

The background of the cover is a photograph of a modern, multi-story building with a stone and glass facade. The building features the BIL logo on its upper levels. A large, semi-transparent purple shape is overlaid on the left and bottom portions of the image. The text 'Pillar 3 Quarterly Report Q3/2024' is written in white on the purple overlay.

Pillar 3
Quarterly Report
Q3/2024





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List of acronyms

A-IRB	Advanced Internal Rating-Based
BCBS	Basel Committee on Banking Supervision
CCP	Central Counterparty
CET1	Common Equity Tier One
CRR	Capital Requirements Regulation
CSR	Corporate Social Responsibility
CSRD	Corporate Sustainability Reporting Directive
CVA	Credit Valuation Adjustment
EAD	Exposure At Default
EBA	European Banking Authority
ECL	Expected Credit Loss
EMTN	Euro Medium Term Note
EPC	Energy Performance Certificates
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
RWEA	Risk-Weighted Exposure Amount
SFDR	The Sustainable Finance Disclosure Regulation
SREP	Supervisory Review and Evaluation Process
TREA	Total Risk Exposure Amount

Regulatory tables and templates¹

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 IMA	Point (h) of Article 438	N/A - The Bank uses the standardised 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 related to the risk management at Banque Internationale à Luxembourg (BIL Group) referred to below as "BIL" or "the Bank" as of 30 September 2024.

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;
- Environmental, Social and Governance (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 quarterly key prudential metrics 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
	T ²	T-1 ³
Available own funds (amounts)		
1 Common Equity Tier 1 (CET1) capital	1,465	1,487
2 Tier 1 capital	1,640	1,657
3 Total capital	1,952	1,978
Risk-weighted exposure amounts		
4 Total risk exposure amount	11,689	11,673
Capital ratios (as a percentage of risk-weighted exposure amount)		
5 Common Equity Tier 1 ratio (%)	12.53%	12.74%
6 Tier 1 ratio (%)	14.03%	14.20%
7 Total capital ratio (%)	16.70%	16.94%
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 (%)	2.50%	2.50%
EU 7b <i>of which: to be made up of CET1 capital (percentage points)</i>	1.41%	1.41%
EU 7c <i>of which: to be made up of Tier 1 capital (percentage points)</i>	1.88%	1.88%
EU 7d Total SREP own funds requirements (%)	10.50%	10.50%
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 (%)	0.00%	0.00%
9 Institution specific countercyclical capital buffer (%)	0.58%	0.57%
EU 9a Systemic risk buffer (%)	0.00%	0.00%
10 Global Systemically Important Institution buffer (%)	0.00%	0.00%
EU 10a Other Systemically Important Institution buffer (%)	0.50%	0.50%
11 Combined buffer requirement (%)	3.58%	3.57%
EU 11a Overall capital requirements (%)	14.08%	14.07%
12 CET1 available after meeting the total SREP own funds requirements (%)	6.16%	6.32%
Leverage ratio		
13 Total exposure measure	33,574	33,154
14 Leverage ratio (%)	4.88%	5.00%
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 (%)	0.00%	0.00%
EU 14b <i>of which: to be made up of CET1 capital (percentage points)</i>	0.00%	0.00%
EU 14c Total SREP leverage ratio requirements (%)	3.00%	3.00%

	a	b
	T ²	T-1 ³
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)		
EU 14d Leverage ratio buffer requirement (%)	0.00%	0.00%
EU 14e Overall leverage ratio requirement (%)	3.00%	3.00%
Liquidity Coverage Ratio⁴		
15 Total high-quality liquid assets (HQLA) (Weighted value -average)	10,917	10,680
EU 16a Cash outflows - Total weighted value	6,727	6,823
EU 16b Cash inflows - Total weighted value	716	691
16 Total net cash outflows (adjusted value)	6,010	6,131
17 Liquidity coverage ratio (%)	181.9%	174.6%
Net Stable Funding Ratio		
18 Total available stable funding	18,461	18,522
19 Total required stable funding	14,502	14,576
20 NSFR ratio (%)	127%	127%

² T=30.09.2024, T-1=30.06.2024.

³ 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 and from 13.88% to 12.74% as of 30 June 2024 before profit allocation. RWAs have been restated from EUR 11.4 billion to EUR 11.8 billion as of 31 December 2023 and from EUR 11.4 billion to EUR 11.7 billion as of June 2024.

⁴ 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 (24Q3), the consolidated LCR (end of quarter level as opposed to the average figures shown in the table above) increased from 191% to 204% at the end of September 2024 compared to June 2024 highlighting a sound liquidity situation.

2. Own funds and capital adequacy

The aim of capital management is to ensure that 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 2024 is presented below:

Capital Requirement	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	0.58%
Minimum requirement for Pillar 2 Requirement	1.41%
	9.49%

At the end of Q3-2024, the Bank's CET1 ratio stood at 12.53%, with the total capital ratio at 16.70%, as detailed in the previous section (Table KM1). The Bank's CET1 ratio decreased from 12.74% as at Q2 2024:

- For the CET1 Capital (numerator), there is a decrease between the two quarters (from EUR 1.49 billion to EUR 1.46 billion) mainly explained by an increase of prudential filters which are deducted from the CET1: (i) Intangible asset (IT) have increased by EUR 15 million, (ii) IRB shortfall has increased by 14 million, (iii) Aged NPLs have increased by EUR 3 million, noting that these increases are partially offset by a decrease of the Tax Losses Carried Forward of EUR 10 million.
- For the RWA (denominator), it increased from EUR 11.67 billion to EUR 11.69 billion, of which Credit Risk RWA that increased slightly from EUR 10.47 billion to EUR 10.49 billion.

2.1 Regulatory capital adequacy (Pillar I)

Risk-Weighted Assets

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

	Total risk exposure amounts (TREA)		Total own funds requirements
	a	b	c
	T	T-1	T
1 Credit risk (excluding CCR)	10,328.39	10,254.62	826.27
2 Of which the standardised approach	2,970.41	2,853.03	237.63
3 Of which the Foundation IRB (F-IRB) approach	1,204.38	995.57	96.35
4 Of which the slotting approach	1,896.51	1,977.02	151.72
EU 4a Of which equities under the simple risk weighted approach	0	0,34	0
5 Of which the Advanced IRB (A-IRB) approach	3,786.28	3,958,81	302.9
6 Counterparty credit risk - CCR	119.52	168.18	9.56
7 Of which the standardised approach	13.57	12.22	1.09
8 Of which internal model method (IMM)	0	0	0
EU 8a Of which exposures to a CCP	6.74	7.11	0.54
EU 8b Of which credit valuation adjustment - CVA	15.63	21.99	1.25
9 Of which other CCR	83.58	126.86	6.69
10 Not applicable	0	0	0
11 Not applicable	0	0	0
12 Not applicable	0	0	0
13 Not applicable	0	0	0
14 Not applicable	0	0	0
15 Settlement risk	0	0	0
16 Securitisation exposures in the non-trading book (after the cap)	62,58	66,1	5.01
17 Of which SEC-IRBA approach	0	0	0
18 Of which SEC-ERBA (including IAA)	62,58	66,1	5.01
19 Of which SEC-SA approach	0	0	0
EU 19a Of which 1250% / deduction	0.00	0.00	0.00
20 Position, foreign exchange and commodities risks (Market risk)	24.49	30.86	1.96
21 Of which the standardised approach	24.49	30.86	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	1,153.60	92.29
EU 23a Of which basic indicator approach	0.00	0.00	0.00
EU 23b Of which standardised approach	1,153.60	1,153.60	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	11,688.58	11,673.36	935.09

3. Liquidity Risk

3.1 Liquidity Coverage Ratio

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

		a	b	e	f
		Total unweighted value (average)		Total weighted value (average)	
EU 1a	Quarter ending on (DD Month YYYY)	T	T-1	T	T-1
EU 1b	Number of data points used in the calculation of averages	12	12	12	12
HIGH-QUALITY LIQUID ASSETS					
1.0	Total high-quality liquid assets (HQLA)			10,917.7	10,680.5
CASH - OUTFLOWS					
2.0	Retail deposits and deposits from small business customers, of which:	9,052.7	9,095.1	754.7	766.9
3.0	Stable deposits	3638.4	3690.3	181.9	184.5
4.0	Less stable deposits	4,069.2	4,133.2	572.8	582.4
5.0	Unsecured wholesale funding	7,201.1	7,272.0	5,084.5	5,147.1
6.0	Operational deposits (all counterparties) and deposits in networks of cooperative banks	0.0	0.0	0.0	0.0
7.0	Non-operational deposits (all counterparties)	6,975.5	7,049.1	4,859.0	4,924.2
8.0	Unsecured debt	225.6	222.9	225.6	222.9
9.0	Secured wholesale funding			26.8	25.9
10.0	Additional requirements	3,775.1	3,783.1	853.1	875.4
11.0	Outflows related to derivative exposures and other collateral requirements	335.2	340.5	335.2	340.5
12.0	Outflows related to loss of funding on debt products	0.0	0.0	0.0	0.0
13.0	Credit and liquidity facilities	3,439.9	3,442.7	517.9	535.0
14.0	Other contractual funding obligations	0.0	0.0	0.0	0.0
15.0	Other contingent funding obligations	786.6	848.4	7.9	8.5
16.0	TOTAL CASH OUTFLOWS			6,727.0	6,823.7
CASH - INFLOWS					
17.0	Secured lending (e.g. reverse repos)	781.7	558.1	68.5	43.6
18.0	Inflows from fully performing exposures	662.9	650.6	472.0	464.3
19.0	Other cash inflows	761.2	769.9	176.0	184.0
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
20.0	TOTAL CASH INFLOWS	2,205.8	1,978.6	716.5	691.9
EU-20a	Fully exempt inflows	0.0	0.0	0.0	0.0
EU-20b	Inflows subject to 90% cap	0.0	0.0	0.0	0.0
EU-20c	Inflows subject to 75% cap	2,205.8	1,978.6	716.5	691.9
TOTAL ADJUSTED VALUE					
EU-21	LIQUIDITY BUFFER			10,917.7	10,680.5
22.0	TOTAL NET CASH OUTFLOWS			6,010.5	6,131.8
23	LIQUIDITY COVERAGE RATIO			181.97%	174.59%

At the end of September, the consolidated LCR is at 181% (average value of last 12 months) and 204% (end of September level) highlighting a strong liquidity situation. As for the LCR, the NSFR highlights a strong liquidity situation with a level of 127% at the end of September.



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

In line with Article 438 (h) of Regulation (EU) No 575/2013 (CRR), the following table provides a flow statement explaining changes in the credit RWA between Q2-2024 and Q3-2024 (IRB approach).

TEMPLATE EU CR8 – RWEA FLOW STATEMENTS OF CREDIT RISK EXPOSURES UNDER THE IRB APPROACH

		Risk weighted exposure amount
		0010
0010	Risk weighted exposure amount at the end of the previous reporting period	7,401,591,293
0020	Asset size (+/-)	-67,755,820
0030	Asset quality (+/-)	24,412,508
0040	Model updates (+/-)	
0050	Methodology and policy (+/-)	
0060	Acquisitions and disposals (+/-)	
0070	Foreign exchange movements (+/-)	
0080	Other (+/-)	-274,041
0090	Risk weighted exposure amount at the end of the reporting period	7,357,973,939

TEMPLATE ON THE RWA FLOW STATEMENT: ALL APPROACHES.

	RWA	Capital requirements
Credit Risk RWAs as at the end of the previous reporting period (30/06/2024)	10,466.91	837.35
Total adjustments from Standardised Approach (with CCR)	73.37	5.87
Adjustment from Asset size	79.35	6.35
Adjustment from Asset quality	5.59	0.45
Adjustment from Model updates	-	-
Adjustment from Methodology and policy	-	-
Adjustment from Other	0.38	0.03
Total adjustments from IRB – Advanced Approach (with CCR)	35.54	2.84
Adjustment from Asset size	65.83	5.27
Adjustment from Asset quality	30.56	2.44
Adjustment from Model updates	-	-
Adjustment from Methodology and policy	-	-
Adjustment from Acquisitions and disposals	-	-
Adjustment from Foreign exchange movements	-	-
Adjustment from Other	0.27	0.02
Total adjustments from CVA	6.36	0.51
Total adjustments from Securitisation	3.52	0.28
Total adjustments from FTA new management overlay	-	-
RWAs as at the end of the reporting period (30/09/2024)	10,494.85	839.59



5. Status on ESG Framework

Since 2021, BIL has progressively been integrating ESG considerations in line with current market practices. The market is evolving fast and regulatory requirements still demand a great deal of effort, particularly in terms of ESG data.

During the third quarter of 2024, BIL has worked on the following matters:

- **CSRD:** Definition and clarification of upcoming audit process
- **BIL transition plan:** Ongoing discussions to identify decarbonation targets and levers - first discussions with counterparts started in Q4 2024
- **ESG Dashboard:** Update of the dashboard to reflect enhanced measures (e.g. portfolio alignment, GAR).
- **Ratings:** Preparation for the rating processes in Q4 2024
- **The Global Risk Cartography including ESG scenarios:** was launched in Q4 2024 with the final outcomes expected by March 2025.
- **Climat Risk Indicators:**
 - New indicators and limits on Transition and Physical risks for the RRE and CRE Portfolios were created and approved by the Board of Directors in December 2024.
 - Beyond RRE and CRE related indicators, other ESG indicators were developed in Q3 and Q4 2024 and were approved by the Board of Directors in December 2024.

Conclusion

Considering the challenging economic environment, the Bank, being a key player in Luxembourg, remains committed to maintain its support of the national economy and its businesses. In this context, the current capital and liquidity situation allowed the Bank to successfully navigate the third quarter of 2024.

The Bank will continue to ensure that its financial resources are sufficient to cover all relevant risks and will be able to maintain the continuity of its operations on an ongoing basis, as well as to sustainably execute its business strategy.

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