screening criteria as described above. The percentage of Taxonomy-alignment is based on the turnover of companies but also, on their capital and operating expenditures (CapEx and OpEx).

In 2024, BIL and other financial institutions are required to report their Taxonomy-alignment for the first time, partly based on the information reported by their counterparties, as described previously. The main indicator for measuring this alignment is the Green Asset Ratio (GAR), which establishes the percentage of assets covered by the banking group that are used for activities that meet the criteria of the Taxonomy.

The GAR is the ratio of the volume of assets intended for activities that meet the requirements of the Taxonomy and the assets covered.

REPORTING PRINCIPLES

The preparation of the EU Taxonomy reporting is based on prudential consolidation of BIL SA. The consolidation is in accordance with the supervisory reporting of financial institutions as defined in Regulation (EU) No 575/2013 of the European Parliament and of the Council, and the Commission Implementing Regulation (EU) 2021/451 (FINREP). Furthermore, the preparation of the reporting is based on the Delegated Act supplementing Article 8 of the Taxonomy Regulation (Disclosures Delegated Act 2021/2178)

BIL'S APPROACH

For this reporting period, BIL has the obligation to report only on the alignment on the first two objectives: Climate Change Mitigation (CCM) and Climate Change Adaptation (CCA). The current granularity of the data collected did not allow us to obtain eligibility and alignment results for each of the two objectives separately. By default, they were attributed to the CCM objective alone. Reporting eligibility and alignment for the remaining four environmental objectives can only be accomplished using information published by counterparties.

As 2023 is the first reporting year for non-financial counterparties that are subject to reporting eligibility on the four remaining objectives, we cannot disclose eligibility or alignment on those objectives yet.

For this reporting period, BIL should have disclosed its exposures as at both year-end 2022 and 2023. As explained below, BIL is dependent on the publication of eligibility and alignment data by its own counterparties. At reporting date, non-financial undertakings have not published data for 2023.

For BIL's exposures as at year-end 2023, the Taxonomy reporting of eligibility and alignment is based on published data from 2022. BIL did not carry out the same exercise for exposures at year-end 2022 as they would also have been based on the same data published for 2022. As a result, there would have been no change between the 2022 and 2023 results.

On the other hand, BIL has calculated its GAR flow, which seems to be more appropriate for identifying the effort made in 2023 alone.

APPROACH FOR EXPOSURES TO FINANCIAL AND NON-FINANCIAL CORPORATIONS SUBJECT TO NFRD

- The categorisation was based on internal customer segmentation.
- BIL determined the Taxonomy eligibility and alignment of its financial and non-financial counterparties using the published percentages in their annual reports or sustainability reports.

The assessment of whether non-financial and financial undertakings fulfil the requirement in terms of Substantial Contribution (SC), Do No Significant Harm (DNSH) criteria and compliance with Minimum Safeguards covering social and governance Standards (MSS) is based on the undertakings' own published Taxonomy reporting.

The Taxonomy KPIs are based on published financial information.

- For non-financial undertakings: At reporting date, non-financial undertakings have not published data for 2023; consequently, the Taxonomy reporting of eligibility and alignment is based on published data from 2022.
- For financial undertakings: Taxonomy alignment data was not available at reporting date as, in 2024, financial institutions are required to report their Taxonomy-alignment for the first time.

APPROACH FOR EXPOSURES IN THE HOUSEHOLD LOAN PORTFOLIO: RESIDENTIAL PROPERTY LOANS (MORTGAGES), BUILDING RENOVATION LOANS AND MOTOR VEHICLE LOANS

- In terms of Eligibility Assessment, 100% of these three types of exposures are eligible.
- BIL could have identified exposures aligned with the taxonomy for mortgages and motor vehicle loans based solely on the SC criteria, respectively based on the energy performance of the collateral and the emissions of the vehicles financed.

BIL is currently working on the technical screening criteria of the EU Taxonomy in terms of DNS respectively based for example on the physical risk assessment for mortgage lending or information about the tyres for the motor vehicle loans. At this stage, BIL has therefore prudently decided, to set the alignment of all three types of exposure at 0%.

APPROACH FOR EXPOSURES TO LOCAL GOVERNMENTS

Local governments do not report Taxonomy data. BIL is therefore unable to determine the Taxonomy eligibility and alignment of this type of counterparties.

BIL'S RESULTS

For its first exercise, BIL's GAR on stock stood at 0.06% and 0.17%, based on the Turnover and CAPEX KPIs of the counterparties respectively. These ratio levels can to a large extent be explained by several criteria, such as the BIL's business model and the type of clientele.

Moreover, like many of its peers, BIL has preferred to adopt a very cautious approach and to report 0% alignment for a certain number of exposures. BIL will continue to improve the GAR assessment and continue to support its customers in their transition more generally.

Template 6. Summary of GAR KPIs

	KPI			
	Climate change mitigation	Climate change adaptation	Total (Climate change mitigation + Climate change adaptation)	% coverage (over total assets) *
GAR stock	0,0006	0,0000	0,0006	0,7400
GAR flow	0,0000	0,0000	0,0000	0,8300

* % of assets covered by the KPI over banks´ total assets

Template 7 - Mitigating actions: Assets for the calculation of GAR

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	Million EUR	Disclosure reference date : 31 December 2023															
		Total gross carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
					Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/ adaptation	Of which enabling
	GAR - Covered assets in both numerator and denominator																
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	15.783,88	6.971,00	12,00									6.971,00	12,00			
2	Financial corporations	6.692,26	51,00	6,00									51,00	6,00			
3	Credit institutions	3.151,80															
4	Loans and advances	995,57															
5	Debt securities, including UoP	2.014,66															
6	Equity instruments	141,58															
7	Other financial corporations	3.540,45	51,00	6,00									51,00	6,00			
8	of which investment firms	395,21															
9	Loans and advances	355,94															
10	Debt securities, including UoP	20,00															
11	Equity instruments	19,27															
12	of which management companies	728,38															
13	Loans and advances	429,57															
14	Debt securities, including UoP	298,79															
15	Equity instruments	0,02															
16	of which insurance undertakings	134,29															
17	Loans and advances	134,29															
18	Debt securities, including UoP	0,00															
19	Equity instruments	0,00															
20	Non-financial corporations (subject to NFRD disclosure obligations)	1.290,35	71,00	6,00									71,00	6,00			
21	Loans and advances	753,27	71,00	6,00									71,00	6,00			
22	Debt securities, including UoP	537,08															
23	Equity instruments	0,00															
24	Households	7.764,31	6.849,00										6.849,00				
25	of which loans collateralised by residential immovable property	6.739,46	6.739,00										6.739,00				
26	of which building renovation loans	26,00	26,00										26,00				
27	of which motor vehicle loans	83,00	83,00										83,00				
28	Local governments financing	36,96															
29	Housing financing	0,26															
30	Other local governments financing	36,71															
31	Collateral obtained by taking possession: residential and commercial immovable properties	2,00	2,00										2,00				
32	TOTAL GAR ASSETS	15.785,88	6.973,00	12,00									6.973,00	12,00			

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	Million EUR		Disclosure reference date : 31 December 2023														
		Total gross carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
					Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/ adaptation	Of which enabling
	Assets excluded from the numerator for GAR calculation (covered in the denominator)																
33	EU Non-financial corporations (not subject to NFRD disclosure obligations)	4.698,00															
34	Loans and advances	4.432,00															
35	Debt securities	0,00															
36	Equity instruments	266,00															
37	Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)	299,00															
38	Loans and advances	275,00															
39	Debt securities	23,00															
40	Equity instruments	1,00															
41	Derivatives	547,00															
42	On demand interbank loans	215,00															
43	Cash and cash-related assets	68,00															
44	Other assets (e.g. Goodwill, commodities etc.)	689,00															
45	TOTAL ASSETS IN THE DENOMINATOR (GAR)	22.301,88															
	Other assets excluded from both the numerator and denominator for GAR calculation																
46	Sovereigns	5.334,00															
47	Central banks exposure	2.618,00															
48	Trading book	19,00															
49	TOTAL ASSETS EXCLUDED FROM NUMERATOR AND DENOMINATOR	7.971,00															
50	TOTAL ASSETS	30.272,88															

Template 8 - GAR (%)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v	w	x	y	z	aa	ab	ac	ad	ae	af
		Disclosure reference date 31 December 2023 : KPIs on stock																Disclosure reference date 31 December 2023 : KPIs on flows															
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)						Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
		Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of total assets covered	Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of total new assets covered
			Of which environmentally sustainable					Of which environmentally sustainable					Of which environmentally sustainable						Of which environmentally sustainable					Of which environmentally sustainable					Of which environmentally sustainable				
% (compared to total covered assets in the denominator)				Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/ adaptation	Of which enabling				Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/ adaptation	Of which enabling	
1	GAR	31,27%	0,05%	-	-	-	-	-	-	-	-	31,27%	0,05%	-	-	-	52,15%	20,24%										20,24%					62,86%
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	31,26%	0,05%	-	-	-	-	-	-	-	-	31,26%	0,05%	-	-	-	52,14%	20,20%										20,20%					62,82%
3	Financial corporations	0,23%	0,03%	-	-	-	-	-	-	-	-	0,23%	0,03%	-	-	-	22,11%																32,84%
4	Credit institutions			-	-	-	-	-	-	-	-			-	-	-	10,41%																13,37%
5	Other financial corporations	0,23%	0,03%	-	-	-	-	-	-	-	-	0,23%	0,03%	-	-	-	11,70%																19,47%
6	of which investment firms			-	-	-	-	-	-	-	-			-	-	-	1,31%																4,59%
7	of which management companies			-	-	-	-	-	-	-	-			-	-	-	2,41%																4,38%
8	of which insurance undertakings			-	-	-	-	-	-	-	-			-	-	-	0,44%																0,49%
9	Non-financial corporations subject to NFRD disclosure obligations	0,32%	0,03%	-	-	-	-	-	-	-	-	0,32%	0,03%	-	-	-	4,26%	0,47%										0,47%					11,69%
10	Households	30,71%		-	-	-						30,71%		-	-	-	25,65%	19,73%										19,73%					18,30%
11	of which loans collateralised by residential immovable property	30,22%		-	-	-						30,22%		-	-	-	22,26%	18,97%										18,97%					15,77%
12	of which building renovation loans	0,12%		-	-	-						0,12%		-	-	-	0,09%	0,14%										0,14%					0,12%
13	of which motor vehicle loans	0,37%		-	-	-						0,37%		-	-	-	0,27%	0,63%										0,63%					0,53%
14	Local government financing			-	-	-								-	-	-	0,12%																
15	Housing financing			-	-	-								-	-	-	0,00%																
16	Other local governments financing			-	-	-	-	-	-	-	-			-	-	-	0,12%																
17	Collateral obtained by taking possession: residential and commercial immovable properties	0,01%		-	-	-						0,01%		-	-	-	0,01%	0,05%										0,05%					0,04%

Appendices

Appendix 1: Management Bodies

Background:

After two turbulent years, marked by the Covid-19 pandemic in 2020 and the recessionary shock it caused, the strong economic rebound in 2021, supply-chain issues and the first signs of inflation, 2022 was marked by the war in Ukraine, the inflationary shock and the energy crisis. Zooming-in on 2022, the conflict led to high commodity prices which added to more supply disruptions, and rising inflation has driven central banks to tighten financial conditions. A slowdown of global economic activity has been highlighted in 2022 and in 2023.

In this context, in 2023, BIL focused on the finalisation of its bank-wide project, its new core banking system, while ensuring its ambitious commercial targets were met. This investment, a milestone in the life of the Bank, will be key to pursue its transformation. The new core banking system will allow it to be even more flexible and to react more quickly to the demands of clients, to minimise risk and to adapt to the digital world without losing its human touch.

As the global economy is rapidly changing, BIL will adapt its commercial activities where necessary, while staying focused on its longer-term goals defined in its strategy Energise Create Together 2025.

The Bank will remain focused on the implementation of the 5 key initiatives of its strategic plan, whose purpose is to prepare the Bank for the future:

- Luxembourg is BIL's core market, where it can enhance its unique universal bank business model to become the best bank for entrepreneurs and remain one of the leading banks in Luxembourg;
- BIL's Wealth Management is an essential activity in the Bank's diversified business model and will continue to play a key role in enabling growth and resilience;
- BIL continued to develop its Chinese business step by step with the ambition to become a leading bank for European clients wanting to invest in China, and Chinese clients wanting to invest in Europe;
- These business initiatives will be supported by a new and reliable core banking system, entering now the final stages of testing;
- BIL pursued the design of its new target operating model to create a robust and dynamic bank ready to face the future with serenity.

In addition, all the Bank's commercial activities are guided by an enhanced risk management framework, which will support the future growth, both locally and internationally. Strategic initiatives foreseen under ECT 2025 are regularly undertaken at Group level, and each initiative is carefully monitored by the Bank's risk management department, whose main objective is to ensure that all risks are identified, continuously monitored, managed and consistent with BIL Risk Appetite.

BIL continued to invest significant time and resources in order to strengthen the risk management framework and processes and to ensure continued compliance with the regulatory corpus. Due to an increasing uncertainty and rising economic and geo-political risks, the Bank is actively managing its loan portfolio and significantly reduced its outstanding loans at risk (non-performing and forborne exposures) leading to recoveries.

In this context, the current capital and liquidity situation allowed the Bank to navigate successfully through the economic turbulences of the year 2023. The Bank will continue to monitor that it has sufficient financial resources to cover all relevant risks and will be able to maintain continuity of its operations on an ongoing basis, as well as to sustainably execute its business strategy.

The Management Bodies of BIL state that the Bank is adequately capitalised, has a sound liquidity situation and maintains robust profitability as presented in the table below:

RISK APPETITE FRAMEWORK	2022	2023	INTERNAL LIMIT
CET1 ratio	14.03%	13.45%	11.85%
Total capital ratio	18.04%	17.77%	15.80%
Leverage ratio	4.71%	5.51%	3.30%
AFR/ECAP	124%	114%	105%
LCR	153%	174%	110%
NSFR	123%	124%	104%
ROE	7%	8.6%	2.5%

The Pillar III report was presented and approved by BIL's Management Bodies as follows:

- The Management Board gave its approval on 5 June 2024.
- The Board of Directors approved the report on 17 June 2024.

Board of Directors of Banque Internationale à Luxembourg S.A.

Marcel Leyers
Chair

Jing Li
Vice-Chair

Peng Li
Director

Pierrot Rasqué
Director

Vincent Thurmes
Director

Chris Van Aeken
Director

Charles Q. Li
Director

Maurice Lam
Director

Claude Steffen
Director, Staff Representative

Ashley Glover
Director, Staff Representative

Marc Terzer
Director, Staff Representative

Benoît Migeaux
Director, Staff Representative

Management Board of Banque Internationale à Luxembourg S.A.

Jeffrey Dentzer
Chair of the Management Board
and Chief Executive Officer

Bernard Mommens
Member of the Management Board

Nico Picard
Member of the Management Board

Jérôme Nèble
Member of the Management Board

Karin Scholtes
Member of the Management Board

Hédi Ben Mahmoud
Member of the Management Board

Appendix 2: Valuation framework

The Market and Liquidity Risk Management team checks the source of prices, verifies market prices and oversees the input of valuations used in RCO ALM.

These checks apply to all fair-valued positions, whether or not they are in the trading portfolio. The instruments concerned are as follows:

- Bonds in the trading portfolio and hedging instruments;
- Bonds in the investment portfolio and hedging instruments;
- Structured products issued by the Bank and hedging instruments;
- Warrants;
- Derivatives used in other trading portfolios;
- Derivatives used for macro-hedging purposes.

Valuation of trading portfolio positions

The trading portfolio comprises the following positions:

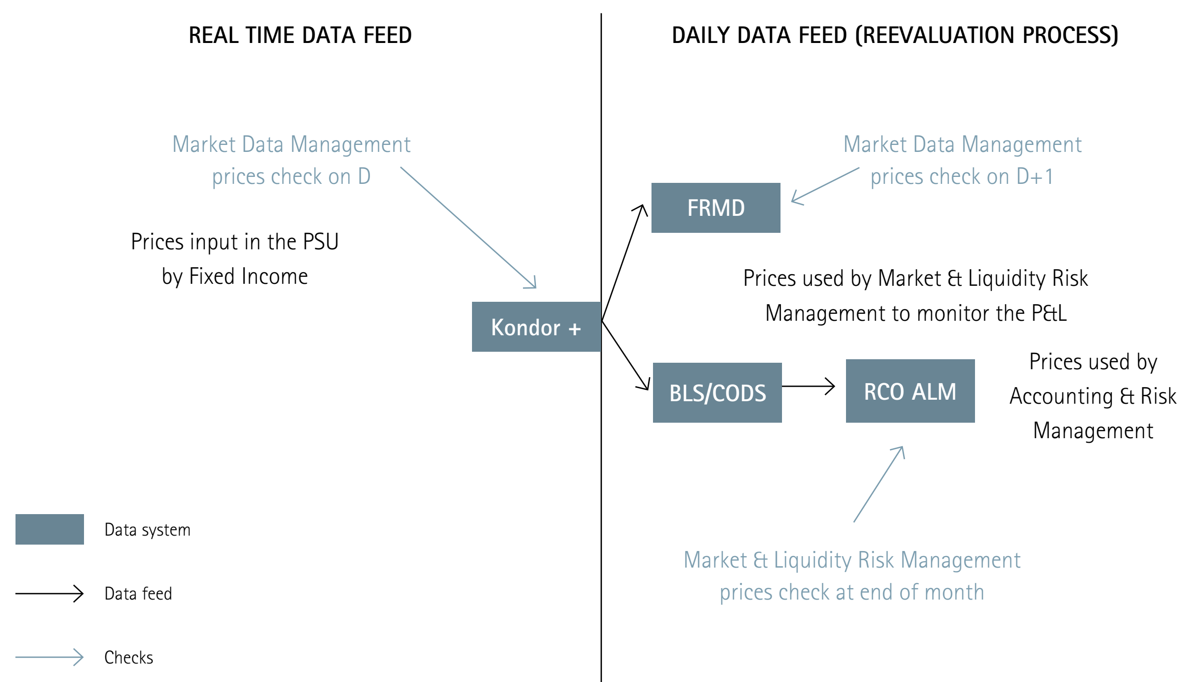
- Bonds;
- Bond futures;
- IRS.

Valuation of bonds

Bonds are traded over the counter. There is no single, directly observable market price for a given security. Bond price adjustments entered in the systems are therefore subject to specific checks by the MLRM.

Price input

Prices are input in the following manner each day:



Real-time price checks by Market Data Management

The Market Data Management team carries out a series of real-time checks on the prices shown in the PSU:

- The PSU price comparison at 2pm using the previous evening's marked to market prices is intended to foresee potential technical problems and resolve them before 5pm. Changes of more than 1% (for bid and ask prices) must be justified using information available in Bloomberg. The Fixed Income team is notified of unexplained changes by email.
- The comparison of prices entered in the PSU at 2pm against prices from the BGN generic contributor is intended to monitor the Bid/Ask spread. The list of securities for which differences exceed 1% is emailed to the Fixed Income team for verification.
- The comparison of PSU prices at 5pm with PSU prices at 2pm follows the same rationale as the comparison of prices at 2pm with the previous evening's marked to market prices.
- Marked to market prices are validated at the end of the day, based on the PSU prices at 5pm. If necessary, the Market Data Management team has the possibility of correcting the source of a price in Kondor+.

Marked to market price checks by Market Data Management

Daily changes in marked to market prices are checked on D+1, based on the marked to market prices from the previous day and the day before that, as shown in MLRMD. The Market Data Management team must justify changes of more than 1% using information available in Bloomberg. If a price is wrong, the Market Data Management team asks for the price source to be corrected in the PSU.

Monthly price checks by Market & Liquidity Risk Management

The second level of controls involves the Market & Liquidity Risk Management team checking the positions held in the trading portfolio at the end of each month.

For each position, the Market & Liquidity Risk Management team controls if the marked to market price shown in RCO ALM matches the price used in the Fixed Income desk's daily monitoring of P&L (source: MLRMD). The Market & Liquidity Risk Management team has the possibility of changing the marked to market price in RCO ALM if it is wrong.

Where a security is present in both the trading portfolio and investment portfolio on the cut-off date, the price entered for the position in the investment portfolio shall take precedence.

Valuation of bond futures and IRS

The valuations of bond futures and IRS are not checked by the Market & Liquidity Risk Management team:

- Bond futures are contracts whose market-to-market prices are observable directly as they are established on regulated markets. These prices are automatically transferred to Eikon and Bloomberg, and entered in the Bank's systems.
- Plain vanilla IRS are valued daily in Kondor+ by discounting cash flows from the contract according to the revaluation curves provided by Reuters. More specifically, the valuation of a fair-valued IRS is calculated as follows:

$$PV = \sum_{i=0}^{m} CFRi \bullet e^{-r*t} + \sum_{j=0}^{n} CFPj \bullet e^{-r*t}$$

Where: CFRi corresponds to the cash flow from the receiving leg in period i CFPj corresponds to the cash flow from the paying leg in period j r is the zero coupon rate on the cash flow due date (source: Reuters)

t is the time between the due date and valuation date expressed on an annual basis

IRS valuations are transferred to the Bank's various systems.

Valuation of investment portfolio positions

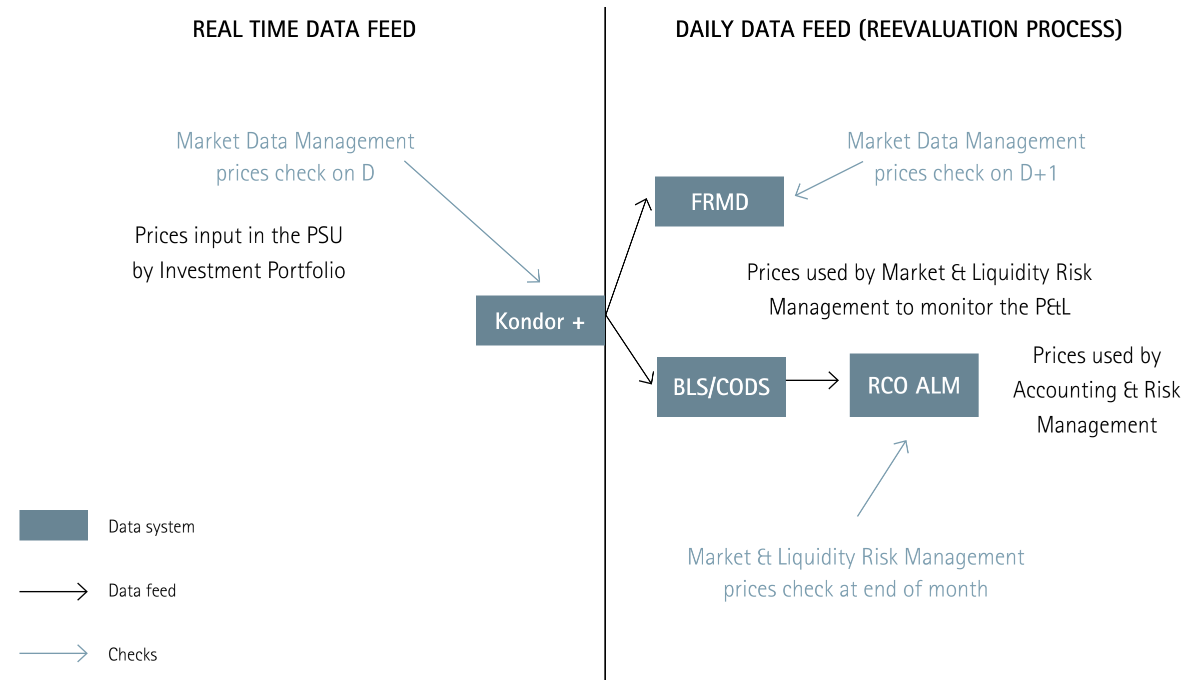
The investment portfolio comprises the following positions:

- Financial securities: - Bonds; - Commercial Pape; - ABS & MBS.
- IRS intended to hedge the interest rate risk on certain fixed rate bonds; this means that an IRS is required to pay the fixed rate received on the security to the counterparty (the rate of the fixed paying leg must match the security's coupon rate) and receive a floating rate plus a margin. The link between one or more positions on a security with an IRS is the hedging strategy.

Valuation of financial securities

PRICE INPUT

The entry of investment portfolio security prices in the Bank's various systems follows the exact same procedure as for the price of trading portfolio securities.



Daily price checks by Market Data

Management

The checks carried out by the Market Data Management team are the same as those described in paragraphs 3.1.b and 3.1.c for the trading portfolio.

Monthly price checks by Market & Liquidity Risk Management

Two types of checks are made for positions held in the investment portfolio at the end of each month.

The Market & Liquidity Risk Management team first compares the prices entered in RCO ALM with the bid prices from the BGN generic contributor. Several situations may arise:

- If the price difference is less than 50 bps in absolute value terms, the RCO ALM price is validated and no action is taken.
- If the price difference is 50 bps or more in absolute value terms, the price is corrected in RCO ALM using the BGN value; an email is then sent to the Investment Portfolio team requesting it to prioritise BGN as a source for the PSU.
- If no BGN price is available, a comparison with another contributor may be made. Where the contributor's price differs from that entered in RCO ALM (+/-50 bps), the Investment Portfolio team must be informed of this and must explain the price entered.
- A secondary analysis of the monthly change in prices is then carried out on like-for-like positions. Absolute changes expressed as an absolute value of more than 75 bps, and whose PSU price source is not Bloomberg, must be explained by the Investment Portfolio team.
- For each position, the Market & Liquidity Risk Management team has the possibility of adding or correcting the price entered in RCO ALM.

Valuation of IRS hedges

As with IRS in the trading portfolio, IRS in the investment portfolio are valued daily in Kondor+ by discounting cash flows from the contract according to the revaluation curves provided by Reuters.

The valuations are ultimately used in RCO ALM.

Valuation of structured products issued by the Bank

Valuation of swapped structured issues

BIL issues structured products under its own brand, aimed at:

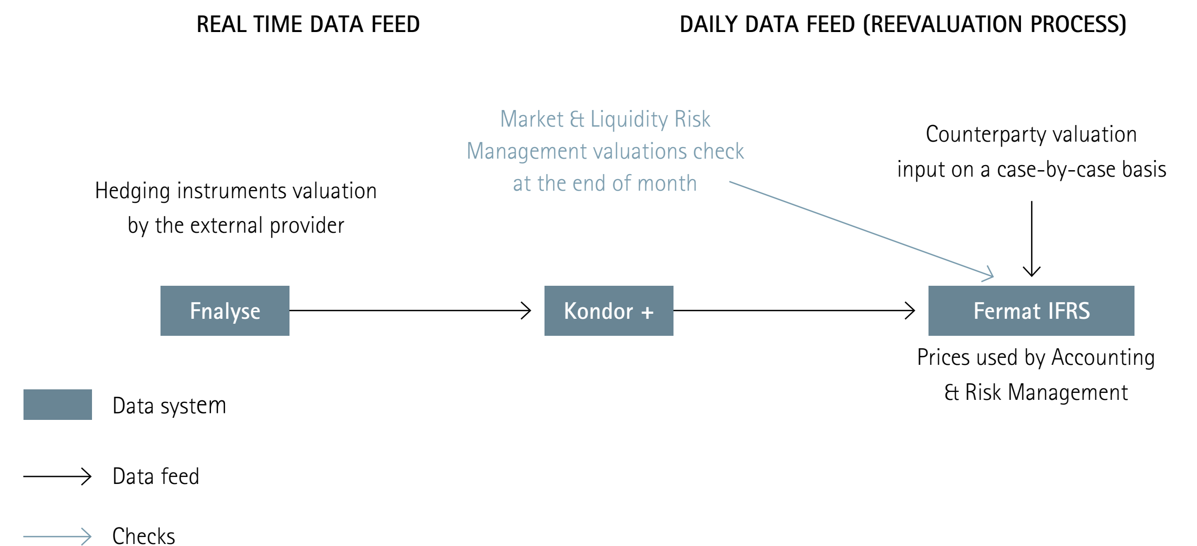
- Meeting the investment needs of Private Banking and institutional clients (managed by the Structured Products & Equities team);
- Raising long-term funds to finance the Bank's assets (managed by the Long-Term Funding team).

BIL structured issues are hedged by structured IRS agreed with external counterparties. A structured IRS has two legs:

- The structured leg, which copies the features of the issue (receiving leg);
- The floating leg, generally linked to the 3-month Euribor, plus a margin which BIL pays to the counterparty (paying leg).

Given the hedging with a derivative, the option to value the two components of the hedging relationship at their fair value is taken.

IRS hedge valuations are entered according to the following procedure:



Valuation of warrants

There are currently four types of warrant.

VLTW

VLTW are used on the Belgian market, with a maturity of 50 years. They are hedged with futures rather than with a counterparty; there is therefore no price resulting from collateral management.

At each monthly cut-off, the Market & Liquidity Risk Management team reports the prices quoted by the Structured Pro- ducts & Equities team in RCO ALM. These prices are those quoted to the Bank's clients.

Luxembourg warrants

In this scenario, the only possible source is Finalyse; the price entered in RCO ALM is therefore unchanged (automatic input each day).

Belgian warrants

These are opti warrants for the Belgian market. An opti warrant plan includes two warrants:

- The first warrant, with a maturity of between 10 and 15 years, offers a minimum repayment and therefore has two parts:
  - A deposit corresponding to the minimum repayment amount and hedged through ALM;
  - An option hedged with an external counterparty;
- The second warrant, having a duration of around 1 year, is used to hedge the first warrant. It is fully hedged with an external counterparty.

As they are hedged with an external counterparty, for each warrant there is a comparison price arising from collateral management.

The Market & Liquidity Risk Management team compares this price with that quoted by the Structured Products & Equities team

(price quoted to clients). The Market & Liquidity Risk Management team carries out the necessary investigations if a difference arises and reports the prices from counterparties in RCO ALM.

Valuation of other derivatives

Some derivatives have no hedging relationship with an asset or liability position on the balance sheet. Some are used for macro-hedging or trading.

In both cases, the valuation of derivatives is calculated daily in Kondor+ and reported to RCO ALM. The products in question are the following:

- Macro-hedging IRS, the valuation of which follows the methodology described in point 3.3.2.;
- FX Swaps used for cash flow management.

Foreign exchange instruments used by the FX trading desk, including FX Swaps, FX Forwards and FX Options. These are valued according to the Garman-Kohlhagen model in Kondor+.

Appendix 3: Additional Pillar 3 disclosure templates

This Appendix contains additional quantitative Pillar 3 disclosures templates that complete the information disclosed for Banque International à Luxembourg.

Own funds and Capital Adequacy

Countercyclical buffer

TEMPLATEEU CCYB1 – GEOGRAPHICAL DISTRIBUTION OF CREDIT EXPOSURES RELEVANT FOR THE CALCULATION OF THE COUNTERCYCLICAL BUFFER

	a	b	c	d	e	f	g	h	i	j	k	l	m
	General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own fund requirements				Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures – Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
BREAKDOWN BY COUNTRY:													
ALGERIA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%
ANDORRA	0.00	1.95	0.00	0.00	0.00	1.95	0.00	0.00	0.00	0.00	0.01	0.00%	0.00%
ARGENTINA	0.00	2.40	0.00	0.00	0.00	2.40	0.05	0.00	0.00	0.05	0.59	0.01%	0.00%
AUSTRALIA	43.15	0.75	0.00	0.00	0.00	43.90	0.41	0.00	0.00	0.41	5.08	0.05%	1.00%
AUSTRIA	0.00	42.23	0.00	0.00	0.00	42.23	1.90	0.00	0.00	1.90	23.76	0.24%	0.00%
BAHAMAS	0.00	7.27	0.00	0.00	0.00	7.27	0.24	0.00	0.00	0.24	2.98	0.03%	0.00%
BAHRAIN	0.00	2.17	0.00	0.00	0.00	2.17	0.02	0.00	0.00	0.02	0.26	0.00%	0.00%
BARBADOS	0.00	0.02	0.00	0.00	0.00	0.02	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%
BELGIUM	90.97	573.96	0.00	0.00	10.09	675.02	20.17	0.00	0.08	20.25	253.11	2.55%	0.00%
BELIZE	0.00	8.01	0.00	0.00	0.00	8.01	0.00	0.00	0.00	0.00	0.01	0.00%	0.00%
BERMUDA	0.01	0.53	0.00	0.00	0.00	0.54	0.00	0.00	0.00	0.00	0.04	0.00%	0.00%
BRAZIL	0.00	0.02	0.00	0.00	0.00	0.02	0.00	0.00	0.00	0.00	0.01	0.00%	0.00%
BRUNEI DARUSSALAM	0.02	0.00	0.00	0.00	0.00	0.02	0.00	0.00	0.00	0.00	0.02	0.00%	0.00%
BULGARIA	0.00	1.36	0.00	0.00	0.00	1.36	0.01	0.00	0.00	0.01	0.11	0.00%	2.00%
CAMBODIA	0.00	0.51	0.00	0.00	0.00	0.51	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%
CANADA	136.55	1.86	0.00	0.00	0.00	138.42	1.16	0.00	0.00	1.16	14.47	0.15%	0.00%
CAYMAN ISLANDS	7.74	5.35	0.00	0.00	0.00	13.09	0.62	0.00	0.00	0.62	7.76	0.08%	0.00%
CHILE	0.00	0.05	0.00	0.00	0.00	0.05	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%
CHINA	23.26	9.04	0.00	0.00	0.00	32.30	1.99	0.00	0.00	1.99	24.84	0.25%	0.00%
COOK ISLAND	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%
COSTA RICA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%
CROATIA	0.00	0.72	0.00	0.00	0.00	0.72	0.00	0.00	0.00	0.00	0.06	0.00%	1.00%
CURACAO	0.00	0.46	0.00	0.00	0.00	0.46	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%
CYPRUS	1.40	79.93	0.00	0.00	0.00	81.33	0.72	0.00	0.00	0.72	9.04	0.09%	0.50%
CZECH REPUBLIC	13.09	4.96	0.00	0.00	0.00	18.05	1.14	0.00	0.00	1.14	14.29	0.14%	2.00%
DENMARK	3.33	8.91	0.00	0.00	0.00	12.23	0.30	0.00	0.00	0.30	3.75	0.04%	2.50%
DOMINICA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%
EGYPT	0.00	0.58	0.00	0.00	0.00	0.58	0.00	0.00	0.00	0.00	0.02	0.00%	0.00%
ESTONIA	0.00	1.71	0.00	0.00	0.00	1.71	0.01	0.00	0.00	0.01	0.11	0.00%	1.50%
FINLAND	0.00	2.80	0.00	0.00	0.00	2.80	0.01	0.00	0.00	0.01	0.11	0.00%	0.00%

	a	b	c	d	e	f	g	h	i	j	k	l	m
	General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own fund requirements				Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures – Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
FRANCE (including DOM-TOM)	384.02	1.223.76	0.00	0.00	146.31	1.754.09	81.53	0.00	1.17	82.70	1.033.75	10.39%	0.50%
French Guiana	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%
French Polynesia	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%
GEORGIA	0.00	3.02	0.00	0.00	0.00	3.02	0.04	0.00	0.00	0.04	0.53	0.01%	0.00%
GERMANY	85.31	445.02	0.00	0.00	60.04	590.36	26.79	0.00	0.48	27.27	340.93	3.43%	0.75%
GHANA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%
GIBRALTAR	4.61	14.23	0.00	0.00	0.00	18.83	0.51	0.00	0.00	0.51	6.41	0.06%	0.00%
GREECE	0.00	9.53	0.00	0.00	0.00	9.53	0.08	0.00	0.00	0.08	1.04	0.01%	0.00%
Guadeloupe	0.00	0.01	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%
GUERNESEY	0.06	2.85	0.00	0.00	0.00	2.91	0.25	0.00	0.00	0.25	3.16	0.03%	0.00%
HONG KONG	147.48	33.77	0.00	0.00	0.00	181.25	13.58	0.00	0.00	13.58	169.80	1.71%	1.00%
HUNGARY	0.00	2.04	0.00	0.00	0.00	2.04	0.02	0.00	0.00	0.02	0.23	0.00%	0.00%
ICELAND	0.00	0.08	0.00	0.00	0.00	0.08	0.00	0.00	0.00	0.00	0.01	0.00%	2.00%
INDIA	0.00	0.05	0.00	0.00	0.00	0.05	0.00	0.00	0.00	0.00	0.01	0.00%	0.00%
INDONESIA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%
IRAN, ISLAMIC REPUBLIC OF	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%
IRELAND	2.56	26.95	0.00	0.00	17.21	46.72	2.65	0.00	0.14	2.79	34.86	0.35%	1.00%
ISLE OF MAN	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%
ISRAEL	0.00	19.04	0.00	0.00	0.00	19.04	0.23	0.00	0.00	0.23	2.92	0.03%	0.00%
ITALY	20.25	51.40	0.00	0.00	48.38	120.03	2.10	0.00	0.47	2.57	32.18	0.32%	0.00%
JAPAN	11.68	0.58	0.00	0.00	0.00	12.26	0.47	0.00	0.00	0.47	5.85	0.06%	0.00%
JERSEY	17.46	0.13	0.00	0.00	0.00	17.59	1.40	0.00	0.00	1.40	17.54	0.18%	0.00%
KAZAKSTAN	0.00	0.03	0.00	0.00	0.00	0.03	0.00	0.00	0.00	0.00	0.01	0.00%	0.00%
KENYA	0.00	0.16	0.00	0.00	0.00	0.16	0.00	0.00	0.00	0.00	0.06	0.00%	0.00%
KOREA, REPUBLIC OF	0.00	0.02	0.00	0.00	0.00	0.02	0.00	0.00	0.00	0.00	0.01	0.00%	0.00%
KUWAIT	0.00	0.23	0.00	0.00	0.00	0.23	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%
LAO PEOPLE'S DEMOCRATIC REPUBLIC	0.00	0.02	0.00	0.00	0.00	0.02	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%
LATVIA	0.00	1.23	0.00	0.00	0.00	1.23	0.02	0.00	0.00	0.02	0.21	0.00%	0.00%
LEBANON	0.00	5.64	0.00	0.00	0.00	5.64	0.09	0.00	0.00	0.09	1.16	0.01%	0.00%
LIBERIA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%
LIECHTENSTEIN	0.18	4.76	0.00	0.00	0.00	4.93	0.19	0.00	0.00	0.19	2.39	0.02%	0.00%
LITHUANIA	0.00	0.65	0.00	0.00	0.00	0.65	0.00	0.00	0.00	0.00	0.04	0.00%	1.00%
LUXEMBOURG	1.725.95	13.735.23	0.00	0.00	164.18	15.625.35	563.14	0.00	1.31	564.45	7.055.61	70.94%	0.50%
MACAU	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%
MADAGASCAR	0.00	0.01	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.01	0.00%	0.00%
MALAYSIA	0.00	0.41	0.00	0.00	0.00	0.41	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%
MALI	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%
MALTA	3.94	55.65	0.00	0.00	0.00	59.60	0.87	0.00	0.00	0.87	10.87	0.11%	0.00%
MARSHALL ISLANDS	0.00	5.75	0.00	0.00	0.00	5.75	0.01	0.00	0.00	0.01	0.17	0.00%	0.00%
MAURITIUS	0.00	10.41	0.00	0.00	0.00	10.41	0.09	0.00	0.00	0.09	1.15	0.01%	0.00%
MEXICO	0.00	0.01	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%
MONACO	0.00	159.05	0.00	0.00	0.00	159.05	9.30	0.00	0.00	9.30	116.31	1.17%	0.00%
MOROCCO	0.13	1.75	0.00	0.00	0.00	1.88	0.04	0.00	0.00	0.04	0.47	0.00%	0.00%
NETHERLANDS	50.95	115.22	0.00	0.00	24.01	190.18	7.42	0.00	0.19	7.61	95.13	0.96%	1.00%
NEW ZEALAND	0.81	0.35	0.00	0.00	0.00	1.17	0.02	0.00	0.00	0.02	0.19	0.00%	0.00%
NIGERIA	0.00	0.01	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%
NORWAY	0.73	94.75	0.00	0.00	0.00	95.48	1.04	0.00	0.00	1.04	12.96	0.13%	2.50%
OMAN	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%

	a	b	c	d	e	f	g	h	i	j	k	l	m
	General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own fund requirements				Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures – Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
OTHER	0.00	0.07	0.00	0.00	0.00	0.07	0.00	0.00	0.00	0.00	0.02	0.00%	0.00%
PANAMA	0.00	26.31	0.00	0.00	0.00	26.31	0.01	0.00	0.00	0.01	0.15	0.00%	0.00%
PARAGUAY	0.00	0.13	0.00	0.00	0.00	0.13	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%
PERU	0.00	0.02	0.00	0.00	0.00	0.02	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%
PHILIPPINES	0.00	0.01	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%
POLAND	1.06	103.50	0.00	0.00	0.00	104.56	0.65	0.00	0.00	0.65	8.07	0.08%	0.00%
PORTUGAL	0.00	42.48	0.00	0.00	0.00	42.48	0.43	0.00	0.00	0.43	5.41	0.05%	0.00%
QATAR	11.22	81.00	0.00	0.00	0.00	92.22	1.78	0.00	0.00	1.78	22.21	0.22%	0.00%
Réunion	0.00	0.13	0.00	0.00	0.00	0.13	0.00	0.00	0.00	0.00	0.03	0.00%	0.00%
ROMANIA	0.00	2.61	0.00	0.00	0.00	2.61	0.02	0.00	0.00	0.02	0.22	0.00%	1.00%
RUSSIAN FEDERATION	0.00	12.51	0.00	0.00	0.00	12.51	0.47	0.00	0.00	0.47	5.87	0.06%	0.00%
SAINT KITTS AND NEVIS	0.00	0.92	0.00	0.00	0.00	0.92	0.00	0.00	0.00	0.00	0.01	0.00%	0.00%
SAINT VINCENT AND THE GRENADINES	0.00	0.01	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.01	0.00%	0.00%
Saint-Barthelemy	0.00	0.03	0.00	0.00	0.00	0.03	0.00	0.00	0.00	0.00	0.01	0.00%	0.00%
SAN MARINO	0.00	0.01	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%
SAUDI ARABIA	0.00	1.86	0.00	0.00	0.00	1.86	0.04	0.00	0.00	0.04	0.53	0.01%	0.00%
SERBIA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%
SEYCHELLES	0.00	9.66	0.00	0.00	0.00	9.66	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%
SINGAPORE	49.44	40.91	0.00	0.00	0.00	90.36	4.61	0.00	0.00	4.61	57.61	0.58%	0.00%
SLOVAKIA	0.00	3.38	0.00	0.00	0.00	3.38	0.03	0.00	0.00	0.03	0.33	0.00%	1.50%
SLOVENIA	0.00	1.21	0.00	0.00	0.00	1.21	0.01	0.00	0.00	0.01	0.10	0.00%	0.50%
SOUTH AFRICA	0.00	2.29	0.00	0.00	0.00	2.29	0.00	0.00	0.00	0.00	0.03	0.00%	0.00%
SPAIN	119.50	74.75	0.00	0.00	16.70	210.95	8.82	0.00	0.17	8.99	112.40	1.13%	0.00%
SURINAME	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%
SWEDEN	0.53	32.87	0.00	0.00	0.00	33.40	0.31	0.00	0.00	0.31	3.90	0.04%	2.00%
SWITZERLAND	145.81	391.97	0.00	0.00	0.00	537.78	13.89	0.00	0.00	13.89	173.65	1.75%	0.00%
TAIWAN	0.00	1.97	0.00	0.00	0.00	1.97	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%
THAILAND	0.00	5.55	0.00	0.00	0.00	5.55	0.07	0.00	0.00	0.07	0.88	0.01%	0.00%
TUNISIA	0.05	0.00	0.00	0.00	0.00	0.05	0.00	0.00	0.00	0.00	0.05	0.00%	0.00%
TURKEY	0.00	22.09	0.00	0.00	0.00	22.09	0.32	0.00	0.00	0.32	4.04	0.04%	0.00%
UKRAINE	0.00	0.20	0.00	0.00	0.00	0.20	0.00	0.00	0.00	0.00	0.02	0.00%	0.00%
UNITED ARAB EMIRATES	1.59	57.55	0.00	0.00	0.00	59.14	1.47	0.00	0.00	1.47	18.34	0.18%	0.00%
UNITED KINGDOM(not norm.isd/Man)	121.24	145.43	0.00	0.00	0.00	266.68	9.32	0.00	0.00	9.32	116.52	1.17%	2.00%
UNITED STATES	131.84	30.11	0.00	0.00	0.00	161.95	3.84	0.00	0.00	3.84	48.02	0.48%	0.00%
URUGUAY	0.00	0.44	0.00	0.00	0.00	0.44	0.00	0.00	0.00	0.00	0.02	0.00%	0.00%
VENEZUELA	0.00	0.01	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%
VIRGIN ISLANDS, BRITISH	56.05	77.36	0.00	0.00	0.00	133.41	4.83	0.00	0.00	4.83	60.43	0.61%	0.00%
TOTAL	3,413.96	17,950.76	0.00	0.00	486,92	21,851.64	791.61	0,00	4.01	795.62	9,945.31	100.00%	

Minimum Requirement for own funds and Eligible Liabilities (MREL)

EU TLAC1 - COMPOSITION - MREL AND, WHERE APPLICABLE, G-SII REQUIREMENT FOR OWN FUNDS AND ELIGIBLE LIABILITIES

	(in EUR)	a Minimum requirement for own funds and eligible liabilities (MREL)	b G-SII requirement for own funds and eligible liabilities (TLAC)	c Memo item: Amounts eligible for the purposes of MREL, but not TLAC
OWN FUNDS AND ELIGIBLE LIABILITIES AND ADJUSTMENTS				
1	Common Equity Tier 1 capital (CET1)	1,585,631,684		
2	Additional Tier 1 capital (AT1)	175,000,000		
3	Empty set in the EU			
4	Empty set in the EU			
5	Empty set in the EU			
6	Tier 2 capital (T2)	333,912,221		
7	Empty set in the EU			
8	Empty set in the EU			
11	Own funds for the purpose of Articles 92a CRR and 45 BRRD	2,094,543,905		
OWN FUNDS AND ELIGIBLE LIABILITIES: NON-REGULATORY CAPITAL ELEMENTS				
12	Eligible liabilities instruments issued directly by the resolution entity that are subordinated to excluded liabilities (not grandfathered)	487,839,814		
EU-12a	Eligible liabilities instruments issued by other entities within the resolution group that are subordinated to excluded liabilities (not grandfathered)	-		
EU-12b	Eligible liabilities instruments that are subordinated to excluded liabilities, issued prior to 27 June 2019 (subordinated grandfathered)	8,089,188		
EU-12c	Tier 2 instruments with a residual maturity of at least one year to the extent they do not qualify as Tier 2 items	9,434,474		
13	Eligible liabilities that are not subordinated to excluded liabilities (not grandfathered pre cap)	2,355,441,348		
EU-13a	Eligible liabilities that are not subordinated to excluded liabilities issued prior to 27 June 2019 (pre-cap)	75,703,683		
14	Amount of non subordinated instruments eligible, where applicable after application of Article 72b (3) CRR	2,279,737,665		
15	Empty set in the EU			
16	Empty set in the EU			
17	Eligible liabilities items before adjustments	2,860,804,823		
EU-17a	*Of which subordinated*	*0*		
OWN FUNDS AND ELIGIBLE LIABILITIES: ADJUSTMENTS TO NON-REGULATORY CAPITAL ELEMENTS				
18	Own funds and eligible liabilities items before adjustments	4,955,348,729		
19	(Deduction of exposures between MPE resolution groups)			
20	(Deduction of investments in other eligible liabilities instruments)			
21	Empty set in the EU			
22	Own funds and eligible liabilities after adjustments	4,955,348,729		
EU-22a	*Of which own funds and subordinated*	*2,599,907,381*		
RISK-WEIGHTED EXPOSURE AMOUNT AND LEVERAGE EXPOSURE MEASURE OF THE RESOLUTION GROUP				
23	Total risk exposure amount	11,787,072,390		
24	Total exposure measure	31,930,084,094		
RATIO OF OWN FUNDS AND ELIGIBLE LIABILITIES				
25	Own funds and eligible liabilities (as a percentage of total risk exposure amount)	42.04%		
EU-25a	Of which own funds and subordinated	22.06%		
26	Own funds and eligible liabilities (as a percentage of total exposure measure)	15.52%		
EU-26a	Of which own funds and subordinated	8.14%		
27	CET1 (as a percentage of TREA) available after meeting the resolution group's requirements	8.60%		
28	Institution-specific combined buffer requirement			
29	of which: capital conservation buffer requirement			
30	of which: countercyclical buffer requirement			
31	of which: systemic risk buffer requirement			
EU-31a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer			
MEMORANDUM ITEMS				
EU-32	Total amount of excluded liabilities referred to in Article 72a(2) CRR			

TEMPLATE EU TLAC3a: CREDITOR RANKING – RESOLUTION ENTITY

		Insolvency ranking												
		1	2	3	5	6	7	8	9	10	12	Sum of 1 to n		
(In EUR)		(most junior)												
1	Description of insolvency ranking (free text)	Common Equity Tier 1	Subordinated Additional Tier 1	Subordinated Tier 2	Unsecured claims resulting from debt instruments, in accordance with Art. 152(3) of the law of 18 December 2015 concerning the failing of banks and certain investment firms (Senior non-preferred debt)	Unsecured senior debt (except rank 5), including eligible deposits (except ranks 7 and 9) and including the part of secured instruments which is uncollateralized	Part of the eligible deposits held by natural persons and SME's exceeding the level of guarantee provided by article 171 of the law of 18 December 2015 concerning the failing of banks and certain investment firms; Deposits of natural persons and SME's which would have been eligible if they had not been done by branches located in third countries of EU institutions	Unpaid wages/salaries of employees referring to the last 6 months and amounting to a maximum of sixtimes the minimum social salary, except rank 12 (super-privilege of employees claims)	Covered deposits: Luxembourg Deposit Guarantee Fund subrogated in the rights and obligations covered by Part III, Title II of the law of 18 December 2015 concerning the failing of banks and certain investment firms	Luxembourg treasury (direct taxes and VAT) and of	Liabilities secured by a charge, pledge, mortgage		LDR	delta
2	Liabilities and own funds	1,585,631,684	175,000,000	343,346,695	592,198,188	15,805,762,784	6,246,982,262	49,597,336	4,462,280,635	53,203,650	353,373,011	29,667,376,246	29,667,376,246	0
3	of which excluded liabilities	0	0	0	0	674,108,251		49,597,336	4,462,280,635	53,203,650	353,373,011	5,592,562,883		
4	Liabilities and own funds less excluded liabilities	1,585,631,684	175,000,000	343,346,695	592,198,188	15,141,089,007	6,246,982,262	0	0	0	0	24,084,247,837	21,980,269,457	0
5	Subset of row 4 that are own funds and liabilities potentially eligible for meeting MREL	1,585,631,684	175,000,000	343,346,695	495,929,001	2,646,485,813						5,246,393,194	524,639,3194	0
6	*of which residual maturity ≥ 1 year < 2 years*		*175,000,000*	*0*	*220,029,108*	*1,105,791,989*						*1,500,821,097*	*1,325,821,097*	*0*
7	*of which residual maturity ≥ 2 year < 5 years*			*140,848,125*	*131,987,815*	*1,222,823,283*						*1,495,659,223*		
8	*of which residual maturity ≥ 5 years < 10 years*			*202,498,570*	*60,264,816*	*245,446,472*						*508,209,857*		
9	*of which residual maturity ≥ 10 years, but excluding perpetual securities*				*83,647,263*	*72,424,070*						*156,071,332*	*1,816,593,718*	*0*
10	*of which perpetual securities*	*1,585,631,684*										*1,585,631,684*		

EU TLAC3B: CREDITOR RANKING – RESOLUTION ENTITY

		Insolvency ranking					
(In EUR)		1	2	3	5	6	Sum of 1 to n
		(most junior)					
1	Description of insolvency rank (free text)	Common Equity Tier 1	Subordinated Additional Tier 1	Subordinated Tier 2	Unsecured claims resulting from debt instruments, in accordance with Art. 152(3) of the law of 18 December 2015 concerning the failing of banks and certain investment firms (Senior non-preferred debt)	Unsecured senior debt (except rank 5), including eligible deposits (except ranks 7 and 9) and including the part of secured instruments which is uncollateralized	
2	Empty set in the EU						
3	Empty set in the EU						
4	Empty set in the EU						
5	Own funds and liabilities potentially eligible for meeting MREL	1,585,631,684	175,000,000	343,346,695	495,929,001	2,646,485,813	5,246,393,194
6	*of which residual maturity ≥ 1 year < 2 years*		*175,000,000*		*220,029,108*	*1,105,791,989*	*1,500,821,097*
7	*of which residual maturity ≥ 2 year < 5 years*			*140,848,125*	*131,987,815*	*1,222,823,283*	*1,495,659,223*
8	*of which residual maturity ≥ 5 years < 10 years*			*202,498,570*	*60,264,816*	*245,446,472*	*508,209,857*
9	*of which residual maturity ≥ 10 years, but excluding perpetual securities*				*83,647,263*	*72,424,070*	*156,071,332*
10	*of which perpetual securities*	*1,585,631,684*					*1,585,631,684*

Credit Risk

Credit quality of exposures

TEMPLATE EU CR1: PERFORMING AND NON-PERFORMING EXPOSURES AND RELATED PROVISIONS

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collaterals and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – Accumulated impairment and provisions			Non-performing exposures – Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3		of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3			
(In EUR)																
005	Cash balances at central banks and other demand deposits	2,913,845,940	2,913,714.021	131.919	0	0	0	-32.192	-28.638	-3.554	0	0	0	0	0	0
010	Loans and advances	16,499,282,111	14.515.442.228	1.983.839.884	776.557.624	744.981	775.812.643	-61.254.897	-38.709.860	-22.545.037	-211.779.952	0	-211.779.952	0	12.347.347.965	423.266.376
020	Central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
030	General governments	36,939,146	36.435.008	504.138	22.650	0	22.650	-133.040	-116.392	-16.648	-3.336	0	-3.336	0	0	0
040	Credit institutions	674,387,226	674.385.524	1.702	0	0	0	-112.711	-112.631	-80	0	0	0	0	16.639.620	0
050	Other financial corporations	2,365,709,228	1.998.306.468	367.402.760	116.909.612	0	116.909.612	-11.688.780	-8.393.277	-3.295.503	-68.196.018	0	-68.196.018	0	1.192.691.978	22.719.146
060	Non-financial corporations	5,640,764,272	4.563.764.945	1.076.999.327	438.228.391	744.981	437.483.410	-35.896.508	-20.343.626	-15.552.882	-97.620.067	0	-97.620.067	0	4.004.250.058	264.311.342
070	Of which: SMEs	1,780,574,268	1.369.189.154	411.385.114	205.046.703	0	205.046.703	-17.227.854	-8.216.313	-9.011.541	-59.719.599	0	-59.719.599	0	1.525.433.735	126.616.598
080	Households	7,781,482,239	7.242.550.282	538.931.957	221.396.971	0	221.396.971	-13.423.858	-9.743.934	-3.679.924	-45.960.531	0	-45.960.531	0	7.133.766.309	136.235.888
090	Debt Securities	8,877,380,138	8.749.340.381	128.039.757	0	0	0	-3.494.633	-2.860.805	-633.828	0	0	0	0	0	0
100	Central banks	139,822,658	139.822.658	0	0	0	0	0	0	0	0	0	0	0	0	0
110	General governments	5,339,609,711	5.339.609.711	0	0	0	0	-1.298.141	-1.298.141	0	0	0	0	0	0	0
120	Credit institutions	2,018,698094	2.018.698.094	0	0	0	0	-192.018	-192.018	0	0	0	0	0	0	0
130	Other financial corporations	715.668.311	680.069.585	35.598.726	0	0	0	-886.556	-740.753	-145.803	0	0	0	0	0	0
140	Non-financial corporations	663.581.365	571.140.333	92.441.031	0	0	0	-1.117.918	-629.893	-488.025	0	0	0	0	0	0
150	Off-balance sheet exposures	4.800.826.940	4.277.364.019	523.462.920	33.109.355	0	33.109.355	11.128.554	8.053.344	3.075.210	5.369.908	0	5.369.908	0	0	0
160	Central banks	0	0	0	0	0	0	0	0	0	0	0	0		0	0
170	General governments	40.899.402	40.897.915	1.487	0	0	0	17.412	17.412	0	0	0	0		0	0
180	Credit institutions	406.911.250	406.911.250	0	0	0	0	23.755	23.755	0	0	0	0		0	0
190	Other financial corporations	1.143.997.328	1.026.995.679	117.001.649	1.591.846	0	1.591.846	2.221.978	1.940.969	281.009	205.401	0	205.401		0	0
200	Non-financial corporations	1.905.790.893	1.641.693.458	264.097.435	19.174.811	0	19.174.811	4.245.680	3.116.601	1.129.079	2.815.434	0	2.815.434		0	0
210	Households	1.303.228.067	1.160.865.718	142.362.349	12.342.698	0	12.342.698	4.619.729	2.954.607	1.665.122	2.349.073	0	2.349.073		0	0
220	TOTAL	33.091.335.129	30.455.860.649	2.635.474.480	809.666.979	744.981	808.921.998	-53.653.168	-33.545.959	-20.107.209	-206.410.044	0	-206.410.044	0	12.347.347.965	423.266.376

TEMPLATE EU CR2: CHANGES IN THE STOCK OF NON-PERFORMING LOANS AND ADVANCES

		a
		Gross carrying amount/ nominal amount
010	Initial stock of non-performing loans and advances	568,426,475
020	Inflows to non-performing portfolios	461,690,963
030	Outflows from non-performing portfolios	-253,559,814
040	Outflows due to write-offs	0
050	Outflow due to other situations	-253,559,814
060	Final stock of non-performing loans and advances	776,557,624

TEMPLATE EU CR2A: CHANGES IN THE STOCK OF NON-PERFORMING LOANS AND ADVANCES AND RELATED NET ACCUMULATED RECOVERIES

		a	b
		Gross carrying amount/ nominal amount	Related net cumulated recoveries
010	Initial stock of non-performing loans and advances	568,426,475	
020	Inflows to non-performing portfolios	461,690,963	
030	Outflows from non-performing portfolios	-253,559,814	
040	Outflow to performing portfolio	0	
050	Outflow due to loan repayment, partial or total	0	
060	Outflow due to collateral liquidations	0	0
070	Outflow due to taking possession of collateral	0	0
080	Outflow due to sale of instruments	0	0
090	Outflow due to risk transfers	0	0
100	Outflows due to write-offs	0	
110	Outflow due to Other Situations	0	
120	Outflow due to reclassification as held for sale	0	
130	Final stock of non-performing loans and advances	776,557,624	

Credit risk mitigation

TEMPLATE EU CQ7: COLLATERAL OBTAINED BY TAKING POSSESSION AND EXECUTION PROCESSES

		a	b
		Collateral obtained by taking possession	
(In EUR)		Value at initial recognition	Accumulated negative changes
010	Property Plant and Equipment (PP&E)	0.00	0.00
020	Other than PP&E	0.00	0.00
030	Residential immovable property	0.00	0.00
040	Commercial Immovable property	0.00	0.00
050	Movable property (auto, shipping, etc.)	0.00	0.00
060	Equity and debt instruments	0.00	0.00
070	Other collateral	0.00	0.00
080	Total	0.00	0.00

Advanced Internal Ratings Based approach (A-IRB) – Back-testing of probability of default (PD) per exposure class

TEMPLATE CR9 –IRB APPROACH – BACK-TESTING OF PD PER EXPOSURE CLASS (FIXED PD SCALE)

A-IRB

Exposure class	PD range	Number of obligors at the end of the previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			of which: number of obligors which defaulted during the year				
a	b	c	d	e	f	g	h
Corporates – SME with own estimates of LGD or conversion factors	0.00 to <0.15	0	0	0.00%	0.00%	0.00%	0.00%
	0.00 to <0.10	0	0	0.00%	0.00%	0.00%	0.19%
	0.10 to <0.15	0	0	0.00%	0.00%	0.22%	0.00%
	0.15 to <0.25	10	0	0.00%	0.41%	0.38%	0.00%
	0.25 to <0.50	86	1	1.03%	0.65%	0.65%	1.83%
	0.50 to <0.75	97	5	1.20%	1.96%	1.67%	1.07%
	0.75 to <2.50	416	0	0.00%	1.16%	1.12%	0.40%
	0.75 to <1.75	134	5	1.77%	2.19%	2.21%	1.73%
	1.75 to <2.5	282	7	1.58%	4.73%	5.41%	2.29%
	2.50 to <10.00	443	4	1.27%	3.26%	3.49%	1.36%
	2.5 to <5	316	3	236%	6.90%	7.32%	3.21%
	5 to <10	127	7	4.12%	16.40%	27.79%	7.37%
	10.00 to <100.00	170	3	3.30%	12.42%	13.04%	6.95%
	10 to <20	91	4	6.45%	21.71%	21.68%	9.31%
	20 to <30	63	0	0.00%	53.41%	48.65%	5.86%
	30.00 to <100.00	16	0	0.00%	99.99%	100.00%	0.00%
	100.00 (Default)	55	0	0.00%	0.00%	0.00%	0.00%

F-IRB

Exposure class	PD range	Number of obligors at the end of the previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			of which: number of obligors which defaulted during the year				
a	b	c	d	e	f	g	h
Corporates – SME without own estimates of LGD or conversion factors	0.00 to <0.15	0	0	0.00%	0.14%	0.10%	0.00%
	0.00 to <0.10	0	0	0.00%	0.00%	0.05%	0.00%
	0.10 to <0.15	0	0	0.00%	0.14%	0.14%	0.00%
	0.15 to <0.25	0	0	0.00%	0.00%	0.00%	0.00%
	0.25 to <0.50	1	0	0.00%	0.00%	0.31%	0.00%
	0.50 to <0.75	0	0	0.00%	0.00%	0.00%	0.00%
	0.75 to <2.50	2	0	0.00%	0.86%	0.87%	0.00%
	0.75 to <1.75	2	0	0.00%	0.86%	0.87%	0.00%
	1.75 to <2.5	0	0	0.00%	0.00%	0.00%	0.00%
	2.50 to <10.00	1	0	0.00%	0.00%	7.43%	0.00%
	2.5 to <5	0	0	0.00%	0.00%	0.00%	0.00%
	5 to <10	1	0	0.00%	0.00%	7.43%	0.00%
	10.00 to <100.00	0	0	0.00%	13.98%	13.98%	0.00%
	10 to <20	0	0	0.00%	13.98%	13.98%	0.00%
	20 to <30	0	0	0.00%	0.00%	0.00%	0.00%
	30.00 to <100.00	0	0	0.00%	0.00%	0.00%	0.00%
	100.00 (Default)	1	0	0.00%	0.00%	100.00%	0.00%

A-IRB

Exposure class	PD range	Number of obligors at the end of previous year	of which: number of obligors which defaulted during the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Corporates – Other without own estimates of LGD or conversion factors	0.00 to <0.15	0	0	0.00%	0.14%	0.07%	0.00%
	0.00 to <0.10	0	0	0.00%	0.00%	0.00%	0.00%
	0.10 to <0.15	0	0	0.00%	0.14%	0.14%	0.00%
	0.15 to <0.25	0	0	0.00%	0.00%	0.00%	0.05%
	0.25 to <0.50	2	0	0.00%	0.31%	0.36%	0.00%
	0.50 to <0.75	5	0	0.00%	0.66%	0.66%	1.10%
	0.75 to <2.50	28	1	3.57%	1.45%	1.58%	0.75%
	0.75 to <1.75	9	0	0.00%	0.93%	1.09%	0.97%
	1.75 to <2.5	19	1	5.26%	2.04%	2.07%	0.53%
	2.50 to <10.00	27	0	0.00%	3.21%	5.46%	1.20%
	2.5 to <5	17	0	0.00%	2.85%	3.15%	0.96%
	5 to <10	10	0	0.00%	9.10%	7.77%	1.43%
	10.00 to <100.00	5	0	0.00%	12.12%	11.45%	1.73%
	10 to <20	4	0	0.00%	11.95%	12.95%	1.39%
	20 to <30	1	0	0.00%	20.00%	21.39%	1.55%
	30.00 to <100.00	0	0	0.00%	0.00%	0.00%	2.24%
	100.00 (Default)	1	0	0.00%	100.00%	100.00%	0.00%

F-IRB

Exposure class	PD range	Number of obligors at the end of previous year	of which: number of obligors which defaulted during the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Corporates – Other without own estimates of LGD or conversion factors	0.00 to <0.15	37	0	0.00%	0.09%	0.09%	0.00%
	0.00 to <0.10	21	0	0.00%	0.04%	0.04%	0.00%
	0.10 to <0.15	16	0	0.00%	0.14%	0.14%	0.00%
	0.15 to <0.25	0	0	0.00%	0.00%	0.00%	0.00%
	0.25 to <0.50	20	0	0.00%	0.31%	0.31%	0.00%
	0.50 to <0.75	0	0	0.00%	0.00%	0.00%	0.00%
	0.75 to <2.50	37	1	2.70%	0.85%	0.43%	1.22%
	0.75 to <1.75	37	1	2.70%	0.85%	0.86%	1.22%
	1.75 to <2.5	0	0	0.00%	0.56%	0.00%	0.00%
	2.50 to <10.00	15	0	0.00%	4.29%	2.09%	0.00%
	2.5 to <5	15	0	0.00%	4.29%	4.17%	0.00%
	5 to <10	0	0	0.00%	0.84%	0.00%	0.00%
	10.00 to <100.00	5	0	0.00%	1.26%	4.66%	0.00%
	10 to <20	5	0	0.00%	1.26%	13.98%	0.00%
	20 to <30	0	0	0.00%	0.00%	0.00%	0.00%
	30.00 to <100.00	0	0	0.00%	0.00%	0.00%	0.00%
	100.00 (Default)	4	0	0.00%	0.00%	100.00%	0.00%

A-IRB

Exposure class	PD range	Number of obligors at the end of previous year	of which: number of obligors which defaulted during the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Retail - Secured by immovable property non-SME - with own estimates of LGD or conversion factors	0.00 to <0.15	0	0	0.00%	0.00%	0.00%	0.00%
	0.00 to <0.10	0	0	0.00%	0.00%	0.00%	0.00%
	0.10 to <0.15	0	0	0.00%	0.00%	0.00%	0.00%
	0.15 to <0.25	2	0	0.00%	0.00%	0.23%	0.00%
	0.25 to <0.50	16	0	0.00%	0.38%	0.38%	0.00%
	0.50 to <0.75	33	0	0.00%	0.00%	0.60%	2.36%
	0.75 to <2.50	117	1	0.85%	1.79%	1.55%	0.90%
	0.75 to <1.75	37	0	0.00%	0.96%	0.96%	0.54%
	1.75 to <2.5	80	1	1.25%	2.08%	2.13%	1.26%
	2.50 to <10.00	223	0	0.00%	6.11%	6.16%	2.25%
	2.5 to <5	208	0	0.00%	4.32%	4.33%	0.62%
	5 to <10	15	0	0.00%	7.88%	7.99%	3.87%
	10.00 to <100.00	83	4	4.82%	21.65%	30.98%	9.05%
	10 to <20	39	1	2.56%	13.65%	13.64%	4.88%
	20 to <30	28	2	7.14%	25.66%	25.80%	7.65%
	30.00 to <100.00	16	1	6.25%	52.88%	53.50%	14.62%
	100.00 (Default)	19	0	0.00%	100.00%	100.00%	0.00%

F-IRB

Exposure class	PD range	Number of obligors at the end of previous year	of which: number of obligors which defaulted during the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Retail - Secured by immovable property non-SME - with own estimates of LGD or conversion factors	0.00 to <0.15	5,205	7	0.13%	0.00%	0.09%	0.20%
	0.00 to <0.10	2,415	2	0.08%	0.00%	0.06%	0.14%
	0.10 to <0.15	2,790	5	0.18%	0.00%	0.12%	0.25%
	0.15 to <0.25	440	2	0.45%	0.00%	0.23%	0.44%
	0.25 to <0.50	3,167	12	0.38%	0.38%	0.33%	0.28%
	0.50 to <0.75	5,011	29	0.58%	0.00%	0.58%	0.52%
	0.75 to <2.50	2,030	16	0.79%	1.79%	1.53%	0.91%
	0.75 to <1.75	641	4	0.62%	0.96%	0.94%	0.64%
	1.75 to <2.5	1,389	12	0.86%	2.08%	2.12%	1.18%
	2.50 to <10.00	2,149	39	1.81%	6.11%	5.37%	2.59%
	2.5 to <5	1,520	17	1.12%	4.32%	3.81%	1.99%
	5 to <10	629	22	3.50%	7.88%	6.92%	319%
	10.00 to <100.00	617	49	7.94%	21.65%	29.97%	14.60%
	10 to <20	431	20	4.64%	13.65%	13.42%	6.01%
	20 to <30	176	23	13.07%	25.66%	25.57%	12.32%
	30.00 to <100.00	10	6	60.00%	52.88%	50.93%	25.48%
	100.00 (Default)	237	0	0.00%	100.00%	100.00%	0.00%

A-IRB

Exposure class	PD range	Number of obligors at the end of previous year	of which: number of obligors which defaulted during the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Retail - Other SME - with own estimates of LGD or conversion factors	0.00 to <0.15	15	0	0.00%	0.00%	0.06%	0.00%
	0.00 to <0.10	15	0	0.00%	0.00%	0.06%	0,00%
	0.10 to <0.15	0	0	0.00%	0.00%	0.00%	0.00%
	0.15 to <0.25	323	4	1.24%	0.00%	0.23%	0.34%
	0.25 to <0.50	0	0	0.00%	0.38%	0.38%	0.00%
	0.50 to <0.75	1.058	30	2.84%	0.61%	0.64%	3.57%
	0.75 to <2.50	1.959	21	1.07%	1.90%	2.00%	1.16%
	0.75 to <1.75	1.033	13	1.26%	0.98%	1.63%	1.14%
	1.75 to <2.5	926	8	0.86%	2.21%	2.36%	1.11%
	2.50 to <10.00	1.470	28	1.91%	6.10%	4.91%	2.53%
	2.5 to <5	811	15	1.85%	4.34%	4.12%	2.02%
	5 to <10	659	13	1.97%	8.30%	9.46%	2.83%
	10.00 to <100.00	836	57	6.85%	20.08%	18.13%	10.70%
	10 to <20	459	21	4.58%	14.04%	12.35%	6.59%
	20 to <30	244	18	7.41%	25.37%	23.18%	10.90%
	30.00 to <100.00	133	18	13.85%	49.53%	40.25%	18.54%
	100.00 (Default)	618	0	0.00%	100.00%	100.00%	0.00%

F-IRB

Exposure class	PD range	Number of obligors at the end of previous year	of which: number of obligors which defaulted during the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Retail - Other non-SME - with own estimates of LGD or conversion factors	0.00 to <0.15	40,397	18	0.28%	0.12%	0.09%	0.40%
	0.00 to <0.10	30.927	92	0.30%	0.00%	0.05%	0.58%
	0.10 to <0.15	15.470	36	0.23%	0.12%	0.12%	0.22%
	0.15 to <0.25	1.707	7	0.41%	0.21%	0.20%	0.29%
	0.25 to <0.50	16.834	102	0.61%	0.32%	0.31%	0.48%
	0.50 to <0.75	11.314	133	1.18%	0.58%	0.58%	1.16%
	0.75 to <2.50	4.780	96	2.01%	1.78%	1.62%	1.31%
	0.75 to <1.75	1.069	16	1.50%	1.02%	1.10%	0.89%
	1.75 to <2.5	3.711	80	2.16%	2.11%	2.14%	1.72%
	2.50 to <10.00	6.763	301	4.45%	5.59%	4.58%	4.08%
	2.5 to <5	5.487	218	3.98%	3.70%	3.24%	3.03%
	5 to <10	1.276	83	6.53%	7.16%	5.92%	5.12%
	10.00 to <100.00	1.876	321	17.11%	18.99%	30.06%	19.57%
	10 to <20	1.491	232	15.69%	13.32%	14.54%	11.32%
	20 to <30	366	79	21.76%	25.57%	25.57%	20.07%
	30.00 to <100.00	19	10	55.56%	54.38%	50.08%	27.33%
	100.00 (Default)	2.908	0	0.00%	100.00%	100.00%	0.00%

TEMPLATE CR9.1 – IRB APPROACH – BACK-TESTING OF PD PER EXPOSURE CLASS (ONLY FOR PD ESTIMATES ACCORDING TO POINT (F) OF ARTICLE 180(1) CRR)

A-IRB

Exposure class	PD range	External rating equivalent	Number of obligors at the end of the previous year		Observed average default rate (%)	Average PD (%)	Average historical annual default rate (%)
				Of which number of obligors which defaulted in the year			
a	b	c	d	e	f	g	h
Corporates – SME with own estimates of LGD or conversion factors	0. 0.00 to <0.005	AAA+	0	0	0.00%	0.00%	0.00%
	1. 0.005 to <0.015	AAA	0	0	0.00%	0.00%	0.00%
	2. 0.015 to <0.025	AA+	0	0	0.00%	0.00%	0.00%
	3. 0.025 to <0.035	AA	0	0	0.00%	0.00%	0.00%
	4. 0.035 to <0.045	AA-	0	0	0.00%	0.00%	0.00%
	5. 0.045 to <0.055	A+	0	0	0.00%	0.00%	0.00%
	6. 0.055 to <0.065	A	0	0	0.00%	0.00%	0.00%
	7. 0.065 to <0.125	A-	0	0	0.00%	0.00%	0.19%
	8. 0.125 to <0.260	BBB+	10	0	0.00%	0.00%	0.00%
	9. 0.260 to <0.525	BBB	86	0	0.00%	0.34%	0.00%
	10. 0.525 to <0.795	BBB-	97	1	1.03%	0.71%	0.89%
	11. 0.795 to <1.015	BB+	0	0	0.00%	0.88%	0.00%
	12. 1.015 to <1.915	BB	134	0	0.00%	1.15%	0.43%
	13. 1.915 to <3.315	BB-	463	7	1.51%	2.68%	1.77%
	14. 3.315 to <6.510	B+	191	3	1.57%	3.95%	2.42%
	15. 6.510 to <11.455	B	122	4	3.28%	9.07%	3.38%
	16. 11.455 to <22.355	B-	74	2	2.70%	13.84%	7.13%
	17. 22.355 to <99.975	CCC	45	3	6.82%	30.87%	6.44%
	18. 99.975 to <100.050	D	55	0	0.00%	100.00%	0.00%

A-IRB

Exposure class	PD range	External rating equivalent	Number of obligors at the end of the previous year		Observed average default rate (%)	Average PD (%)	Average historical annual default rate (%)
				Of which number of obligors which defaulted in the year			
a	b	c	d	e	f	g	h
Corporates – Other with own estimates of LGD or conversion factors	0. 0.00 to <0.005	AAA+	0	0	0.00%	0.00%	0.00%
	1. 0.005 to <0.015	AAA	0	0	0.00%	0.00%	0.00%
	2. 0.015 to <0.025	AA+	0	0	0.00%	0.00%	0.00%
	3. 0.025 to <0.035	AA	0	0	0.00%	0.00%	0.00%
	4. 0.035 to <0.045	AA-	0	0	0.00%	0.00%	0.00%
	5. 0.045 to <0.055	A+	0	0	0.00%	0.00%	0.00%
	6. 0.055 to <0.065	A	0	0	0.00%	0.00%	0.00%
	7. 0.065 to <0.125	A-	0	0	0.00%	0.00%	0.00%
	8. 0.125 to <0.260	BBB+	0	0	0.00%	0.18%	0.05%
	9. 0.260 to <0.525	BBB	2	0	0.00%	0.34%	0.00%
	10. 0.525 to <0.795	BBB-	5	0	0.00%	0.71%	1.10%
	11. 0.795 to <1.015	BB+	0	0	0.00%	0.88%	0.87%
	12. 1.015 to <1.915	BB	9	0	0.00%	1.15%	0.76%
	13. 1.915 to <3.315	BB-	36	1	2.78%	2.68%	0.99%
	14. 3.315 to <6.510	B+	7	0	0.00%	3.95%	1.00%
	15. 6.510 to <11.455	B	6	0	0.00%	9.07%	6.07%
	16. 11.455 to <22.355	B-	2	0	0.00%	13.84%	0.00%
	17. 22.355 to <99.975	CCC	0	0	0.00%	30.87%	1.99%
	18. 99.975 to <100.050	D	1	0	0.00%	100.00%	0.00%

A-IRB

Exposure class	PD range	External rating equivalent	Number of obligors at the end of the previous year		Observed average default rate (%)	Average PD (%)	Average historical annual default rate (%)
				Of which number of obligors which defaulted in the year			
a	b	c	d	e	f	g	h
Retail – Secured by immovable property SME – with own estimates of LGD or conversion factors	0. 0.00 to <0.005	AAA+	0	0	0.00%	0.00%	0.00%
	1. 0.005 to <0.015	AAA	0	0	0.00%	0.00%	0.00%
	2. 0.015 to <0.025	AA+	0	0	0.00%	0.00%	0.00%
	3. 0.025 to <0.035	AA	0	0	0.00%	0.00%	0.00%
	4. 0.035 to <0.045	AA-	0	0	0.00%	0.00%	0.00%
	5. 0.045 to <0.055	A+	0	0	0.00%	0.00%	0.00%
	6. 0.055 to <0.065	A	0	0	0.00%	0.00%	0.00%
	7. 0.065 to <0.125	A-	0	0	0.00%	0.00%	0.00%
	8. 0.125 to <0.260	BBB+	2	0	0.00%	0.00%	0.00%
	9. 0.260 to <0.525	BBB	16	0	0.00%	0.34%	0.00%
	10. 0.525 to <0.795	BBB-	33	0	0.00%	0.00%	1.82%
	11. 0.795 to <1.015	BB+	0	0	0.00%	0.88%	0.00%
	12. 1.015 to <1.915	BB	37	0	0.00%	0.00%	0.50%
	13. 1.915 to <3.315	BB-	81	1	1.23%	2.68%	1.25%
	14. 3.315 to <6.510	B+	207	0	0.00%	3.95%	1,50%
	15. 6.510 to <11.455	B	46	0	0.00%	9.07%	2.60%
	16. 11.455 to <22.355	B-	8	1	12.50%	13.84%	9.34%
	17. 22.355 to <99.975	CCC	44	3	6.82%	30.87%	10.76%
	18. 99.975 to <100.050	D	19	0	0.00%	100.00%	0.00%

A-IRB

Exposure class	PD range	External rating equivalent	Number of obligors at the end of the previous year		Observed average default rate (%)	Average PD (%)	Average historical annual default rate (%)
				Of which number of obligors which defaulted in the year			
a	b	c	d	e	f	g	h
Retail – Secured by immovable property non-SME – with own estimates of LGD or conversion factors	0. 0.00 to <0.005	AAA+	0	0	0.00%	0.00%	0.00%
	1. 0.005 to <0.015	AAA	0	0	0.00%	0.00%	0.00%
	2. 0.015 to <0.025	AA+	0	0	0.00%	0.00%	0.00%
	3. 0.025 to <0.035	AA	0	0	0.00%	0.00%	0.00%
	4. 0.035 to <0.045	AA-	6	0	0.00%	0.00%	0.00%
	5. 0.045 to <0.055	A+	0	0	0.00%	0.00%	0.00%
	6. 0.055 to <0.065	A	2,392	2	0.08%	0.00%	0.13%
	7. 0.065 to <0.125	A-	2,807	5	0.18%	0.07%	0.25%
	8. 0.125 to <0.260	BBB+	440	2	0.45%	0.18%	0.44%
	9. 0.260 to <0.525	BBB	3,167	12	0.38%	0.34%	0.28%
	10. 0.525 to <0.795	BBB-	5,011	29	0.58%	0.71%	0.52%
	11. 0.795 to <1.015	BB+	0	0	0.00%	0.88%	0.00%
	12. 1.015 to <1.915	BB	641	4	0.62%	1.15%	0.64%
	13. 1.915 to <3.315	BB-	1,390	12	0.86%	2.68%	1.18%
	14. 3.315 to <6.510	B+	2,148	39	1.82%	3.95%	2.35%
	15. 6.510 to <11.455	B	107	6	5.61%	9.07%	6.19%
	16. 11.455 to <22.355	B-	324	14	4.32%	13.84%	5.96%
	17. 22.355 to <99.975	CCC	186	29	15.59%	30.87%	13.17%
	18. 99.975 to <100.050	D	237	0	0.00%	100.00%	0.00%

A-IRB

Exposure class	PD range	External rating equivalent	Number of obligors at the end of the previous year		Observed average default rate (%)	Average PD (%)	Average historical annual default rate (%)
				Of which number of obligors which defaulted in the year			
a	b	c	d	e	f	g	h
Retail - Other SME - with own estimates of LGD or conversion factors	0. 0.00 to <0.005	AAA+	0	0	0.00%	0.00%	0.00%
	1. 0.005 to <0.015	AAA	0	0	0.00%	0.00%	0.00%
	2. 0.015 to <0.025	AA+	0	0	0.00%	0.00%	0.00%
	3. 0.025 to <0.035	AA	0	0	0.00%	0.00%	0.00%
	4. 0.035 to <0.045	AA-	0	0	0.00%	0.00%	0.00%
	5. 0.045 to <0.055	A+	0	0	0.00%	0.00%	0.00%
	6. 0.055 to <0.065	A	19	1	5.26%	0.00%	0.53%
	7. 0.065 to <0.125	A-	0	0	0.00%	0.00%	0.00%
	8. 0.125 to <0.260	BBB+	493	3	0.61%	0.00%	0.39%
	9. 0.260 to <0.525	BBB	87	0	0.00%	0.34%	0.00%
	10. 0.525 to <0.795	BBB-	1,465	49	3.35%	0.71%	2.88%
	11. 0.795 to <1.015	BB+	0	0	0.00%	0.88%	1.25%
	12. 1.015 to <1.915	BB	978	15	1.53%	1.15%	1.30%
	13. 1.915 to <3.315	BB-	816	6	0.74%	2.68%	0.97%
	14. 3.315 to <6.510	B+	1,347	22	1.63%	3.95%	2.23%
	15. 6.510 to <11.455	B	435	15	3.45%	9.07%	6.07%
	16. 11.455 to <22.355	B-	109	6	5.56%	13.84%	5.39%
	17. 22.355 to <99.975	CCC	217	32	14.81%	30.87%	14.72%
	18. 99.975 to <100.050	D	555	0	0.00%	100,00%	0.00%

A-IRB

Exposure class	PD range	External rating equivalent	Number of obligors at the end of the previous year		Observed average default rate (%)	Average PD (%)	Average historical annual default rate (%)
				Of which number of obligors which defaulted in the year			
a	b	c	d	e	f	g	h
Retail - Other non-SME - with own estimates of LGD or conversion factors	0. 0.00 to <0.005	AAA+	0	0	0.00%	0.00%	0.00%
	1. 0.005 to <0.015	AAA	0	0	0.00%	0.00%	0.00%
	2. 0.015 to <0.025	AA+	0	0	0.00%	0.00%	0.00%
	3. 0.025 to <0.035	AA	0	0	0.00%	0.00%	0.00%
	4. 0.035 to <0.045	AA-	14,242	14	0.10%	0.00%	0,11%
	5. 0.045 to <0.055	A+	0	0	0.00%	0.00%	0.00%
	6. 0.055 to <0.065	A	13,128	16	0.12%	0.00%	0.09%
	7. 0.065 to <0.125	A-	19,027	98	0.52%	0.07%	0.89%
	8. 0.125 to <0.260	BBB+	1,707	7	0.41%	0.18%	0.29%
	9. 0.260 to <0.525	BBB	16,834	102	0.61%	0.34%	0.48%
	10. 0.525 to <0.795	BBB-	11,314	133	1.18%	0.71%	1.16%
	11. 0.795 to <1.015	BB+	0	0	0.00%	0.88%	0.00%
	12. 1.015 to <1.915	BB	1,069	16	1.50%	1.15%	0.89%
	13. 1.915 to <3.315	BB-	5,242	157	3.00%	2.68%	2.12%
	14. 3.315 to <6.510	B+	5,232	224	4.29%	3.95%	3.42%
	15. 6.510 to <11.455	B	725	131	18.09%	9.07%	12.60%
	16. 11.455 to <22.355	B-	766	101	13.38%	13.84%	10.34%
	17. 22.355 to <99.975	CCC	385	89	23.36%	30.87%	20.52%
	18. 99.975 to <100.050	D	2,908	0	0.00%	100,00%	0.00%

A-IRB

Exposure class	PD range	External rating equivalent	Number of obligors at the end of the previous year		Observed average default rate (%)	Average PD (%)	Average historical annual default rate (%)
				Of which number of obligors which defaulted in the year			
a	b	c	d	e	f	g	h
Total with own estimates of LGD and/or conversion factors	0.00 to <0.005	AAA+	0	0	0.00%	0.00%	0.00%
	0.005 to <0.015	AAA	0	0	0.00%	0.00%	0.00%
	0.015 to <0.025	AA+	0	0	0.00%	0.00%	0.00%
	0.025 to <0.035	AA	0	0	0.00%	0.00%	0.00%
	0.035 to <0.045	AA-	14,248	14	0,10%	0.00%	0.11%
	0.045 to <0.055	A+	0	0	0.00%	0.00%	0.00%
	0.055 to <0.065	A	15,539	19	0.12%	0.00%	0.09%
	0.065 to <0.125	A-	21,834	103	0.47%	0.07%	0.79%
	0.125 to <0.260	BBB+	2,652	12	0.45%	0.18%	0.33%
	0.260 to <0.525	BBB	20,192	114	0.56%	0.34%	0.44%
	0.525 to <0.795	BBB-	17,925	212	1.18%	0.71%	1.14%
	0.795 to <1.015	BB+	0	0	0.00%	0.88%	0.29%
	1.015 to <1.915	BB	2,868	35	1.22%	1.15%	0.97%
	1.915 to <3.315	BB-	8,028	184	2.29%	2.68%	1.81%
	3.315 to <6.510	B+	9,132	288	3.16%	3.95%	2.98%
	6.510 to <11.455	B	1,441	156	10.83%	9.07%	9.38%
	11.455 to <22.355	B-	1,283	124	9.76%	13.84%	8.69%
	22.355 to <99.975	CCC	877	156	17.91%	30.87%	16.02%
	99.975 to <100.050	D	3,775	0	0.00%	100.00%	0.00%

F-IRB

Exposure class	PD range	External rating equivalent	Number of obligors at the end of the previous year		Observed average default rate (%)	Average PD (%)	Average historical annual default rate (%)
				Of which number of obligors which defaulted in the year			
a	b	c	d	e	f	g	h
Corporates – SME without own estimates of LGD or conversion factors	0.00 to <0.005	AAA+	0	0	0.00%	0.00%	0.00%
	0.005 to <0.015	AAA	0	0	0.00%	0.00%	0.00%
	0.015 to <0.025	AA+	0	0	0.00%	0.00%	0.00%
	0.025 to <0.035	AA	0	0	0.00%	0.00%	0.00%
	0.035 to <0.045	AA-	0	0	0.00%	0.00%	0.00%
	0.045 to <0.055	A+	0	0	0.00%	0.00%	0.00%
	0.055 to <0.065	A	0	0	0.00%	0.00%	0.00%
	0.065 to <0.125	A-	0	0	0.00%	0.00%	0.00%
	0.125 to <0.260	BBB+	0	0	0.00%	0.00%	0.00%
	0.260 to <0.525	BBB	1	0	0.00%	0.00%	0.00%
	0.525 to <0.795	BBB-	0	0	0.00%	0.00%	0.00%
	0.795 to <1.015	BB+	2	0	0.00%	0.00%	0.00%
	1.015 to <1.915	BB	0	0	0.00%	0.00%	0.00%
	1.915 to <3.315	BB-	0	0	0.00%	0.00%	0.00%
	3.315 to <6.510	B+	0	0	0.00%	0.00%	0.00%
	6.510 to <11.455	B	1	0	0.00%	0.00%	0.00%
	11.455 to <22.355	B-	0	0	0.00%	0.00%	0.00%
	22.355 to <99.975	CCC	0	0	0.00%	0.00%	0.00%
	99.975 to <100.050	D	1	0	0.00%	0.00%	0.00%

F-IRB

Exposure class	PD range	External rating equivalent	Number of obligors at the end of the previous year		Observed average default rate (%)	Average PD (%)	Average historical annual default rate (%)
				Of which number of obligors which defaulted in the year			
a	b	c	d	e	f	g	h
Corporates – Other without own estimates of LGD or conversion factors	0. 0.00 to <0.005	AAA+	0	0	0.00%	0.00%	0.00%
	1. 0.005 to <0.015	AAA	0	0	0.00%	0.00%	0.00%
	2. 0.015 to <0.025	AA+	0	0	0.00%	0.00%	0.00%
	3. 0.025 to <0.035	AA	11	0	0.00%	0.03%	0.00%
	4. 0.035 to <0.045	AA-	0	0	0.00%	0.00%	0.00%
	5. 0.045 to <0.055	A+	10	0	0.00%	0.05%	0.00%
	6. 0.055 to <0.065	A	0	0	0.00%	0.00%	0.00%
	7. 0.065 to <0.125	A-	0	0	0.00%	0.00%	0.00%
	8. 0.125 to <0.260	BBB+	16	0	0.00%	0.18%	0.00%
	9. 0.260 to <0.525	BBB	20	0	0.00%	0.34%	0.00%
	10. 0.525 to <0.795	BBB-	0	0	0.00%	0,00%	0.00%
	11. 0.795 to <1.015	BB+	37	1	2.70%	0.88%	0,75%
	12. 1.015 to <1.915	BB	0	0	0.00%	0.00%	0.83%
	13. 1.915 to <3.315	BB-	0	0	0.00%	0.00%	0.00%
	14. 3.315 to <6.510	B+	15	0	0.00%	3.95%	0.00%
	15. 6.510 to <11.455	B	0	0	0.00%	0,00%	0.00%
	16. 11.455 to <22.355	B-	5	0	0.00%	13.84%	0.00%
	17. 22.355 to <99.975	CCC	0	0	0.00%	0.00%	0.00%
	18. 99.975 to <100.050	D	4	0	0.00%	0.00%	0.00%

F-IRB

Exposure class	PD range	External rating equivalent	Number of obligors at the end of the previous year		Observed average default rate (%)	Average PD (%)	Average historical annual default rate (%)
				Of which number of obligors which defaulted in the year			
a	b	c	d	e	f	g	h
Total without own estimates of LGD or conversion factors	0. 0.00 to <0.005	AAA+	0	0	0.00%	0.00%	0.00%
	1. 0.005 to <0.015	AAA	0	0	0.00%	0.00%	0.00%
	2. 0.015 to <0.025	AA+	0	0	0.00%	0.00%	0.00%
	3. 0.025 to <0.035	AA	11	0	0.00%	0,03%	0,40%
	4. 0.035 to <0.045	AA-	0	0	0.00%	0.00%	0.00%
	5. 0.045 to <0.055	A+	10	0	0.00%	0,05%	0.00%
	6. 0.055 to <0.065	A	0	0	0.00%	0.00%	0.00%
	7. 0.065 to <0.125	A-	0	0	0.00%	0.00%	0.00%
	8. 0.125 to <0.260	BBB+	16	0	0.00%	0.18%	0.00%
	9. 0.260 to <0.525	BBB	21	0	0.00%	0.34%	0.00%
	10. 0.525 to <0.795	BBB-	0	0	0.00%	0.00%	0.00%
	11. 0.795 to <1.015	BB+	39	1	2.56%	0.88%	0.66%
	12. 1.015 to <1.915	BB	0	0	0.00%	0.00%	0.71%
	13. 1.915 to <3.315	BB-	0	0	0.00%	0.00%	0.00%
	14. 3.315 to <6.510	B+	15	0	0.00%	3.95%	0.00%
	15. 6.510 to <11.455	B	1	0	0.00%	0.00%	0.00%
	16. 11.455 to <22.355	B-	5	0	0.00%	13.84%	0.00%
	17. 22.355 to <99.975	CCC	0	0	0.00%	0.00%	0.00%
	18. 99.975 to <100.050	D	5	0	0.00%	0.00%	0.00%

Credit risk exposures by exposure class and PD range

TABLE EU CR7-A - IRB APPROACH – DISCLOSURE OF THE EXTENT OF THE USE OF CRM TECHNIQUES

		Total exposures	Credit risk Mitigation techniques											Credit risk Mitigation methods in the calculation of RWEAs	
			Funded credit Protection (FCP)									Unfunded credit Protection (UFCP)		RWEA without substitution effects (reduction effects only)	RWEA with substitution effects (both reduction and sustitution effects)
			Part of exposures covered by Financial Collaterals (%)	Part of exposures covered by Other eligible collaterals (%)				Part of exposures covered by Other funded credit protection (%)							
					Part of exposures covered by Immovable property Collaterals (%)	Part of exposures covered by Receivables (%)	Part of exposures covered by Other physical collateral (%)		Part of exposures covered by Cash on deposit (%)	Part of exposures covered by Life insurance policies (%)	Part of exposures covered by Instruments held by a third party (%)	Part of exposures covered by Guarantees (%)	Part of exposures covered by Credit Derivatives (%)		
A-IRB		a	b	c	d	e	f	g	h	i	j	k	l	m	n
1	Central governments and central banks	0.00	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		0.00
2	Institutions	0.00	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		0.00
3	Corporates	4,506.28	6.07%	61.83%	61.83%	0.00%	0.00%	6.07%	3.74%	2.33%	0.00%	0.000%	0.00%	2,788.92	2,788.35
3.1	Of which Corporates – SMEs	1,409.07	3.71%	49.83%	49.83%	0.00%	0.00%	3.71%	1.46%	2.25%	0.00%	0.000%	0.00%	480.53	480.20
3.2	Of which Corporates – Specialised lending	2,612.15	0.08%	0.00%	0.00%	0.00%	0.00%	0.08%	0.00%	0.08%	0.00%	0.000%	0.00%	2,010.34	2,010.34
3.3	Of which Corporates – Other	485.06	2.28%	12.01%	12.01%	0.00%	0.00%	2.28%	2.28%	0.00%	0.00%	0.000%	0.00%	298.05	297.82
4	Retail	12,044.23	54.83%	187.90%	187.90%	0.00%	0.00%	53.73%	15.83%	37.90%	0.00%	0.000%	0.00%	3,245.72	3,244.57
4.1	Of which Retail – Immovable property SMEs	290.59	0.87%	93.02%	93.02%	0.00%	0.00%	0.87%	0.87%	0.00%	0.00%	0.000%	0.00%	233.71	233.71
4.2	Of which Retail – Immovable property non-SMEs	8,437.67	1.21%	94.88%	94.88%	0.00%	0.00%	1.21%	0.60%	0.61%	0.00%	0.000%	0.00%	2,279.78	2,279.78
4.3	Of which Retail – Qualifying revolving	0.00	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.000%	0.00%	0.00	0.00
4.4	Of which Retail – Other SMEs	270.94	7.03%	0.00%	0.00%	0.00%	0.00%	7.03%	5.81%	1.22%	0.00%	0.000%	0.00%	104.68	104.66
4.5	Of which Retail – Other non-SMEs	3,045.03	45.72%	0.00%	0.00%	0.00%	0.00%	44.63%	8.55%	36.07%	0.00%	0.000%	0.00%	627.55	626.43
5	TOTAL	16,550.51	9.56%	54.60%	54.60%	0.00%	0.00%	9.35%	2.18%	7.17%	0.00%	0.000%	0.00%	6,034.64	6,032.93

		Total exposures	Credit risk Mitigation techniques											Credit risk Mitigation methods in the calculation of RWEAs	
			Funded credit Protection (FCP)									Unfunded credit Protection (UFCP)		RWEA without substitution effects (reduction effects only)	RWEA with substitution effects (both reduction and sustitution effects)
			Part of exposures covered by Financial Collaterals (%)	Part of exposures covered by Other eligible collaterals (%)				Part of exposures covered by Other funded credit protection (%)							
					Part of exposures covered by Immovable property Collaterals (%)	Part of exposures covered by Receivables (%)	Part of exposures covered by Other physical collateral (%)		Part of exposures covered by Cash on deposit (%)	Part of exposures covered by Life insurance policies (%)	Part of exposures covered by Instruments held by a third party (%)	Part of exposures covered by Guarantees (%)	Part of exposures covered by Credit Derivatives (%)		
F-IRB		a	b	c	d	e	f	g	h	i	j	k	l	m	n
1	Central governments and central banks	0.00	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		0.00
2	Institutions	0.00	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		0.00
3	Corporates	1,201.99	0.03%	7.36%	7.36%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	977.88	980.29
3.1	Of which Corporates – SMEs	47.58	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	43.98	43.98
3.2	Of which Corporates – Specialised lending	0.00	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		0.00
3.3	Of which Corporates – Other	1,154.41	0.03%	7.36%	7.36%	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%	0.00%	933.91	936.32
4	TOTAL	1,201.99	0.03%	7.06%	7.06%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	977.88	980.29

Securitisation Exposure

TEMPLATE EU-SEC1 - SECURITISATION EXPOSURES IN THE NON-TRADING BOOK

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Institution acts as originator							Institution acts as sponsor				Institution acts as investor			
		Traditional				Synthetic		Sub-total	Traditional		Synthetic	Sub-total	Traditional		Synthetic	Sub-total
		STS		Non-STS												
			of which SRT		of which SRT		of which SRT		STS	Non-STS			STS	Non-STS		
1	Total exposures												486.92	-	-	486.92
2	**Retail (total)**												**362.56**	**-**	**-**	**362.56**
3	residential mortgage												34.22	-	-	34.22
4	credit card												36.83	-	-	36.83
5	other retail exposures												291.51	-	-	291.51
6	re-securitisation												-	-	-	-
7	**Wholesale (total)**												**124.36**	**-**	**-**	**124.36**
8	loans to corporates												-	-	-	-
9	commercial mortgage												-	-	-	-
10	lease and receivables												124.36	-	-	124.36
11	other wholesale												-	-	-	-
12	re-securitisation												-	-	-	-

TEMPLATE EU-SEC4 - SECURITISATION EXPOSURES IN THE NON-TRADING BOOK AND ASSOCIATED REGULATORY CAPITAL REQUIREMENTS - INSTITUTION ACTING AS INVESTOR

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	EU-p	EU-q
		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWEA (by regulatory approach)				Capital charge after cap			
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW / deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW
1	Total exposures		479.92	7	0	0	0		486.92				50.17				4.01	
2	Traditional securitisation		479.92	7	0	0	0		486.92				50.17				4.01	
3	Securitisation		479.92	7	0	0	0		486.92				50.17				4.01	
4	Retail underlying		355.56	7					362.56				37.73				3.02	
5	Of which STS		355.56	7					362.56				37.73				3.02	
6	Wholesale		124.36						124.36				12.44				0.99	
7	Of which STS		124.36						124.36				12.44				0.99	
8	Re-securitisation																	
9	Synthetic securitisation																	
10	Securitisation																	
11	Retail underlying																	
12	Wholesale																	
13	Re-securitisation																	

Market Risk

Liquidity Coverage Ratio

TEMPLATE EU-SEC1 - SECURITISATION EXPOSURES IN THE NON-TRADING BOOK

Concentration of funding and liquidity sources	Please refer to the dedicated section in "Concentration of funding and liquidity source".
Gross derivative exposures	• Derivative assets, gross of variation margin received: • EUR 352M (fully margined); • EUR 12.7M (partially margined); • EUR 1.7M (Un-margined Netting sets (NS)). Derivative liabilities, gross of variation margin posted: • EUR 125.3M (partially margined); • EUR 3.8M (Un-margined Netting sets (NS)).
Currency mismatch in the LCR	The only relevant currency is USD. The consolidated LCR USD ratio is about 280%. Please note that in line with a SREP obligation, BIL closely monitors its LCR in USD.
A description of the degree of centralisation of liquidity management and interaction between the Group's units	The degree of centralisation of BIL's liquidity management is high. The Luxembourg Head Office offers quotation, deposit and funding services to our branches and subsidiaries, and acts as lender of last resort for BIL Switzerland. The Swiss unit has a limited treasury activity and could potentially trade in the market outside the BIL group. However, given the current environment with a declining interbank market, it concludes most of its deals with the Head Office as well. Furthermore, both entities hold their Nostro accounts with BIL Luxembourg, in addition to a Nostro account with their respective central bank. The interaction between the different entities is governed by a SLA.
Other items in the LCR calculation that are not captured in N/A the LCR disclosure template but the institution considers relevant for its liquidity profile	N/A

Remuneration Charter and practices

TEMPLATE EU REM1 - REMUNERATION AWARDED FOR THE FINANCIAL YEAR

			a	b	c	d
			MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	8	6	41	49
2		Total fixed remuneration	1,281,954	3,295,403	10,136,634	9,249,960
3		Of which: cash-based	1,281,954	3,295,403	10,136,634	9,249,960
4		(Not applicable in the EU)				
EU-4a		Of which: shares or equivalent ownership interests	0	0	0	0
5		Of which: share-linked instruments or equivalent non-cash instruments	0	0	0	0
EU-5x		Of which: other instruments	0	0	0	0
6		(Not applicable in the EU)				
7		Of which: other forms	0	0	0	0
8		(Not applicable in the EU)				
9	Variable remuneration	Number of identified staff	8	6	41	49
10		Total variable remuneration	0	2,577,846	4,737,850	4,203,425
11		Of which: cash-based	0	1,311,423	2,451,583	2,500,003
12		Of which: deferred	0	633,212	914,507	681,369
EU-13a		Of which: shares or equivalent ownership interests	0	0	0	0
EU-14a		Of which: deferred	0	0	0	0
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	0	0	0	0
EU-14b		Of which: deferred	0	0	0	0
EU-14x		Of which: other instruments	0	1,266,423	2,286,268	1,703,422
EU-14y		Of which: deferred	0	633,212	914,507	681,369
15		Of which: other forms	0	0	0	0
16		Of which: deferred	0	0	0	0
17	Total remuneration (2 + 10)		1,281,954	5,873,249	14,874,484	13,453,386

TEMPLATE EU REM1 - REMUNERATION AWARDED FOR THE FINANCIAL YEAR

		a	b	c	d
		MB Supervisory function	MB Management function	Other senior management	Other identified staff
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff	0	1	1	0
2	Guaranteed variable remuneration awards -Total amount	0	45,000	16,000	0
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	0	45,000	16,000	0
	Guaranteed variable remuneration awards				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	0	0	0	0
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	0	0	0	0
	Guaranteed variable remuneration awards				
6	Severance payments awarded during the financial year - Number of identified staff	0	1	1	0
7	Severance payments awarded during the financial year - Total amount	0	130,000	200,000	0
8	Of which paid during the financial year	0	130,000	200,000	0
9	Of which deferred	0	0	0	0
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	0	130,000	200,000	0
11	Of which highest payment that has been awarded to a single person	0	130,000	200,000	0

TEMPLATE EU REM4 – REMUNERATION OF 1 MILLION EUR OR MORE PER YEAR

		a
	EUR	Identified staff that are high earners as set out in Article 450(i) CRR
1	1 000 000 to below 1 500 000	2
2	1 500 000 to below 2 000 000	1
3	2 000 000 to below 2 500 000	0
4	2 500 000 to below 3 000 000	0
5	3 000 000 to below 3 500 000	0
6	3 500 000 to below 4 000 000	0
7	4 000 000 to below 4 500 000	0
8	4 500 000 to below 5 000 000	0
9	5 000 000 to below 6 000 000	0
10	6 000 000 to below 7 000 000	0
11	7 000 000 to below 8 000 000	0
x	To be extended as appropriate, if further payment bands are needed.	

TEMPLATE EU REM5 – INFORMATION ON REMUNERATION OF STAFF WHOSE PROFESSIONAL ACTIVITIES HAVE A MATERIAL IMPACT ON INSTITUTIONS' RISK PROFILE (IDENTIFIED STAFF)

		a	b	c	d	e	f	g	h	i	j
		Management body remuneration			Business areas						
		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	Total number of identified staff										104
2	Of which: members of the MB	8	6	14							
3	Of which: other senior management				0	6	13	14	6	2	
4	Of which: other identified staff				0	4	18	9	18	0	
5	Total remuneration of identified staff	1,281,954	5,873,249	7,155,203	0	2,671,445	13,089,491	6,068,614	5,938,681	559,639	
6	Of which: variable remuneration	0	2,577,846	2,577,846	0	684,162	5,104,748	1,785,962	1,245,030	121,374	
7	Of which: fixed remuneration	1,281,954	3,295,403	4,577,357	0	1,987,283	7,984,743	4,282,652	4,693,651	438,266	

LISTS

List of acronyms

ABS	Asset-backed security
AFR	Available Financial Resources
A-FOU	Advanced Foundation
A-IRBA	Advanced Internal Rating-Based Approach
ALCO	Asset Liability Committee
ALM	Asset and Liability Management
ASF	Available Stable Funding
AT1	Additional Tier 1 capital
BACC	Board Audit and Compliance Committee
BCL	Banque Centrale de Luxembourg
BCP	Business Continuity Plan
BoD	Board of Directors
BRC	Board Risk Committee
BRNC	Board Remuneration & Nomination Committee
BRNC-N	Board Remuneration and Nominations Committee sitting in nomination matters
BSP	BIL Structured Product
CAR	Compliance, Audit and Risk
CarCo	Compliance, Audit and Risk Committee
CBA	Collective Bargaining Agreement
CBS	Core Banking System
CC	Crisis Committee
CCF	Credit Conversion Factor
CCO	Chief Compliance Officer
CIA	Chief Internal Auditor
CCP	Central Counterparty
CDS	Credit Data Science
CCR	Counterparty Credit Risk
CEO	Chief Executive Officer
CFP	Contingency Funding Plan
CoCo bond	Contingent Convertible bond
COR	Operational Risk Correspondents
CoRep	Common solvency ratio Reporting
CPR	Conditional Prepayment Rate
CRCR	Credit Risk Calculation & Reporting
CRCU	Credit Risk Control Unit
CRMU	Credit Risk Management Unit
CRM	Credit Risk Mitigant
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CSA	Credit Support Annex
CSRD	Corporate Sustainability Reporting Directive
CSSF	Commission de Surveillance du Secteur Financier
CTO	Chief Transformation Officer
CVA	Credit Valuation Adjustment
DR	Default Rates
DRP	Disaster Recovery Plan
DTA	Deferred Tax Asset
EAD	Exposure At Default
EBA	European Banking Authority
ECAI	External Credit Assessment Institutions
ECAP	Economic Capital
ECB	European Central Bank
EFRM	Enterprise and Financial Risk Management
EL	Expected Loss
ERM	Enterprise Risk Management
EU	European Union
EV	Economic Value
FinRep	Financial Reporting
FRM	Financial Risk Management
FRMD	Financial Risk Management Datamart
FOREX	Foreign Exchange
FVTOCI	Financial investment at fair Value Through OCI
GIP	Gestion Intensive et Particulière
GL22	Go-Live 2022
GMRA	Global Master Repurchase Agreement
GMSLA	Global Master Securities Lending Agreement
GRI	Global Reporting Initiative
HQLA	High Quality Liquid Assets
HO	Head Office
HR	Human Resources
HTC(S)	Hold to Collect (and Sell)
ICAAP	Internal Capital Adequacy Assessment Process
ICC	Internal Control Committee
ICT	Information and Communication Technology
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
IMM	Internal Model Method
IMVU	Internal Model Validation Unit
IR	Interest Rate
IRRBB	Interest Rate Risk in the Banking Book
IRS	Internal Rating Systems
ISDA	International Swap and Derivative Association
ISRC	ICT & Security Risks Committee
IT	Information Technology
ITS	Implementing Technical Standards
JST	Joint Supervisory Team
KPI	Key Performance Indicator
LCR	Liquidity Coverage Ratio
LDP	Low Default

LR	Leverage ratio
LGD	Loss Given Default
LiST	ECB 2019 Sensitivity Analysis of Liquidity Risk
M	million/Million
MB	Management Board
MBS	Mortgage Backed Security
MCRE	Maximum Credit Risk Exposure
MidCorp	Middle Corporate
MMB	Member of the Management Board
MOC	Monthly Operational Committee
MREL	Minimum Requirement for own funds and Eligible Liabilities
MRT	Material Risk Takers
NACE	Nomenclature statistique des Activités économiques dans la Communauté Européenne
NCA	National Competent Authorities
NFRD	Non-Financial Reporting Initiative
NII	Net Interest Income
NMD	Non-Maturing Deposits'
NPC	New Products Committee
NPE	Non-Performing exposures
NSFR	Net Stable Funding Ratio
OBS	Off-Balance Sheet
OCI	Other Comprehensive Income
OCR	Overall Capital Requirement
ORC	Operational Risk Committee
ORM	Operational Risk Management
OTC	Over-the-counter
PCC	People, Culture and Communication
PD	Probability of Default
PM	Products and Markets
PSD II	Payment Services Directive II (EU/2015/2366)
P&L	Profit and Loss
P2G	Pillar 2 Guidance
P2R	Pillar 2 Requirement
QMFU	Quality Management Follow-Up
QIS	Quantitative Impact Study
RAF	Risk Appetite Framework
RAROC	Risk Adjusted Return on Equity
RAS	Risk Appetite Statement
RCSA	Risk Control Self-Assessment
REA	Risk Weighted Exposure Amount
RPsC	Risk Policy Sub-Committee
RSF	Required Stable Funding
RWA	Risk Weighted Assets
SA-CCR	Standardised Approach for Counterparty Credit Risk
SASB	Sustainability Accounting Standards Board
SFDR	Sustainable Finance Disclosure Regulation
SFT	Securities Financing Transaction

SC	Security Committee
SICS	Sustainable Industry Classification System
SLA	Service Level Agreement
SME	Small and Medium Enterprise
SNB	Swiss National Bank
SSM	Single Supervisory Mechanism
SPPI	Solely Payments of Principal and Interests
SRB	Single Resolution Board
SRM	Single Resolution Mechanism
STE	Short Term Exercise
SVI	Sector Vulnerability Index
TOM	Target Operating Model
VaR	Value at Risk
WAL	Weighted Average Life
WIR	Weekly Incident Report

List of EBA tables and templates[25]

List of EBA quantitative templates included in this report:

Templates	Reference	Name	CRR articles	Reference
1	EU KM1	Overview of risk weighted exposure amounts	Points (a) to (g) of Article 447 and point (b) of Article 438	Quarterly / Semi-annual / Annual
2	EU OV1	Overview of risk weighted exposure amounts	Point (d) of Article 438	Quarterly / Semi-annual / Annual
3	EU INS1	Insurance participations	Point (f) of Article 438	Annual
4	EU INS2	Financial conglomerates information on own funds and capital adequacy ratio	Points (g) of Article 438	Not applicable for the Bank
5	EU LI1	Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories	Point (c) of Article 436	Annual
6	EU LI3	Outline of the differences in the scopes of consolidation (entity by entity)	Point (b) of Article 436	Annual
7	EU LI2	Main sources of differences between regulatory exposure amounts and carrying values in financial statements	Point (d) of Article 436	Annual
8	EU PV1	Prudent valuation adjustments (PVA)	Point (e) of Article 436	Not applicable for the Bank
9	EU CC1	Composition of regulatory own funds	Points (a), (d), (e) and (f) of Article 437	Semi-annual / Annual
10	EU CC2	Reconciliation of regulatory own funds to balance sheet in the audited financial statements	Points (a), (b), (d) and (f) of Article 435(1)	Semi-annual / Annual
11	EU CCyB1	Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer	Point (a) of Article 440	Semi-annual / Annual
12	EU CCyB2	Amount of institution-specific countercyclical capital buffer	Point (b) of Article 440	Semi-annual / Annual
13	EU LR1	LRSum: Summary reconciliation of accounting assets and leverage ratio exposures	Point (b) of Article 451(1)	Semi-annual / Annual
14	EU LR2	LRCom: Leverage ratio common disclosure	Article 451(3) - Rows 28 to 31a Points (a), (b) and (c) of Article 451(1) and Article 451(2) - Rows up to row 28	Semi-annual / Annual
15	EU LR3	LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)	Point (b) of Article 451(1)	Semi-annual / Annual
16	EU LIQ1	Quantitative information of LCR	Article 451a (2)	Quarterly / Semi-annual / Annual
17	EU LIQ2	Net Stable Funding Ratio	Article 451a (3)	Semi-annual / Annual
18	EU CQ3	Credit quality of performing and non-performing exposures by past due days	Points (c) and (d) of Article 442	Annual
19	EU CR1-A	Maturity of exposures	Point (g) of Article 442	Semi-annual / Annual
20	EU CR2	Changes in the stock of non-performing loans and advances	Point (f) of Article 442	Semi-annual / Annual
21	EU CR1	Performing and non-performing exposures and related provisions	Points (c) and (f) of Article 442	Semi-annual / Annual
22	EU CQ1	Credit quality of forborne exposures	Point (c) of Article 442	Semi-annual / Annual
23	EU CQ4	Quality of non-performing exposures by geography	Points (c) and (e) of Article 442	Semi-annual / Annual
24	EU CQ5	Credit quality of loans and advances by industry	Points (c) and (e) of Article 442	Semi-annual / Annual
25	EU CQ7	Collateral obtained by taking possession and execution processes	Point (c) of Article 442	Semi-annual / Annual
26	EU CR2a	Changes in the stock of non-performing loans and advances and related net accumulated recoveries	Points (c) and (f) of Article 442	Semi-annual / Annual
27	EU CQ2	Quality of forbearance	Point (c) of Article 442	Not applicable for the Bank
28	EU CQ6	Collateral valuation - loans and advances	Point (c) of Article 442	Semi-annual / Annual
29	EU CQ8	Collateral obtained by taking possession and execution processes – vintage breakdown	Point (c) of Article 442	Not applicable for the Bank
30	EU CR3	CRM techniques overview: Disclosure of the use of credit risk mitigation techniques	Point (f) of Article 453	Semi-annual / Annual
31	EU CR4	Standardised approach – Credit risk exposure and CRM effects	Points (g), (h) and (i) of Article 453 CRR and point (e) of Article 444	Semi-annual / Annual
32	EU CR5	Standardised approach	Point (e) of Article 444	Semi-annual / Annual
33	EU CR6-A	Scope of the use of IRB and SA approaches	Point (b) of Article 452	Annual
34	EU CR6	IRB approach – Credit risk exposures by exposure class and PD range	Point (g) of Article 452	Semi-annual / Annual
35	EU CR7	IRB approach – Effect on the RWEAs of credit derivatives used as CRM techniques	Point (j) of Article 453	Not applicable for the Bank
36	EU CR7-A	IRB approach – Disclosure of the extent of the use of CRM techniques	Point (g) of Article 453	Semi-annual / Annual
37	EU CR8	RWEA flow statements of credit risk exposures under the IRB approach	Point (h) of Article 438	Quarterly / Semi-annual / Annual
38	EU CR9	IRB approach – Back-testing of PD per exposure class (fixed PD scale)	Point (h) of Article 452	Annual
39	EU CR9.1	IRB approach – Back-testing of PD per exposure class (only for PD estimates according to point (f) of Article 180(1) CRR)	Point (h) of Article 452 and point (f) of Article 180(1)	Annual
40	EU CR10	Specialised lending and equity exposures under the simple risk weighted approach	Point (e) of Article 438	Semi-annual / Annual
41	EU CCR1	Analysis of CCR exposure by approach	Points (f), (g), (k) and (m) of Article 439	Semi-annual / Annual
42	EU CCR2	Transactions subject to own funds requirements for CVA risk	Point (h) of Article 439	Semi-annual / Annual
43	EU CCR3	Standardised approach – CCR exposures by regulatory exposure class and risk weights	Point (l) of Article 439 referring to point (e) of Article 444	Semi-annual / Annual
44	EU CCR4	IRB approach – CCR exposures by exposure class and PD scale	Point (l) of Article 439 referring to point (g) of Article 452	Semi-annual / Annual
45	EU CCR5	Composition of collateral for CCR exposures	Point (e) of Article 439	Semi-annual / Annual
46	EU CCR6	Credit derivatives exposures	Point (j) of Article 439	Not applicable for the Bank
47	EU CCR7	RWEA flow statements of CCR exposures under the IMM	Point (h) of Article 438	Not applicable for the Bank
48	EU CCR8	Exposures to CCPs	Point (i) of Article 439	Semi-annual / Annual
49	EU SEC1	Securitisation exposures in the non-trading book	Point (j) of Article 449	Semi-annual / Annual
50	EU SEC2	Securitisation exposures in the trading book	Point (j) of Article 449	Not applicable for the Bank

25. In accordance with the EBA publications of which: EBA/GL/2016/11, version 2, and EBA/ITS/2020/04.

51	EU SEC3	Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor	Point (k)(i) of Article 449	Not applicable for the Bank
52	EU SEC4	Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor	Point (k)(ii) of Article 449	Semi-annual / Annual
53	EU SEC5	Exposures securitised by the institution - Exposures in default and specific credit risk adjustments	Point (l) of Article 449	Not applicable for the Bank
54	EU MR1	Market risk under the standardised approach	Article 445	Semi-annual / Annual
55	EU MR2-A	Market risk under the internal Model Approach (IMA)	Point (e) of Article 455	Not applicable for the Bank
56	EU MR2-B	RWA flow statements of market risk exposures under the IMA	Point (h) of Article 438	Not applicable for the Bank
57	EU MR3	IMA values for trading portfolios	Point (d) of Article 455	Not applicable for the Bank
58	EU MR4	Comparison of VaR estimates with gains/losses	Point (g) of Article 455	Semi-annual / Annual
59	EU OR1	Operational risk own funds requirements and risk-weighted exposure amounts	Articles 446 and 454	Annual
60	EU REM1	Remuneration awarded for the financial year	Point (h) of Article 450(1)	Annual
61	EU REM2	Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)	Point (h) of Article 450(1)	Annual
62	EU REM4	Remuneration of 1 million EUR or more per year	Point (i) of Article 450(1)	Annual
63	EU REM5	Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)	Point (g) of Article 450(1)	Annual
64	Template 1	Banking book- Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity	Article 449a	Semi- annual / Annual
65	Template 2	Banking book - Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral	Article 449a	Semi-annual / Annual
66	Template 3	Banking book - Climate change transition risk: Alignment metrics	Article 449a	Semi-annual / Annual
67	Template 4	Banking book - Climate change transition risk: Exposures to top 20 carbon-intensive firms	Article 449a	Semi-annual / Annual
68	Template 5	Banking book - Climate change physical risk: Exposures subject to physical risk	Article 449a	Semi-annual / Annual
69	Template 6	Summary of GAR KPIs	Article 449a	Semi-annual / Annual
70	Template 7	Mitigating actions: Assets for the calculation of GAR	Article 449a	Semi-annual / Annual
71	Template 8	GAR (%)	Article 449a	Semi-annual / Annual
72	Template 9	Mitigating actions: BTAR	Article 449a	Semi-annual / Annual
73	EU AE1	Encumbered and unencumbered assets	Article 443	Annual
74	EU AE2	Collateral received and own debt securities issued	Article 443	Annual
75	EU AE3	Sources of encumbrance	Article 443	Annual
76	EU IRRBB1	Interest rate risks of non-trading book activities	Article 448	Annual
77	EU KM2	Key metrics - MREL and, where applicable, G-SII requirement for own funds and eligible liabilities	-	Annual
78	EU TLAC1	Composition - MREL and, where applicable, G-SII requirement for own funds and eligible liabilities	-	Annual
79	EU iLAC	Internal loss absorbing capacity: internal MREL and, where applicable, requirement for own funds and eligible liabilities for non-EU G-SIIs	-	Not applicable for the Bank
80	EU TLAC2	Creditor ranking - Entity that is not a resolution entity	-	Not applicable for the Bank
81	EU TLAC3	Creditor ranking - resolution entity	-	Annual

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