Pillar 3 Quarterly Report Q3/2023

BANQUE INTERNATIONALE À LUXEMBOURG

1856

Contents

List of acronyms

A-IRB	Advanced Internal Rating-Based
BCBS	Basel Committee on Banking Supervision
CCP	Central Counterparty
CCR	Counterparty Credit Risk
CET1	Common Equity Tier One
CRR	Capital Requirements Regulation
CSR	Corporate Social Responsibility
CVA	Credit Valuation Adjustment
EAD	Exposure At Default
EBA	European Banking Authority
ECL	Expected Credit Loss
ESG	Environmental, Social and Governance
F-IRB	Foundation Internal Rating-Based
HQLA	High Quality Liquid Asset
IAA	Internal Assessment Approach
IMA	Internal Model Approach
IMM	Internal Model Method
IRB	Internal Rating-Based
LCR	Liquidity Coverage Ratio
LR	Leverage Ratio
NSFR	Net Stable Funding Ratio
O-SII	Other Systemically Important Institutions
PD	Probability of Default
Q	Quarter
RWA	Risk-Weighted Assets
SFDR	The Sustainable Finance Disclosure Regulation

Regulatory tables and templates[1]

Reference	Name	Regulation (EU) No 575/2013 (CRR)	Section of the report
EU KM1	Overview of risk weighted exposure amounts	Points (a) to (g) of Article 447 and point (b) of Article 438	Section 1
EU OV1	Overview of risk weighted exposure amounts	Point (d) of Article 438	Section 2.1
EU LIQ1	Quantitative information of LCR	Article 451a(2)	Section 3.1
EU CR8	RWEA flow statements of credit risk exposures under the IRB approach	Point (h) of Article 438	Section 4
EU CCR7	RWEA flow statements of CCR exposures under the IMM	Point (h) of Article 438	N/A - The Bank does not use the IMM approach.
EU MR2-B	RWA flow statements of market risk exposures under the IM	Point (h) of Article 438	N/A - The Bank uses the standardized approach.

[1] Based on public disclosure: https://www.eba.europa.eu/regulation-and-policy/transparency-and-pillar-3/its-of-institutions-public-disclosures-of-the-information-referred-to-in-titles-ii-and-iii-of-part-eight-of-regulation-eu-no-575-2013

Introduction

This document provides additional information on the risk management of Banque Internationale à Luxembourg (BIL Group) referred to below as "BIL" or "the Bank" as of 30 September 2023.

This BIL group Quarterly Pillar 3 report is divided into five sections:

- Key prudential metrics
- Capital management and capital adequacy
- Liquidity risk management
- Credit risk management and a breakdown of the Bank's credit risk exposures
- ESG risk

Unless otherwise stated, the figures shown in this Report are reported in millions of euros.

Data is provided at a consolidated level, including BIL group subsidiaries and branches.

In addition to this document, all Pillar III Reports and Annual Reports (including semi-annual and quarterly Pillar III reports) are available on the Bank's website: https://www.bil.com/fr/groupe-bil/documentation/Pages/donnees-financieres.aspx

1. Key prudential metrics

The table below provides a comprehensive view of key prudential metrics by quarter covering the Bank's available capital (including buffer requirements and ratios), its risk-weighted assets (RWA), leverage ratio (LR), liquidity coverage ratio (LCR) and net stable funding ratio (NSFR).

TABLE KM1: KEY METRICS (AT CONSOLIDATED GROUP LEVEL)

	a	b
(in EUR million)	T[2]	T-1
Available own funds (amounts)		
Common Equity Tier 1 (CET1) capital	1,410.22	1,422.92
Tier 1 capital	1,585.22	1,597.92
Total capital	1,928.85	1,940.06
Risk-weighted exposure amounts		
Total risk exposure amount	10,670.61	10,436.59
Capital ratios (as a percentage of risk-weighted exposure amount)		
Common Equity Tier 1 ratio (%)	13.22%	13.63%
Tier 1 ratio (%)	14.86%	15.31%
Total capital ratio (%)	18.08%	18.59%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)		
Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.25%	2.25%
of which: to be made up of CET1 capital (percentage points)	1.27%	1.27%
of which: to be made up of Tier 1 capital (percentage points)	1.69%	1.69%
Total SREP own funds requirements (%)	10.25%	10.25%
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)		
Capital conservation buffer (%)	2.50%	2.50%
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%	0.00%
Institution specific countercyclical capital buffer (%)	0.48%	0.47%
Systemic risk buffer (%)	0.00%	0.00%
Global Systemically Important Institution buffer (%)	0.00%	0.00%
Other Systemically Important Institution buffer (%)	0.50%	0.50%
Combined buffer requirement (%)	3.48%	3.47%
Overall capital requirements (%)	13.73%	13.72%
CET1 available after meeting the total SREP own funds requirements (%)	7.17%	7.62%
Leverage ratio		
Total exposure measure	34,074.46	33,294.04
Leverage ratio (%)	4.64%	4.78%
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)		
Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%
of which: to be made up of CET1 capital (percentage points)	0.00%	0.00%
Total SREP leverage ratio requirements (%)	3.00%	3.00%

[2] T=30.09.2023, T-1=30.06.2023

Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)		
Leverage ratio buffer requirement (%)	0.00%	0.00%
Overall leverage ratio requirement (%)	3.00%	3.00%
Liquidity Coverage Ratio[3]		
Total high-quality liquid assets (HQLA) (Weighted value -average)	10,731.92	11,203.71
Cash outflows - Total weighted value	7,769.03	8,378.16
Cash inflows - Total weighted value	710.13	674.78
Total net cash outflows (adjusted value)	7,058.90	7,703.38
Liquidity coverage ratio (%)	152.8%	145.9%
Net Stable Funding Ratio		
Total available stable funding	18,520.53	18,322.50
Total required stable funding	14,492.27	14,751.88
NSFR ratio (%)	127.8%	124.2%

[3] Due to the specific requirements linked to this table, the LCR figures are the average of the last 12 months. Nevertheless, in term of end of quarter (23Q3), the consolidated LCR increased to 178% at the end of September 2023 from 154% at the end of June 2023. This increase is explained mainly by the building of an additional liquidity buffer in anticipation of any potential stress/issues during the Q3 2024. In this context, the Bank has preferred to adopt a prudent approach in terms of liquidity management and to diversify its funding sources . We could mention: (i) Proactive adjustments on 35/100 days call accounts remuneration along ECB rate hikes leading to an increased outstanding, (ii) Strong performance of new BIL EMTN issues, (iii) Improved liquidity position of some key customers.

2. Own funds and capital adequacy

The aim of capital management is to ensure BIL achieves its solvency and long-term profitability targets, while complying with regulatory capital requirements. The Bank's ratios exceed the regulatory requirements, thereby reflecting a sound solvency situation.

The ratios (Common Equity Tier 1 capital ratio, Tier 1 capital ratio and total capital ratio) compare the amount of eligible regulatory capital in each category with BIL group's total weighted risks.

The prudential capital requirement breakdown as of 30 September 2023 is presented below:

Capital components	Amount
Minimum requirement for Core CET1 requirement	4.50%
Minimum requirement for conservation buffer	2.50%
Minimum requirement for O-SII buffer	0.50%
Minimum requirement for countercyclical buffer	0.48%
Minimum requirement for Pillar 2 Requirement	1.26%
	9.24%

At the end of Q3 2023, the Bank's CET1 ratio stood at 13.22%, with the total capital ratio at 18.08%, as detailed in the previous section (Table KM1). The Bank's CET1 ratio decreased between 23Q2 and 23Q3 (from 13.63% to 13.22%):

- Regarding CET1 Capital (numerator), a slight decrease is observed between the two quarters: From EUR 1.422 billion to EUR 1.410 billion. This is due to several elements of which: (i) The increase of the Bank's Intangible Assets (IT) for EUR 11 million, which are deducted from the CET1 Capital, (ii) Increase of Aged NPL (EUR 13 million). This is mitigated by less deduction of the DTA for about 15 million.
- The Bank's RWA totalled EUR 10.67 billion as of 30 September 2023, compared to EUR 10.44 billion as of 30 June 2023. The overall increase of about EUR 234 million is mainly due to the increase of Credit Risk RWA in the same order of magnitude. The increase is observed on BIL Luxembourg and Switzerland entities:
  - BIL Luxembourg: an increase of the RWA by about EUR 226 million is observed, mainly explained by the combined effects of net new production and ratings' downgrades on some exposures under IRB-Foundation approach;
  - BIL Switzerland: the Credit Risk RWA increased by EUR +73 million, notably linked to the Lombard loan exposures

2.1. Regulatory capital adequacy (Pillar I)

Risk-Weighted Assets (RWA)

In accordance with Article 438 (d) of Regulation (EU) No 575/2013 (CRR), the following table presents the RWA and regulatory capital requirements broken down by risk type and model approach compared to the previous reporting period, on a quarterly basis.

TABLE EU OV1 – OVERVIEW OF TOTAL RISK EXPOSURE AMOUNTS

(in EUR million)		Total risk exposure amounts (TREA)		Total own funds requirements
		a	b	c
		T	T-1	T
1	Credit risk (excluding CCR)	9,444.32	9,166.29	755.55
2	Of which the standardised approach	2,716.45	2,669.91	217.32
3	Of which the Foundation IRB (F-IRB) approach	1,261.62	1,058.65	100.93
4	Of which slotting approach	2,099.42	2,109.25	167.95
EU 4a	Of which equities under the simple risk weighted approach	0.01	0.01	0.00
5	Of which the Advanced IRB (A-IRB) approach	2,900.74	2,863.09	232.06
6	Counterparty credit risk - CCR	161.98	220.67	12.96
7	Of which the standardised approach	44.12	49.66	3.53
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	42.39	44.30	3.39
EU 8b	Of which credit valuation adjustment - CVA	15.38	22.02	1.23
9	Of which other CCR	60.09	104.68	4.81
10	Not applicable	-	-	-
11	Not applicable	-	-	-
12	Not applicable	-	-	-
13	Not applicable	-	-	-
14	Not applicable	-	-	-
15	Settlement risk	-	-	-
16	Securitisation exposures in the non-trading book (after the cap)	39.52	35.17	3.16
17	Of which SEC-IRBA approach	-	-	-
18	Of which SEC-ERBA (including IAA)	39.52	35.17	3.16
19	Of which SEC-SA approach	-	-	-
EU 19a	Of which 1250% / deduction	-	-	-
20	Position, foreign exchange and commodities risks (Market risk)	24.25	13.92	1.94
21	Of which the standardised approach	24.25	13.92	1.94
22	Of which IMA	-	-	-
EU 22a	Large exposures	-	-	-
23	Operational risk	1,000.54	1,000.54	80.04
EU 23a	Of which basic indicator approach	-	-	-
EU 23b	Of which standardised approach	1,000.54	1,000.54	80.04
EU 23c	Of which advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	-	-	-
25	Not applicable	-	-	-
26	Not applicable	-	-	-
27	Not applicable	-	-	-
28	Not applicable	-	-	-
29	**Total**	**10,670.61**	**10,436.59**	**853.65**

3. Liquidity Risk

3.1. Liquidity Coverage Ratio

TEMPLATE EU LQ1 – QUANTITATIVE INFORMATION OF LCR (BASED ON THE ANNUAL AVERAGE OF LCR)

		a	b	c	d	e	f	g	h
in EUR million					Total unweighted value				Total weighted value
Quarter ending on (DD Month YYY)		T	T-1	T-2	T-3	T	T-1	T-2	T-3
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)					10731.9	11203.7	11463.5	11413.1
CASH-OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	9389.6	9484.3	9577.5	9655.6	866.9	901.7	929.7	955.1
3	*Stable deposits*	3975.3	4083.7	4156.9	4125.0	198.8	204.2	207.8	206.3
4	*Less stable deposits*	4719.6	4931.4	5114.9	5310.2	668.1	697.5	721.9	748.8
5	*Unsecured wholesale funding*	8319.2	8991.8	9265.6	9284.5	6024.9	6639.9	6888.3	6881.6
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	0	0	0	0	0	0	0	0
7	*Non-operational deposits (all counterparties)*	8067.8	8751.3	9058.1	9130.5	5773.5	6399.5	6680.8	6727.7
8	*Unsecured debt*	251.4	240.5	207.5	154.0	251.4	240.5	207.5	154.0
9	*Secured wholesale funding*					23.5	31.2	53.8	39.1
10	Additional requirements	3534.2	3424.1	3388.6	3382.4	843.7	794.6	770.7	726.6
11	Outflows related to derivative exposures and other collateral requirements	349.5	347.8	324.3	287.4	349.5	347.8	324.3	287.4
12	Outflows related to loss of funding on debt products	0	0	0	0	0	0	0	0
13	Credit and liquidity facilities	3184.7	3076.3	3064.3	3095.1	494.2	446.8	446.4	439.2
14	Other contractual funding obligations	0	0	0	0	0	0	0	0
15	Other contingent funding obligations	1014.2	1076.1	1119.8	1146.6	10.1	10.8	11.2	11.5
16	TOTAL CASH OUTFLOWS					7769.0	8378.2	8653.6	8613.9
17	Secured lending (e.g. reverse repos)	248.2	196.5	153.9	70.3	35.6	27.9	21.5	10.2
18	Inflows from fully performing exposures	641.0	607.5	554.7	546.8	464.4	429.1	381.3	375.9
19	Other cash inflows	848.5	891.2	921.7	966.1	210.2	217.8	218.3	226.4

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)					0	0	0	0
EU-19b	(Excess inflows from a related specialised credit institution)					0	0	0	0
20	TOTAL CASH INFLOWS	1737.7	1695.2	1630.3	1583.2	710.1	674.8	621.0	612.4
EU-20a	Fully exempt inflows	0	0	0	0	0	0	0	0
EU-20b	IInflows subject to 90% cap	0	0	0	0	0	0	0	0
EU-20c	Inflows subject to 75% cap	1737.7	1695.2	1630.3	1583.2	710.1	674.8	621.0	612.4
						TOTAL ADJUSTED VALUE	TOTAL ADJUSTED VALUE	TOTAL ADJUSTED VALUE	TOTAL ADJUSTED VALUE
	TOTAL ADJUSTED VALUE								
21	LIQUIDITY BUFFER					10731.9	11203.7	11463.5	11413.1
22	TOTAL NET CASH OUTFLOWS					7058.9	7703.4	8032.6	8001.6
23	LIQUIDITY COVERAGE RATIO					152.84%	145.92%	142.88%	142.77%

23Q3:
The consolidated LCR increased to 178% at the end of September 2023 from 154% at the end of June 2023. This increase is explained mainly by the building of an additional liquidity buffer in anticipation of any potential stress/issues during the Q3 2024. In this context, the Bank has preferred to adopt a prudent approach in terms of liquidity management and to diversify its funding sources . We could mention: (i) Proactive adjustments on 35/100 days call accounts remuneration along ECB rate hikes leading to an increased outstanding, (ii) Strong performance of new BIL EMTN issues, (iii) Improved liquidity position of some key customers.

3.2. Net Stable Funding Ratio

The NSFR amounts to 128% from 124% in June 2023. The drivers of the growth were also the ones from the LCR and taking also into account that the shift of term loans to non-financial customers within 1 year leads to more favourable NSFR parameters (with RSF 50% instead of 85% previously).

4. 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.

4.1 RWA flow statements of credit risk exposures

According to Article 438 (h) of Regulation (EU) No 575/2013 (CRR), the following table provides a flow statement explaining changes in the credit RWA between Q2 2023 and Q3 2023.

RWA FLOW STATEMENTS OF CREDIT RISK EXPOSURES UNDER THE STANDARD AND IRB APPROACH[4]

	a	b
(in EUR million)	RWA amounts	Capital requirements
Credit Risk RWAs (ADV+STD +TIT with CCR) as at the end of the previous reporting period (30/06/2023)	9,422.13	753.77
Total adjustments from Standardised Approach (with CCR)	**- 2.71**	**-0.22**
Adjustment from Asset size	-15.52	-1.24
Adjustment from Asset quality	12.95	1.04
Adjustment from Model updates		-
Adjustment from Methodology and policy		-
Adjustment from Other	-0.14	-0.01
Total adjustments from IRB - Advanced Approach (with CCR)	**229.17**	**18.33**
Adjustment from Asset size	128.42	10.27
Adjustment from Asset quality	100.84	8.07
Adjustment from Model updates		-
Adjustment from Methodology and policy		-
Adjustment from Acquisitions and disposals		-
Adjustment from Foreign exchange movements		-
Adjustment from Other	- 0.09	- 0.01
Total adjustments from CVA	**- 6.65**	**- 0.53**
Total adjustments from Securitisation	**4.35**	**0.35**
Total adjustments from FTA new management overlay	**- 1.32**	**- 0.11**
RWAs as at the end of the reporting period (30/09/2023)	9,644.97	734.24

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

		Risk weighted exposure amount
	In EUR	a
1	Risk weighted exposure amount as at the end of the previous reporting period	6,491,678,303.44
2	Asset size (+/-)	132,015,215.36
3	Asset quality (+/-)	100,879,833.33
4	Model updates (+/-)	0.00
5	Methodology and policy (+/-)	0.00
6	Acquisitions and disposals (+/-)	0.00
7	Foreign exchange movements (+/-)	0.00
8	Other (+/-)	-94,280.86
9	Risk weighted exposure amount as at the end of the reporting period	6,724,479,071.26

[4] This ECB template has been amended to include further details of quarterly changes for all categories of credit risk RWA.

5. Focus on ESG framework

5.1 ESG Targets & ESG Dashboard

As discussed and validated by the management bodies in March 2023, BIL worked on defining concrete ESG Targets, enabling the bank to better manage ESG risks and exploit opportunities through high-level engagement. This first set of targets for BIL have a clear focus on "environmental issues", driven by regulatory expectations but also considering growing stakeholder expectations regarding the bank's environmental impact. They address ESG Risks & Opportunities linked to:

- BIL's Real Estate Lending Portfolio
- BIL's Motor Vehicle Lending Portfolio
- BIL's Corporate Lending Portfolio
- BIL's Bank Investment Portfolio
- BIL's client Investment Portfolios
- BIL's operational Carbon Footprint
- BIL's Human Capital Management

The quantitative targets were validated in October by the management bodies. These targets are only a first set of targets: they will evolve in time according to BIL and market maturity and to ESG data availability.
As far as the "environmental targets" and concrete climate targets are concerned, the ultimate aim is to work on tangible greenhouse gas emission reduction targets, aligned with global decarbonization scenarios. In this respect, these targets should be seen as intermediate steps.

With respect to ensure an appropriate monitoring of targets but also risks and opportunities linked to ESG, BIL is currently developing its ESG Dashboard. Indeed, as ESG considerations become increasingly important in regulatory frameworks and bank's business models, having a dedicated ESG Dashboard will help strategic decision making by giving a complete and clear overview of the bank's performance in key sustainability areas as well as its exposure to ESG risks. The ESG Dashboard is presented on the 15th of November at the ExCo and to the BoD in December.

5.2 Client Engagement Plan

As part of the GRI reporting standard and the upcoming CSRD guidelines, the Bank must regularly engage with its stakeholders to identify the material sustainability topics for the bank, which then form the framework for its non-financial reporting.

In that respect, BIL launched its engagement plan in April targeting clients, employees, suppliers, NGOs and management bodies. In September, BIL validated its latest materiality matrix, which globally confirms that the Bank's ESG strategy addresses issues considered as important by our main stakeholders.

To be noted that:

- Responsible products & services remains the most important topic to focus on.
- Financing green innovation and infrastructural projects has grown in importance over the past two years.
- Technology transition and digitalisation is a newly added topic and immediately ranks relatively high.
- Responsible Environmental impact as well as Access to financial services and education have grown in importance and are now considered major to our internal and external stakeholders.

5.3 Non-financial Rating

In September, BIL received the result of its first solicited non-financial rating. The rating exercise was performed by Sustainalytics, a leading non-financial rating agency.

Sustainalytics identified 6 material topics for BIL:

- Data Privacy & Security
- Human capital
- Product Governance
- ESG integration in banks processes
- Corporate Governance
- Business Ethics

The overall ESG Risk Rating is considered as good: score 11,2 (LOW):

- BIL's overall exposure is low and is similar to subindustry average: main exposure is on product governance, data privacy risks (linked to digitalization) and the "obligation" to incorporate appropriate ESG considerations into its lending and investment activities in order to enable the country's green transition.

- BIL's overall management of material ESG issues is strong: enhancement can be done on regular trainings (data, cybersecurity), transparency on products &services towards clients and the development of a sector-specific credit risk appetite framework for environmental and social issues.

5.4 Non-Financial Reporting

The Work is underway to ensure compliance with the target date for CSRD (1/1/2025).

For this year's report, data collection sheets have been created to respond to the ESRS standards. The kick-off for the data collection phase will be in November.

A readiness assessment will be carried out in the first quarter of 24 to identify key gaps for the next CSRD.

5.5 Pillar 3 ESG Reporting

On January 2022 the EBA published its final draft Implementing Technical Standards (ITS) on prudential disclosures on ESG risks, introducing a new set of tables for qualitative disclosures on ESG risks, templates with quantitative disclosures on climate change for transition and physical risks, templates with quantitative information and KPIs on climate change mitigating measures.

The scope of disclosure is extensive, covering not only ESG-related risks and vulnerabilities, but also qualitative information on the environmental carbon reduction strategies and targets. BIL disclosed the required information on best effort basis, integrating internal available data with estimate data obtained by external providers, explaining the methodology used in the narrative accompanying the different templates.

Since the end of 2022, BIL is producing the requested templates within its annual and semi-annual Pillar 3 Reporting.

5.6 ESG Lending

- Green financing offer for Individuals: Showcasing of our entire green financing offer in a new section dedicated to sustainable financing on BIL website and marketing campaign underway until the end of the year in the context of "Semaine Nationale du Logement" on traditional and digital media.
- All Housing Advisors were trained in September on ESG issues (sustainable development & sustainable finance, regulatory context and ESG risks) and more specifically on energy renovation in housing and all the public and private aid schemes.
- From 1 October 2023, an Energy Performance Certificate (EPC) will be required for any new residential property taken as collateral for a loan. In addition, the energy performance class has been included in the mortgage loan pricing grid.
- Green financing offer for Corporates: definition of an assessment grid for our customers' transition plan currently in progress in the perspective of a pilot in 2024 to start a client engagement model on our most-emitting clients.

5.7 ESG Investment

- Principal Adverse Impact (PAI) report: The annual report has been released on 30th June 2023. Since then, the PAI working group has been created in order to analyse points of improvement and to internalize the process.
- MIFID: BIL contracted with external consultant to improve the sustainability preference questionnaire.
- Sustainable Investment framework: the definition of the proprietary framework, which will help BIL to classify financial instruments as sustainable or not sustainable, has been defined and validated by the ESG Strategic Steering Committee on 21st September. It will be followed by the validation of the New Product Committee, which will take place on 20th October. The first phase of implementation is scheduled for mid of November.
- Green bonds: the first allocation and impact report relating to BIL's 2022 green bond activity has been approved by the PWC and release in the end of June.
- Art 8 Funds: BIL achieves new milestone towards responsible investment practices by renewing his BIL Invest Patrimonial LuxFlag ESG Label accreditation and obtaining new LuxFlag ESG Label for BIL Invest Bonds EUR Corporate Investment Grade and BIL Invest Equities Europe.

- Art 9 Funds: The ESG Steering Committee has approved the launch of the new Article 9 BIL Invest Fund. The process of preparation of documents and necessary disclosures is ongoing, the prospectus filling to CSSF is expected in the end of Q4 2023. The appropriate training to be planned before launch, expected end of Q1 2024.
- Serenio ESG: the pre-contractual disclosure has been reviewed by internal stakeholders. The final documentation is in progress of templating with the objective of launching the service before the end of Q4 2023. BIL also obtained for the first time a LuxFLAG ESG Discretionary Mandate Label for Serenio ESG.

5.8 ESG at Corporate Level

2023 Carbon footprint exercise: BIL received the results for 2022 operational carbon footprint: total of 16.122 tCo2e. The increase compared to last year's result can be explained by:

- Increased scope of entities in 2022 with a consolidated view including branches and subsidiaries
- Increased scope of data in 2022, such as marketing and branding campaigns (paper and digital) and goodies, more precise data for food and drinks, leased cars with the annual contracted kms, buildings acquisition and renovations, transport of cash, all services needed for our operations (consultancy, cleaning, post, legal, security, insurance)
- To note the financial carbon footprint is under analyses by the Sustainability and Risk teams. The figures will be disclosed in the next Pillar 3 Reporting

5.9 ESG Risk Cartography

The 2023 ESG Risk Cartography is in course of building and will be based on the assessment of different ESG scenarios. This risk exercise involves risk departments, business lines and control functions among BIL entities at Group level, to ensure that all bank activities exposed to ESG risks will be covered, and aiming to identify both controls and actions that could mitigate them

5.10 ESG Scenario

To have a first view on the potential impacts of the ESG drivers, BIL has developed a quantitative assessment for all areas of material risk based on ESG scenarios. The focus is on the Climate & Environmental side, stress testing NGFS scenarios and linking ESG factors to the classical risks (Credit risk, Market risk and Liquidity risk). The assessment based on 23Q3 exposures will be presented to the Management Body in December 2023 (To note that 23Q1 and 23Q2 assessments have already been presented to the Management Body respectively in July and September 2023)

5.11 ESG Data

Data Utility project at national level: An initiative and task force has been launched by ABBL with several banks in Luxembourg in July 2023. This project involves the development of a single questionnaire dedicated to organizations not subject to CSRD, mainly SMEs, in order to collect sustainability information in a uniform manner. A number of workshops have since been held, highlighting the willingness of the banks present to work on a common questionnaire for all SMEs.

6. Conclusion

Considering an economic environment that raises several challenges for the banking sector, the current capital and liquidity situation allowed the Bank to navigate successfully through the second part of year 2023. The Bank will continue to ensure 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.

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