Pillar 3 Report 2022

BIL
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BANQUE INTERNATIONALE À LUXEMBOURG

Contents

Foreword

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 Circular CSSF 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 ESG risks in accordance with Article 449a CRR are also taken into account.

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).

Introduction

This BIL Group's Pillar 3 disclosure report is divided into eight sections and two 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 while disclosing the Bank's corresponding risk profile;
- The fifth and sixth sections are related to operational risk and information security & 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.

1. Risk Management

1.1. Risk Management

The risk management function is primarily based on the following principles:

- 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 prudent management of risks.

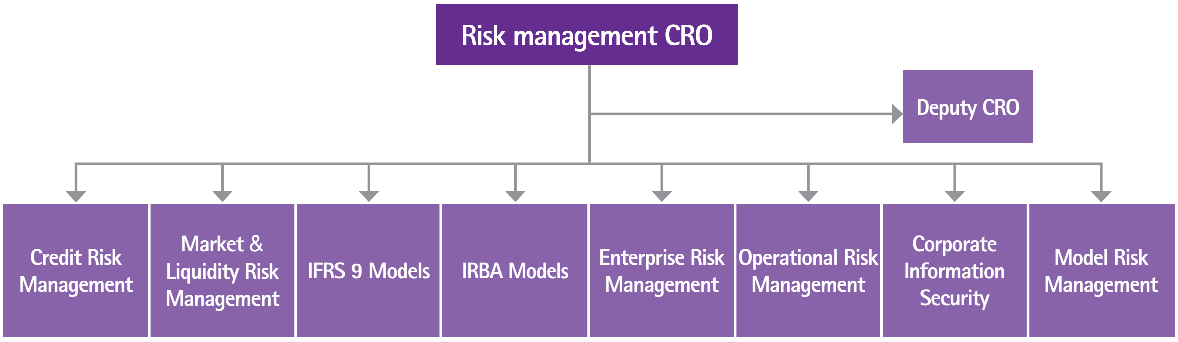
The Bank's risk management model is based on the following principles:

- 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

In order 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 achieving its defined objectives under the BIL strategy and 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 and has also a functional reporting line with BIL Suisse CRO.

To fulfil its aims and objectives, the Bank in 2022 has reinforced its staff force and performed some changes within the Risk Management organisation compared to the previous year:
- New Chief Risk Officer joined BIL, effective 16 January 2023;
- Split of Credit Data Science Department into two distinct departments: the IFRS9 Models function and the IRBA Models function. The functions are in charge of the development and the maintenance of all the models related to credit risk quantification as well as the management of the internal rating system integration within the credit risk management process and policies of the Bank;
- New Head of Operational Risk Management joined the Bank in August 2022;
- The CRO Office Department was disbanded: the resources were attributed to the ORM and ERM departments; Furthermore,
- A new position of Data Steward was created in October 2022 in the context of BCBS239.

The specific units are described in further details hereafter.

Credit Risk Management

This unit is composed of different sub-teams:

- **The Banks & Countries, Private Banking Analysis** team is in charge of the assessment and the monitoring of the risk related to bank and sovereign counterparts on one side and private banking counterparts on the other side;
- **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);
- **Gestion Intensive et Préventive** (GIP – aka Workout Unit) 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. These require thorough negotiations of solutions in order to minimize the potential losses for the Bank in case of default;
- The team **Credit Risk Support & Real Estate Appraisal and Advisory (CRS&REAA)** has been renamed to **Credit Support**. This team is responsible for defining and updating credit policies and procedures as well as the Credit Guide Charter (CGC) and providing support to the other CRM teams regarding the processing of audit recommendations (Internal Audit, JST…). It also provides support on decisions about principles and methodology referring to credit risk and advises on risk topics requiring transversal opinion and on issues of regulatory monitoring, results of stress-testing among others. In 2022, the Credit Support team was strengthened with additional members to help enhance its control & monitoring role, integrate ESG risks in the credit granting process and improve the efficiency and automation of its functions.

The first three analysis teams oversee (1) the segmentation of BIL counterparts in line with regulatory requirements and (2) the assignment of internal ratings to their respective counterparts.

IRBA Models

This department is in charge of the development of internal models for the Credit Risk parameters related to Pillar 1, of the monitoring and of the implementation of these parameters, according to the last regulatory guidelines. This team is also responsible of coordinating transverse projects involving other BIL stakeholders (core banking IT, advanced analytics, and so on).

IFRS9 Models

The IFRS9 team is in charge of all modelling activities related to the accounting standard IFRS9 and the forecasting of risk parameters used in the stress test process.

Model Risk Management

The team is composed of three teams:

- **The Internal Validation team** primarily performs the independent validation function of models as prescribed by regulations. The models in scope of Internal Validation are those that carry model risk, i.e. models whose deficiencies or improper use may lead to financial losses of the Bank. As a secondary function, Internal Validation performs the validation of other calculations on an on-request basis. Finally, Internal Validation performs the review of the ICAAP and ILAAP process in addition to validating the models used for ICAAP and ILAAP.
- **The Model Governance team** oversees all model-related governance as part of the Model Risk Management Framework of the Bank. 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 supervisory 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.
- **Rating Systems Control** performs controls on the correct and consistent use of the Bank's models, in particular Pillar I rating and 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. As of the end of 2022, the scope of the controls of this team has begun to expand to also cover the correct calculation of RWA and will eventually cover the ECL calculation as well.

Enterprise Risk Management (ERM)

The **Enterprise Risk Management (ERM)** has a key role in the Risk Management department for maintaining and developing the Group Risk Appetite principles in the Bank. ERM team aims at ensuring the Group strategy is correctly embedded within its risk device through the deployment and monitoring of the various components of the 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 team 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 based on (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 an Internal Capital Adequacy Assessment Process (ICAAP) and an Internal Liquidity Adequacy Assessment Process (ILAAP); (iv) the reinforcement of the Capital and Liquidity planning and modelling approach and (v) a transversal stress testing device.

Beyond these interlinked tasks tackled by all the teams, the **Quantitative team** ensures (i) the development and deployment of the quantitative and functional model approaches in line with SREP area, (ii) periodic monitor and reporting on the underlying risk models of ECAP (iii) conduct model back testing and stress testing analysis, (iv) maintain dataset and support other departments and (iv) RAROC calculation.

In line with those requirements, 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 as Pillar III Report, Annual Report, Long Form Report and the Risk Management Annual Summary Report (iii) the monitoring all the Risk Dashboard and (iv) the establishment of a BIL Recovery Plan and the deployment of the Resolution Plan activities.

ERM Project Office team has been set up to tackle upcoming regulatory challenges on ESG and reinforce the ESG risk management framework for BIL Luxembourg and BIL Group. The team has joined the ESG Project Team of the Sustainability Program. This program was launched in order to integrate ESG considerations in BIL's strategy and supported BIL's products and support ESG transformation.

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. In addition, MLRM is in charge of the measurement, monitoring and reporting of counterparty risk. Furthermore, MLRM is the functional responsible of 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** is in charge of:
  - 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 some 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. GL22 developments for Kondor+);
  - Implementing changes or new activities in the Dealing Room;
  - Implementing regulatory projects related to market risks (e.g. FRTB and Initial Margin); Monitoring the operational and fraud risks for operations booked in Kondor+).
- **The Financial Markets Monitoring team** is in charge of:
  - Identifying, measuring and monitoring the market risks linked to the trading and banking book activities;
  - Measuring and monitoring the 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 liquidity regulatory standards by defining the technical and functional framework;
  - Developing, producing and monitoring the liquidity regulatory indicators (LCR, NSFR and ALMM) and the 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** is in charge of:
  - Implementing the IRRBB and CSRBB regulatory standards by defining the technical and functional framework;
  - Developing, producing and monitoring the IRRBB indicators (EVE, NII) and the interest rate gap of the Bank.

Information Security and Business Continuity

This department is in charge of:
- Analysing and monitoring 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 Management Committee ICT & Security Risk 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 identified and analysed 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 continuity plan (Business Continuity Plan), 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 up-to-date continuity plan set out in Business Continuity and Crisis Management Charter.

Operational Risk Management

The Operational Risk Management Function had an allocated headcount of 5. Following the self-assessment of the function conducted in 2022, 3 positions were vacated, leaving 2 positions filled. The need to upskill the team has led to the recruitment of 3 individuals. 1 joined the team on 1 December 2022, and 2 others (contract signed) will join in March 2023. An additional request for 2 additional FTEs, was fully approved and recruitment is ongoing. This will bring the total FTE allocated to the ORM Function to 7.

The review of the function resulted in its repositioning, whereby ORM representatives were being aligned with core Business and Support lines based on their respective business domain expertise. This model aims at reinforcing the Bank's belief that operational risk is best managed where it is generated, in the individual business units and product lines.

BIL's 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;
- Influence operating functions, such that all staff become increasingly aware of the correlation between Risk & Control, leading to the concept of "Risk", becoming embedded into our culture and the firms' daily processes;
- Through comprehensive analysis and intuitive reporting empower managers to make more informed decisions, by making the 'Unknowns', known.
- 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, normalise 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 of risks through the periodical analysis of Operational Risk Events to establish the key root causes for operational failures, conducting the annual Risk 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 necessary infrastructure to support the comprehensive treatment of risks, where action plans are defined and monitored through to implementation and where applicable, risk acceptances are comprehensively analysed prior to formal approval by the appropriate governance forum;
- 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 issue escalation, 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.

Risk Projects

As of 1 October 2022, responsibility for the Risk Projects Department was transferred to the Group Head of Operational Risk. The function is made up of 2 FTEs. Acting as subject matter expert, 1 FTE is 100% aligned to the migration of the core-banking system, providing 2LoD risk management services to support the programme. The other is aligned to BIL's Three Lines of Defence programme and leads BIL's GRC tool selection project.

Insurance & Reinsurance function

The Insurance & Reinsurance function is comprised of 1 FTE who is responsible for:
- Establishment and regular update of the insurance programme (BIL and employee coverage) within the Bank and its subsidiaries / branches,
- A centralised management of insurance policies and claims within the Bank and its subsidiaries, acting as a single contact for both brokers and the insured,
- Development of a comprehensive approach by ensuring the adequacy of the policy and insurance device including the own reinsurance company of BIL (captive) for risk analysis.

As part of the self-assessment of the Operational Risk Management function, a decision was made to transfer the function back into the first line of defence. Therefore, with effect from 1 February 2023 the Insurance & Reinsurance function will come under the responsibility of the Secretary General function.

The group Insurance program includes the Bank's main professional policies (i.e. combined Bankers Blanket Bond/ Bankers Professional Indemnity Policy, Directors & Officers Policy (in 2020, update of the policy: increase of capacity), Cyber Policy) covering both BIL and its subsidiaries/branches, as well as the insurance policies set up locally in Luxembourg (e.g. property coverage, safe deposit boxes), including employees coverage (e.g. injury insurance).

The Bank's major professional policies are subject to an annual renewal process or long-term agreement (2 years). Therefore, BIL insurance broker collects updated information (financial figures, claims statistics, list of subsidiaries and branches) in order to proceed to a new market consultation. An own reinsurance company (BIL Reinsurance) is also part of the BIL Group insurance program.

BIL's approach consists in selecting well-known international insurance companies with proven financial stability to mitigate its risks. None of the insurers is affiliated with BIL.

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 Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) reports and the summary reports of the internal control functions which the Board of Directors 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 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 CEO and other Senior Management accountable to effectively implement a risk management framework for effective risk management in line with the set Risk Appetite and for the integrity of 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 Board of Directors. This committee also ensures that BIL's activities are consistent with its risk profile and makes positive recommendations to the Board of Directors with regards to the level of global limits for the main risk exposures.

The Board Risk Committee is a committee that supports the BoD on risk-related matters and notably:
- Reviews the BIL Group risk management framework, the global risk limits and capital allocation and recommends changes to the Board of Directors;
- Reviews the BIL Group risk exposure, risk profile and related adequacy with the Bank's Risk Appetite (including capital adequacy) and other key risk management matters on a Group-wide basis;
- Reports regularly to the Board of Directors and makes recommendations amongst others 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 Board of Directors, and for establishing a sound management and Risk Management framework in accordance with the principles and objectives established by the Board of Directors.

The Management Board is in charge of the effective, sound and prudent day-to-day business (and inherent risk) management. This management shall be exercised in compliance with the strategies and guiding principles laid down by the Board of Directors and the existing laws and regulations, taking into account and safeguarding the institution's long-term financial interests, solvency, liquidity and profitability situation. The Authorised Management will implement the business strategy and orientation, the risk strategy and therefore amongst others the risk appetite as approved by the BoD.

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 risk exposure and related adequacy 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 Board of Directors 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 such way that it can ensure a sound management of its activities. These processes include the establishment of a strong Risk Management function.

The **Executive Committee ("ExCo")** is an enlarged Committee composed of the CEO, the Authorised Management as well as designated heads of support functions and business lines. The Chief Compliance Officer as well as the Chief Internal Auditor are permanent invitees to the ExCo. The ExCo exercises its duties under the supervision of the Board. The role and responsibilities of the ExCo are further defined in the Terms of Reference 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 (Terms of Reference). 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:

Committee	Topics
Internal Control Committee	The Internal Control Committee is mandated by the Management Board to strengthen the cooperation between the 3 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	The Risk Policy sub-Committee (RPsC), 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 / RWA computations, and in general: principles and methodology referring to credit risk; • Advice on risks topics requiring transversal opinion and on issues of regulatory monitoring, results of stress-testing among others.
ALM Committee	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	The ICT & Security Risk Committee (ISRC) 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 against the Bank strategy and (ii) monitor products/services manufactured and/or distributed by BIL.
Disciplinary Committee	This Committee is mandated by the Management Board to ensure that disciplinary measures taken at the encounter of 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.

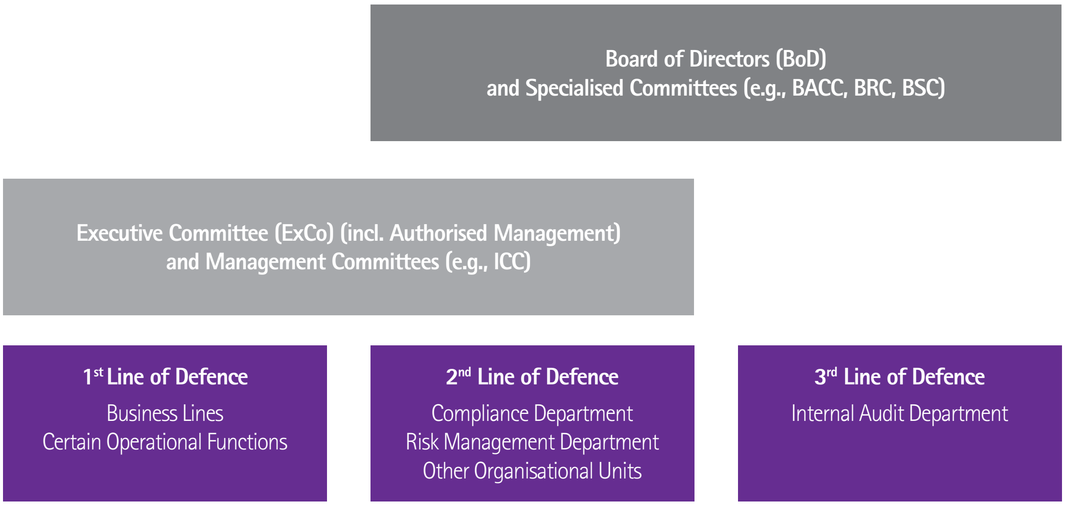
*To note that Risk participates also in the Crisis Committee. This committee is part of the Management Board.

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

- The Model Risk Committee addresses the following subjects: managing all subject matter in relation 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 ensuring an efficient monitoring of the Bank's Operational risk exposures and to manage 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 to identify the responsibilities of different parts of the Group for identifying, addressing and managing risks. Each of the lines in the framework has an important role to play and well-defined organisational responsibilities as illustrated in the below figure[1].



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 1st LoD which owns the risks in complying with Group policies and procedures.

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

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 with a frequency that could be annually or in an ad-hoc fashion. Policies and procedures are reviewed on at least three-yearly basis (unless otherwise mentioned in the respective document) and more frequently if a material change justifies it.

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

They clarify risk identification, risk assessment and risk monitoring processes, as required by the 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. Agenda of BRC's meetings

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

- The risk governance structure, including the Risk Dashboard, the Risk Appetite Statement and the Risk Appetite Framework;
- The BIL group risk charters and other risk-related charters: review the design and implementation of risk charters, policies, guidelines and procedures for monitoring their adequacy and effectiveness;
- The BIL group risk appetite: recommends for annual approval by the BoD the risk appetite and tolerance;
- The risk management strategy in relation with the business strategy and business model of the BIL Group: the BRC provides oversight and advice in relation to current and future strategy, including determination of risk appetite, corresponding limits and tolerance; and the BRC reviews due diligence analysis or reports with regard to proposed strategic transactions, such as acquisitions or divestitures;
- The organisation of the risk management activities of the BIL Group: the BRC reviews the design and implementation of risk management activities and that adequate resources (funding, staff and technologies) are directed towards risk management within the bank;
- The risk awareness: the BRC promotes a risk awareness culture within the Bank.

2. 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), its risk-weighted assets (RWA), leverage ratio (LR), liquidity coverage ratio (LCR) and net stable funding ratio (NSFR).

TEMPLATE EU KM1 – KEY METRICS TEMPLATE

(In EUR million)		31/12/2022	31/12/2021
	Available own funds (amounts)		
1	Common Equity Tier 1 (CET1) capital	1,462.82	1,447.11
2	Tier 1 capital	1,637.82	1,622.11
3	Total capital	1,881.06	1,859.24
	Risk-weighted exposure amounts		
4	Total risk-weighted exposure amount	10,425.51	10,164.62
	Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	14.03%	14.24%
6	Tier 1 ratio (%)	15.71%	15.96%
7	Total capital ratio (%)	18.04%	18.29%
	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 (%)	2.00%	1.75%
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.13%	0.98%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	1.50%	1.31%
EU 7d	Total SREP own funds requirements (%)	10.00%	9.75%
	Combined buffer 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 (%)	0.36%	0.36%
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 (%)	3.36%	3.36%
EU 11a	Overall capital requirements (%)	13.36%	13.11%
12	CET1 available after meeting the total SREP own funds requirements (%)	7.36%	8.54%
	Leverage ratio		
13	Total exposure measure	34,792.92	32,816.10
14	Leverage ratio (%)	4.71%	4.94%
	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	of which: to be made up of CET1 capital (percentage points)	0.00%	0.00%
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	3.09%
	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 requirements (%)	3.00%	3.09%

(In EUR million)		31/12/2022	31/12/2021
	Liquidity Coverage Ratio		
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	11,413.09	10,314.21
EU 16a	Cash outflows - Total weighted value	8,613.95	7,328.17
EU 16b	Cash inflows - Total weighted value	612.40	648.22
16	Total net cash outflows (adjusted value)	8,001.55	7,276.13
17	Liquidity coverage ratio (%)	142.8%	141.75%
	Net Stable Funding Ratio		
18	Total available stable funding	18,550.92	20,881.99
19	Total required stable funding	14,983.53	16,510.31
20	NSFR ratio (%)	123.80%	126.48%

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. The Bank's ratios exceed the required levels.

BIL monitors its solvency using rules and ratios issued by the Basel Committee on Banking Supervision and the European Capital Requirements Directive.

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

As at 31 December 2022, the breakdown of prudential capital requirement is the following:

Capital Requirement	31/12/2022	31/12/2021
Minimum requirements (Pillar 1): CET1	4.50%	4.50%
Pillar 2 requirement: CET1	1.13%	0.98%
Combined buffer requirement	3.36%	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	*0.36%*	*0.36%*
OVERALL CET1 CAPITAL REQUIREMENT	**8.99%**	**8.85%**
Minimum requirements (Pillar 1): Tier 1	6.00%	6.00%
Pillar 2 requirement: Tier 1	1.50%	1.31%
Combined buffer requirement	3.36%	3.36%
OVERALL TIER 1 CAPITAL REQUIREMENT	**10.86%**	**10.68%**
Minimum requirements (Pillar 1): Total capital	8.00%	8.00%
Pillar 2 requirement: Total capital	2.00%	1.75%
Combined buffer requirement	3.36%	3.36%
OVERALL TOTAL CAPITAL REQUIREMENT	**13.36%**	**13.11%**

At 31 December 2022, the CET1 ratio of the Bank stands at 14.03% (with a numerator at EUR 1,462 million), the Tier 1 ratio 15.71% (with a numerator at EUR 1,637 million) and a Total Capital ratio (TCR) of 18.04% (with a numerator at EUR 1,881 million.

The supervisory authorities (ECB and CSSF) require BIL to disclosure the calculation of capital necessary for the performance of its activities in accordance with the prudential banking regulations, on the one hand, and in accordance with the prudential regulations on financial conglomerates on the other hand. BIL has complied with all regulatory capital rules for all periods reported.

Own funds and capital adequacy

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 regulatory exposures of the Bank. As requested by 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

(in EUR million)	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
Breakdown by asset classes according to the balance sheet in the published financial statements							
Cash and balance at central banks and demand deposits	4,373.27	4,373.27	4,373.27	-	-	-	-
Financial assets held for trading	15.79	15.79	0	-	-	15.79	-
Financial investments measured at FV	952.67	952.67	952.67	-	-	-	87.40
Loans and advances to credit institutions	1,098.75	1,098.75	1,003.56	95.17	-	-	-
Loans and advances to customers	16,482.94	16,482.94	16,482.94	-	-	-	-
Financial investments measured at amortised cost	7,883.17	7,883.17	7,883.17	-	188.87	-	-
Derivatives	840.23	840.23	0	840.23	-	-	-
Fair value revaluation of portfolios hedged against interest rate risk	0.01	0.01	0.01	-	-	-	-
Investments in associates	0	0	0	-	-	-	-
Investment property	59.75	59.75	59.75	-	-	-	6.61
Property, plant and equipment	116.72	116.72	116.72	-	-	-	-
Intangible fixed assets and goodwill	357.53	357.53	48.76	-	-	-	308.76
Current tax assets	0.13	0.13	0.13	-	-	-	-
Deferred tax assets	151.93	151.93	29.29	-	-	-	122.64
Other assets	81.60	81.60	64.10	-	-	-	17.49
Total assets	**32,415.65**	**32,415.65**	**31,015.56**	**935.41**	**188.87**	**15.79**	**542.91**

Own funds and capital adequacy

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

(in EUR million)	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
Breakdown by liability classes according to the balance sheet in the published financial statements							
Amounts due to credit institutions	3,397.96	3,397.96	-	-	-	-	3,397.96
Amounts due to customers	21,040.95	21,040.95	-	-	-	-	21,040.95
Other financial liabilities	30.99	30.99	-	-	-	-	30.99
Financial liabilities measured at fair value through profit or loss	2,014.67	2,014.67	-	-	-	-	2,014.67
Derivatives	418.69	418.69	-	-	-	-	418.69
Fair value revaluation of portfolios hedged against interest rate risk	-	-	-	-	-	-	-
Debt securities	2,654.05	2,654.05	-	-	-	-	2,654.05
Subordinated debts	243.24	243.24	-	-	-	-	243.24
Provisions and other obligations	49.40	49.40	-	-	-	-	49.40
Current tax liabilities	1.13	1.13	-	-	-	-	1.13
Deferred tax liabilities	10.09	10.09	-	-	-	-	10.09
Other liabilities	276.63	276.63	-	-	-	-	276.63
Liabilities included in disposal groups held for sale	-	-	-	-	-	-	-
Subscribed capital	146.11	146.11	-	-	-	-	146.11
Additional paid-in-capital	760.53	760.53	-	-	-	-	760.53
Treasury shares	-	-	-	-	-	-	-
Other equity instruments	174.32	174.32	-	-	-	-	174.32
Reserves and retained earnings	817.24	817.24	-	-	-	-	817.24
Net income for the year	152.93	152.93	-	-	-	-	152.93
Gains and losses not recognised in the consolidated statement of income	226.74	226.74	-	-	-	-	226.74
Total liabilities	**32,415.65**	**32,415.65**	**-**	**-**	**-**	**-**	**32,415.65**

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

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

		a	b	c	d	e
		Total	Items subject to			
	(in EUR million)		Credit risk framework	CCR framework	Securitisation framework	Market risk framework
1	**Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)**	**32,415.65**	**31,015.56**	**935.41**	**188.87**	**15.79**
2	Liabilities carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	15.79	-	-	-	15.79
3	Total net amount under the regulatory scope of consolidation	32,399.87	31,015.56	935.41	188.87	-
4	Off-balance-sheet amounts	5,389.23	5,389.23			
5	Differences in valuations	895.46	437.81	456.18		1.47
6	Differences due to different netting rules, other than those already included in row 2					
7	Differences due to consideration of provisions	240.57	240.57			
8	Differences due to prudential filters	-542.91	-542.91			
9	Securities Financing Transactions	-		-		
10	**Exposures amounts considered for regulatory purposes**	**38,382.21**	**36,540.25**	**1,391.59**	**188.87**	**1.47**

The scope of prudential consolidation does not differ from the accounting scope of consolidation as reported in the financial statements (provided in BIL Group's annual report).

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

a	b	c	d	e	f	g
Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Equity Method	Neither consolidated nor deducted	Deducted	
BIL Fund & Corporate Services SA	Full Consolidation	X				Investment firm
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	31/12/2021		31/12/2022	
(in EUR million)	**Accounting scope of consolidation**	**CRR scope of consolidation**	**Accounting scope of consolidation**	**CRR scope of consolidation**
Subscribed capital	146.11	146.11	146.11	146.11
Additional paid-in capital	760.53	760.53	760.53	760.53
Treasury shares	0	0	0	0
Other equity instruments	174.08	174.08	174.31	174.31
Reserves and retained earnings	709.18	709.18	817.24	817.24
Other reserves	*242.08*	*242.08*	*275.86*	*275.86*
Retained earnings	*467.09*	*467.09*	*541.37*	*541.37*
Net income for the year	135.45	135.45	152.93	152.93
CORE SHAREHOLDERS' EQUITY	**1,925.34**	**1,925.34**	**2,051.12**	**2,051.12**
Gains and losses not recognised in the consolidated statement of income	176.20	176.20	226.74	226.74
Financial instruments at FV through OCI	*196.35*	*196.35*	*238.29*	*238.29*
Other reserves	*(20.14)*	*(20.14)*	*(11.55)*	*(11.55)*
GROUP EQUITY	**2,101.55**	**2,101.55**	**2,277.86**	**2,277.86**
Non-controlling interests	0	0	0	0
TOTAL SHAREHOLDERS' EQUITY	**2,101.55**	**2,101.55**	**2,277.86**	**2,277.86**

Shareholders' equity increased by EUR 176 million (+8.4%). This increase was mainly due to the 2022 net profit of EUR 153 million and the positive evolution of the revaluation reserves of EUR 50 million offset by the coupon payments on AT1 instruments and dividend payment on 2021 net income.

2.1.2. Regulatory capital

According to the Basel III rules and the phasing-out of some prudential filters, the Bank's regulatory capital consists of:
- CET 1 capital: capital instruments, share premiums, retained earnings, including the case may be 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 issue of EUR 175 million of 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:

The following table details the **composition of regulatory own funds – Template EU CC1**:

(In EUR million)		**Amounts**	**Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation**
1	Capital instruments and the related share premium accounts	906.64	(h)
	of which: Instrument type 1	906.64	
2	Retained earnings	817.24	
3	Accumulated other comprehensive income (and other reserves)	226.74	
EU-3a	Funds for general banking risk	0.00	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	0.00	
5	Minority interests (amount allowed in consolidated CET1)	0.00	
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	89.48	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**2,040.09**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-90.83	
8	Intangible assets (net of related tax liability) (negative amount)	-308.76	(a) minus (d)
9	Not applicable		
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)	-122.64	
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-3.77	
12	Negative amounts resulting from the calculation of expected loss amounts	-22.21	
13	Any increase in equity that results from securitised assets (negative amount)	0.00	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-1.16	
15	Defined-benefit pension fund assets (negative amount)	-17.49	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	0.00	
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0.00	

18	Direct, indirect and synthetic 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)	0.00	
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)	0.00	
20	Not applicable		
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	0.00	
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	0.00	
EU-20c	of which: securitisation positions (negative amount)	0.00	
EU-20d	of which: free deliveries (negative amount)	0.00	
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)	0.00	
22	Amount exceeding the 17,65% threshold (negative amount)	0.00	
23	of which: 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	0.00	
24	Not applicable	18.63	
25	of which: deferred tax assets arising from temporary differences	0.00	
EU-25a	Losses for the current financial year (negative amount)	0.00	
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	0.00	
26	Not applicable		
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	0.00	
27a	Other regulatory adjustments	-29.03	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-577.27**	
29	**Common Equity Tier 1 (CET1) capital**	**1,462.82**	
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	175.00	(i)
31	of which: classified as equity under applicable accounting standards	0.00	
32	of which: classified as liabilities under applicable accounting standards	175.00	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	0.00	
EU-33a	Amount of qualifying items referred to in Article 494a(1) subject to phase out from AT1	0.00	
EU-33b	Amount of qualifying items referred to in Article 494b(1) subject to phase out from AT1	0.00	
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	0.00	
35	of which: instruments issued by subsidiaries subject to phase out	0.00	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**175.00**	

Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	0.00
38	Direct, indirect and synthetic 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)	0.00
39	Direct, indirect and synthetic holdings 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)	0.00
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	0.00
41	Not applicable	0.00
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	0.00
42a	Other regulatory adjustments to AT1 capital	0.00
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**0.00**
44	**Additional Tier 1 (AT1) capital**	**175.00**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**1,637.82**
Tier 2 (T2) capital: instruments		
46	Capital instruments and the related share premium accounts	243.24
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2 as described in Article 486 (4) CRR	0.00
EU-47a	Amount of qualifying items referred to in Article 494a (2) subject to phase out from T2	0.00
EU-47b	Amount of qualifying items referred to in Article 494b (2) subject to phase out from T2	0.00
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	0.00
49	of which: instruments issued by subsidiaries subject to phase out	0.00
50	Credit risk adjustments	0.00
51	**Tier 2 (T2) capital before regulatory adjustments**	**243.24**

Tier 2 (T2) capital: regulatory adjustments		
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	0.00
53	Direct, indirect and synthetic 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)	0.00
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0.00
54a	Not applicable	0.00
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	0.00
56	Not applicable	0.00
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	0.00
56b	Other regulatory adjusments to T2 capital	0.00
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**0.00**
58	**Tier 2 (T2) capital**	**243.24**
59	**Total capital (TC = T1 + T2)**	**1,881.06**
60	**Total risk exposure amount**	**10,425.51**
Capital ratios and requirements including buffers		
61	Common Equity Tier 1	14.03%
62	Tier 1	15.71%
63	Total capital	18.04%
64	Institution CET1 overall capital requirements	3.36%
65	of which: capital conservation buffer requirement	2.50%
66	of which: countercyclical capital buffer requirement	0.36%
67	of which: systemic risk buffer requirement	0.00%
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	0.50%
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	1.13%
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	**8.04%**
69	Not applicable	
70	Not applicable	
71	Not applicable	

Amounts below the thresholds for deduction (before risk weighting)		
72	Direct and indirect holdings of own funds and eligible liabilities 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
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 17.65% thresholds and net of eligible short positions)	4.0
74	Not applicable	
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	29.3
Applicable caps on the inclusion of provisions in Tier 2		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	0
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	35.64
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	0 0 0 0
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	39.22
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	N/A
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	N/A
82	Current cap on AT1 instruments subject to phase out arrangements	N/A
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	N/A
84	Current cap on T2 instruments subject to phase out arrangements	N/A
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	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)	31/12/2022	References to 2021 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	817,236,900	Consolidated balance sheet	
Eligible Net Income included in regulatory capital	152,932,361	Consolidated balance sheet	The ECB published on 4 February 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	226,742,261	Consolidated balance sheet	
Regulatory and transitional adjustments [1]	(577,272,757)	cf hereunder	
TOTAL CET1	**1,526,274,996**		
Additional Tier 1 instrument (issued on 14 November 2019)	175,000,000	Consolidated balance sheet	Notional amount is taken into consideration.
TOTAL Tier 1	**1,701,274,996**		
Subordinated liabilities	243,236,959	Note 5.6 of the consolidated financial statements	
TOTAL CAPITAL	**1,944,511,955**		

[1] Regulatory and transitional adjustments – common Equity Tier 1 (in EUR)	31/12/2022	References to 2021 Financial Statements	Comments
Goodwill and intangible assets	(308,764,699)	Note 5.11 of the consolidated financial statements	Difference due to prudential treatment of software assets - Application of amended Delegated Regulation EU 241/2014.
Deferred tax assets that rely on future probability	(122,639,638)	Note 6.2 of the consolidated financial 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	(3,769,310)	Note 6.1.12 of the consolidated financial statements	
Gains or losses on liabilities at fair value resulting from own credit risk	(1,160,554)	Note 9.2.7 of the consolidated financial statements	
Additional Value Adjustment	(90,827,753)		Information not disclosed in the financial statements - Application of Art 34 of Regulation EU 575/2013,
Defined benefit pension fund assets	(17,494,000)	Note 4.13 of the consolidated financial statements	
Transitional provisions related to IFRS 9	18,627,334		Information not disclosed in the financial statements - Application of Art 473bis of Regulation EU 2017/2395 as modified by Regulation EU 2020/873.
IRB shortfall	(1,910,925)		Information not disclosed in the financial statements.
Unrealised gains on investment properties	(25,061,511)	Note 4.10 of the consolidated financial statements	
Other Regulatory adjustments	(24,271,702)		Insufficient coverage for non-performing exposures and Irrevocable Payment Commitment filter.
TOTAL REGULATORY AND TRANSITIONAL ADJUSTMENTS ON COMMON EQUITY TIER 1	**(577,272,757)**		

AVAILABLE DISTRIBUTABLE ITEMS AS AT END OF 2022 – IN EUR

BIL Group figures – in EUR	31/12/2022
Number of shares	2,087,261
Total Equity	2,277,863,609
DISTRIBUTABLE RESERVES[1] (AVAILABLE DISTRIBUTABLE ITEMS)	794,807,348

Nature	Balance	Reason for exclusion
Subscribed Capital	146,108,270	Art 72-1 Law August 10, 1915
Share Premium	760,527,961	Art 72-1 Law August 10, 1915
Treasury Shares (-)	-	Own shares
Other equity instruments	174,315,856	AT1 instrument issued on November 2019
Statutory Reserves	14,610,827	Art 72-1 Law August 10, 1915 & art 30 of BIL's articles of association
Untaxed unavailable reserves	-	Art 49-5 Law August 10, 1915
Reserves	149,410,185	
Consolidation Reserves	116,047,924	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		
Retained earnings	541,372,910	
Realized gains/losses on equities	-4,204,946	
2022 Income	152,932,361	
ow reevaluation investment properties net	*18,447,534*	*CSSF Regulation 14-02 art3 § (1) b*
Non realised performance - Debt instruments - Gross	-1,299,993	CSSF Regulation 14-02 art3 § (1) b
Non realised performance - Debt Instruments - Transfer to deferred tax	324,218	CSSF Regulation 14-02 art3 § (1) b
Non realised performance - Equity & var. rev. instr. - Gross	235,922,081	CSSF Regulation 14-02 art3 § (1) b
Non realised performance - Equity & var. rev. instr. - Transfer to deferred tax	3,346,029	CSSF Regulation 14-02 art3 § (1) b
Hedging reserve - CF Hedges - Gross	5,021,729	CSSF Regulation 14-02 art3 § (1) b
Hedging reserve - CF Hedges - Transfer to Deferred Tax	-1,252,419	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	-3,857,421	CSSF Regulation 14-02 art3 § (1) b
Reserve SORIE - Transfer to Deferred tax	565,318	CSSF Regulation 14-02 art3 § (1) b
Non realised performance - Translation reserve (Consolidation)	-19,599,096	CSSF Regulation 14-02 art3 § (1) b
Non realised performance - Lands and Buildings	6,411,261	CSSF Regulation 14-02 art3 § (1) b
Own Credit Risk	1,160,554	CSSF Regulation 14-02 art3 § (1) b
TOTAL EQUITY	**2,277,863,609**	

[1] Based on the law of 10 August 1915, CSSF regulation 14-02 and the company articles of association.

2.1.3. Overview of RWAs

In accordance with Article 438 (d) in 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

(in EUR million)		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		31/12/2022	31/12/2021	31/12/2022
1	Credit risk (excluding CCR)	9,290.48	8,934.11	743.24
2	Of which the standardised approach	2,742.01	1,597.17	219.36
3	Of which the Foundation IRB (F-IRB) approach	1,154.97	2,048.11	92.40
4	Of which: slotting approach	2,198.70	2,059.96	175.90
EU 4a	Of which: equities under the simple riskweighted approach	0.22	89.63	0.02
5	Of which the Advanced IRB (A-IRB) approach	2,729.78	2,710.30	218.38
6	Counterparty credit risk - CCR	97.82	250.14	7.83
7	Of which the standardised approach	19.36	61.81	1.55
8	Of which internal model method (IMM)	0.00	0.00	0.00
EU 8a	Of which exposures to a CCP	48.89	8.94	3.91
EU 8b	Of which credit valuation adjustment - CVA	5.04	17.84	0.40
9	Of which other CCR	24.53	161.54	1.96
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)	19.41	2.95	1.55
17	Of which SEC-IRBA approach	0.00	0.00	0.00
18	Of which SEC-ERBA (including IAA)	19.41	2.95	1.55
19	Of which SEC-SA approach	0.00	0.00	0.00
EU 19a	Of which 1250%	0.00	0.00	0.00
20	Position, foreign exchange and commodities risks (Market risk)	17.26	23.00	1.38
21	Of which the standardised approach	17.26	23.00	1.38
22	Of which IMA	0.00	0.00	0.00
EU 22a	Large exposures	0.00	0.00	0.00
23	Operational risk	1,000.54	954.43	80.04
EU 23a	Of which basic indicator approach	0.00	0.00	0.00
EU23b	Of which standardised approach	1,000.54	954.43	80.04
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**	**10,425.51**	**10,164.62**	**834.04**

The Bank's total RWAs amounted to EUR 10.4 billion as of 31 December 2022, compared to EUR 10.2 billion as of 31 December 2021. The overall increase of EUR 0.2 billion mainly reflects increases in credit risk RWA. This increase is due to commercial loans' portfolio growth specifically in Luxembourg Market & CIB activities.

The RWA for others risks (Operational and Market risks) are subject to moderate changes. Market Risk RWA decreased by EUR 8 million. Operational Risk RWA increased by EUR 47 million mainly driven by revenue increase.

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, in 2022 BIL Group has decided to use the Advanced-Internal Rating Based (A-IRB) approach on the SME and Retail counterparties for the assessment of its Risk-Weighted Assets (RWA). Regarding the Large Corporates exposures, the Bank applies the Foundation Internal Rating Based Approach (F-IRB). As regards exposures to institutions and Sovereign-related exposures, the Bank applies the Standardised Approach. The latter is also applied on corporate and retail exposures which are not meeting the criteria for an IRB method. Please, refer to sections 3.5 and 3.6 for further details on these aspects.

For Market Risk, the Bank has adopted the Standardised method; 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 method is also used for the calculation of the weighted operational risks 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 shows Risk-Weighted Exposure Amounts (RWEA), in accordance with the 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	36.43	27.09	50%	41.57	21.79	0.00
	Equal to or more than 2.5 years	273.67	130.80	70%	344.13	249.35	1.38
Category 2	Less than 2.5 years	671.96	197.97	70%	699.95	495.61	2.80
	Equal to or more than 2.5 years	830.66	423.30	90%	1,062.64	980.55	8.50
Category 3	Less than 2.5 years	112.83	29.76	115%	124.15	149.34	3.48
	Equal to or more than 2.5 years	208.36	21.85	115%	221.44	264.98	6.20
Category 4	Less than 2.5 years	12.25	0.02	250%	12.25	32.16	0.98
	Equal to or more than 2.5 years	0.00	4.93	250%	2.46	4.93	0.20
Category 5	Less than 2.5 years	8.05	0.71	-	8.09	0.00	4.05
	Equal to or more than 2.5 years	1.16	6.16	-	4.24	0.00	2.12
Total	**Less than 2.5 years**	**841.53**	**255.55**		**886.00**	**698.90**	**11.30**
	Equal to or more than 2.5 years	**1,313.85**	**587.04**		**1,634.92**	**1,499.81**	**18.40**

TABLE EU CR10.5 – EQUITY EXPOSURES UNDER THE SIMPLE RISK-WEIGHTED 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	0.12	-	190%	0.12	0.22	0.00
Exchange-traded equity exposures	-	-	290%	-	-	-
Other equity exposures	-	-	370%	-	-	-
TOTAL	0.12	-		0.12	0.22	0.00

2.1.5. Countercyclical capital buffer disclosure template

In accordance with Article 440 (a) and (b) in 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	10,425.51
Institution specific countercyclical buffer rate	0.36%
Institution specific countercyclical buffer requirement	38.03

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 per 31 December 2022, the institution-specific countercyclical capital buffer stood at 0.36% and is stable compared to last 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 by Article 438(c) and (d) on exposures that are risk-weighted in accordance with Part Three, Title II, Chapter 2 or Chapter 3. The Bank specifies information regarding non-deducted risk-weighted participations, in the case it is allowed (in accordance with Article 49(1) of the CRR) to not deduct their holdings of own funds instruments of a financial sector entity where the institution has a significant investment in this kind of assets.

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

(in EUR million)	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)	3.97
TOTAL RWAs	**12.78**

TEMPLATE EU INS1 – INSURANCE PARTICIPATIONS

(in EUR million)	EXPOSURE VALUE	RISK EXPOSURE AMOUNT
Own fund instruments held in insurance or re-insurance undertakings or insurance holding company not deducted from own funds	32.16	80.41

2.3. Leverage ratio

The leverage ratio (LR) is 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 having to exceed a minimum of 3%.

While the capital measure for the leverage ratio is the Tier 1 capital taking into account transitional arrangements, the total 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 at December 2022, BIL Group's leverage ratio amounted to 4.66% (fully phased-in definition), showing a slight decrease compared to the year-end 2021 level of 4.87%.

The evolution of this ratio compared to year-end 2021 can be explained as follows:

By a slight increase of the numerator: +1.33% increase of Tier 1 capital;

By a higher total leverage ratio exposure (denominator): +6.05% in the denominator (Total Leverage Exposure), on-balance sheet exposures (excluding SFT and Derivatives) accounted for a large majority (88.3% in Q4 2022) which were subject to a +5% increase compared to last year. Derivatives exposures increased by 193.2% and off-balance sheet exposures decreased by -8.7% being a small weight (6.7%) in the total exposure. Starting from Q2 2019, the leverage ratio exposure of Securities Financing Transactions (SFT) started to be included in the denominator following the regulator's requirement. As of Q4 2022, SFT exposures reached EUR 404.08, million equating to 1.2% of the total leverage ratio exposure.

The Bank takes into account the leverage ratio in its capital and financial planning to review if its forecasted commercial growth is consistent with this requirement. The Bank also actively manages its balance sheet size through its Treasury and ALM desks by limiting 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 trigger and limit above the minimum requirement).

The Official Journal (OJ) of 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).

In this regard, the leverage ratio disclosure templates are included to this publication.

TABLE EU LR1 – LRSUM: SUMMARY RECONCILIATION OF ACCOUNTING ASSETS AND LEVERAGE RATIO EXPOSURES

		Applicable amount
1	Total assets as per published financial statements	32,415.65
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	Adjustments for derivative financial instruments	608.75
9	Adjustment for securities financing transactions (SFTs)	(670.37)
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	2,356.26
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	(100.82)
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	164.83
13	Total exposure measure	34,774.29

TABLE EU LR2 – LRCOM: LEVERAGE RATIO COMMON DISCLOSURE

		CRR leverage ratio exposures	
		a	b
		31/12/2022	31/12/2021
ON-BALANCE SHEET EXPOSURES (EXCLUDING DERIVATIVES AND SFTS)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	31,451.09	29,880.25
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)	(90.59)	(77.76)
6	(Asset amounts deducted in determining Tier 1 capital)	(659.36)	(483.04)
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	30,701.14	29,319.46
DERIVATIVE EXPOSURES			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	1,031.10	134.61
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	373.86	344.51
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	1,404.96	479.12

SECURITIES FINANCING TRANSACTION (SFT) EXPOSURES			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	1,093.75	3,229.78
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(769.82)	(2,782.71)
16	Counterparty credit risk exposure for SFT assets	80.15	22.51
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**	**404.08**	**469.58**
OTHER OFF-BALANCE SHEET EXPOSURES			
19	Off-balance sheet exposures at gross notional amount	5,389.76	5,443.37
20	(Adjustments for conversion to credit equivalent amounts)	(3,043.73)	(2,872.91)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	(10.23)	(10.94)
22	**Off-balance sheet exposures**	**2,346.03**	**2,570.46**
EXCLUDED EXPOSURES			
EU-22a	(Exposures excluded from the leverage ratio 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)	(81.92)	(46.74)
EU-22g	(Excluded excess collateral deposited at triparty agents)	0.00	0.00
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)	(81.92)	(46.74)
CAPITAL AND TOTAL EXPOSURE MEASURE			
23	**Tier 1 capital**	**1,619.19**	**1,597.88**
24	**Total exposure measure**	**34,774.29**	**32,791.87**
LEVERAGE RATIO			
25	Leverage ratio	4.66%	4.87%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	4.66%	4.87%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of	4.66%	4.87%
26	Regulatory minimum leverage ratio requirement (%)	3.00%	3.21%
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 (percentage points)	0.00%	0.00%
27	Leverage ratio buffer requirement (%)	0.00%	0.00%
EU-27a	Overall leverage ratio requirement (%)	3.00%	3.21%
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 value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	284.93	452.17
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	323.93	447.07
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)	34,735.29	32,796.97
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)	34,735.29	35,185.41
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)	4.66%	4.54%
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)	4.66%	4.54%

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

		CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	31,296.91
EU-2	Trading book exposures	17.27
EU-3	Banking book exposures, of which:	
EU-4	Covered bonds	432.57
EU-5	Exposures treated as sovereigns	9,886.03
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	1,050.92
EU-7	Institutions	2,013.13
EU-8	Secured by mortgages of immovable properties	8,144.63
EU-9	Retail exposures	3,059.39
EU-10	Corporate	5,145.58
EU-11	Exposures in default	344.49
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	1,202.89

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 allowing BIL Group to hold the internal capital it deems appropriate to cover all the risks to which it is or could be exposed as a result of its Business Model and Strategy Plan, this being framed by its Risk Appetite and its risk bearing capacity.

In line with the above-mentioned article, the Circular CSSF 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 Internal Liquidity Adequacy Assessment Process (ILAAP)[1]. 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. Further, the ICAAP also establishes the capital required for economic purposes and helps identifying 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, and thereby increases the stability of the overall financial system. It also helps to 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 (current and forward-looking), 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.

2.4.1.3. ICAAP Components

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

- Risk appetite framework (RAF);
- Risk Identification and Cartography;
- Capital Structure Analysis;
- Risk Assessment;
- Capital Adequacy process;
- Stress testing; and
- Business Integration.

Risk appetite framework (RAF)

a. Process

While defining the Bank's strategic priorities, it appears 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 of its Risk Appetite.

[1] 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".

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 (RAS) 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 also more difficult to quantify risks such as reputation and operational risks, etc.

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.

Amongst 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, and finally;
- Sets the overall tone for the approach to risk taking.

c. Governance and risk mitigation

The Risk Management department:
- Reviews that all risks are under control by identifying, measuring, assessing, mitigating 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;
- Analyses that the risk limits are compatible with the strategy, the business model and the structure of the Bank through an effective risk appetite framework, which defines the level of risk the institution is willing to take in order to achieve its strategic and financial objectives;
- Ensures compliance with banking regulatory requirements by submitting regular reports to the supervisory bodies, participating in regulatory discussions and analysing all new requirements related to Risk Management that affect the Bank's activities (i.e. regulatory watch).

Amongst its missions, the 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. Under the framework set by the RAS, the BoD:
- Approves BIL's Risk Appetite Statement and reviews if it remains consistent with the short- and medium-term strategy, business and capital plans, risk capacity as well as compensation programs;
- Holds the CEO and other Senior Management accountable for the integrity of 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 against the agreed levels, and discusses about appropriate actions are taken regarding "breaches" in risk limits (e.g. there are mechanisms allowing Senior Management can act in a timely manner to effectively manage, and where necessary mitigate, material adverse risk exposures, in particular those that are close to or exceed the approved risk appetite statement or risk limits).

The BoD can be supported in these different tasks by dedicated specialised committees. As mentioned in the Section "Roles and responsibilities of the committees", one of these committees is the Board Risk Committee (BRC).

These principles concerning the 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 impacting materially 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.

d. 2022 Risk Appetite Statement evolution

An update of the BIL's Risk Appetite framework has been realised in 2021 in line with the definition of the Bank's strategy. It does not change significantly the risk profile of the Bank, it represents an evolution. The statements made for the five pillars remain:

- **Capital Adequacy:** Whilst the set-up of the different priorities defined for each business line maintain sufficient capital to support the Bank's risk profile, in both normal and crisis periods, and to maintain sound long-term credit ratings;
- **Earnings stability:** Generate a sustainable return on capital above the Bank's cost of capital together with achieving the Bank's strategy targets (including dividend payment);
- **Liquidity:** Maintain a strong liquidity position allowing the bank to deploy the different aspects of its strategy;
- **Reputation:** Maintain a strong reputation in targeted markets through focusing on relevant and innovative financial ser- vices which allow to achieve excellence and fair, dedicated value propositions;
- **Operational Effectiveness:** Focus on operational efficiency through:
  - Encompassing collaborative behaviours and preventing "silo-thinking";
  - Achieving service level optimization; and
  - Improving the current set-up.

e. 2022 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 and liquidity indicators and their evolutions between the year-end 2021 and 2022:

Risk Appetite Framework	2021	2022	Internal limit
CET1 ratio	14.24%	14.03%	11.30%
Total Capital ratio	18.29%	18.04%	15.30%
Leverage ratio	4.94%	4.71%	3.30%
AFR/ECAP	134%	124%	105%
LCR	142%	153%	110%
NSFR	126%	123%	104%
ROE (EBA dashboard)	6.9%	7.0%	2.5%

Risk Appetite figures above, as of 31 December, 2022 attest of the sound situation of BIL Group, according to solvency, liquidity and profitability axes.

f. 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 the 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 the 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 formalization 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 risks identification and assessment process 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 (connected to relevant scenarios) defined by Risk Management Function (top-down) or identified and added by business lines (bottom-up approach). Newly added (sub) risk types shall be approved by the relevant committees to be included into the risk taxonomy.

BIL Group's risk taxonomy is based on nine main categories, detailed hereafter; their definitions are drawn from banking supervision and non-banking organizations (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 Asset Liability Management (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. (ii) Asset Liability Management (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) Risks:** Information Communication and Technology (ICT) risks are risks associated with ICT systems and services which are defined as the following: (i) ICT systems are defined as ICT set-up as part of a mechanism or an interconnecting network that support the operations of an institution. (ii) ICT services are defined as services provided by ICT systems to one or more internal or external users. Examples include data entry, data storage, data processing and reporting services, but also monitoring, business and decision support services.
- **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 organisation's operations and objectives and/or lead to losses. Among others risks, Legal Risk and Tax Risk are classified as Enterprise Risks.

Risk Identification

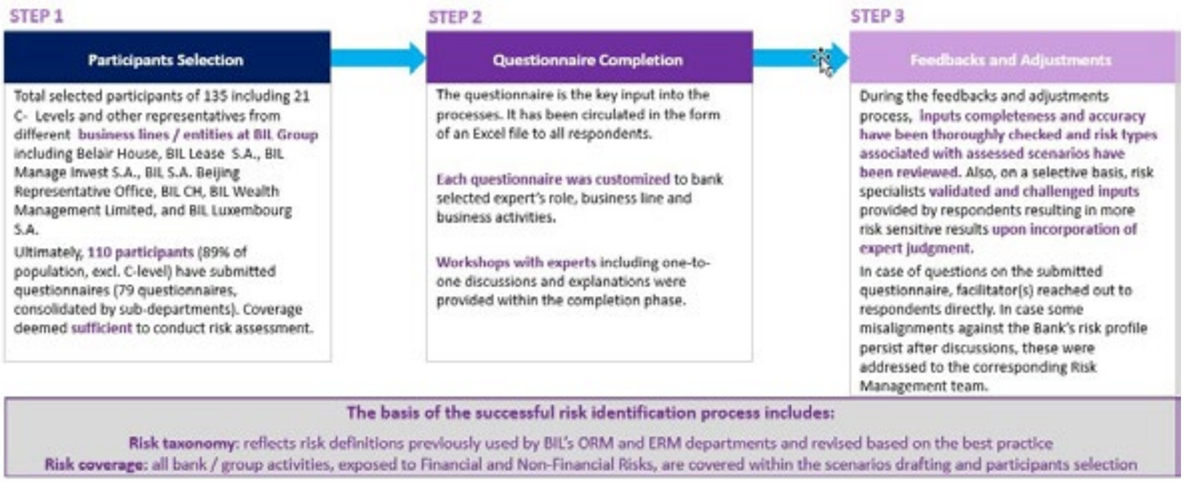
In compliance with regulatory requirements stipulated in Principle 4 of the ICLAAP guidelines on risk identification and assessment published in November 2018 (with subsequent report published in August 2020) - the Risk Identification and Assessment Process needs to be conducted at least on an annual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

The risk identification and assessment framework is a key component for the BIL Group to successfully perform its internal capital and liquidity adequacy assessments and to apprehend the risk appetite of the Bank/Group. In a more specific context, Risk Identification and Assessment Process can help the 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 concept, relying also on subject matter experts' opinion and facts. 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 in particular pertaining low frequency and high severity ("tail scenarios").

Identification and assessment processes have been carried out using a questionnaire approach sent to carefully chosen experts and using a harmonized approach with the risk and control self-assessment exercise at the level of the Bank.

The starting point for risk identification process consists in the identification of the specific scenarios the Selected Expert's business line is exposed to, following a forward-looking perspective and having in mind both tail and non-tail scenarios that could affect the working environment.

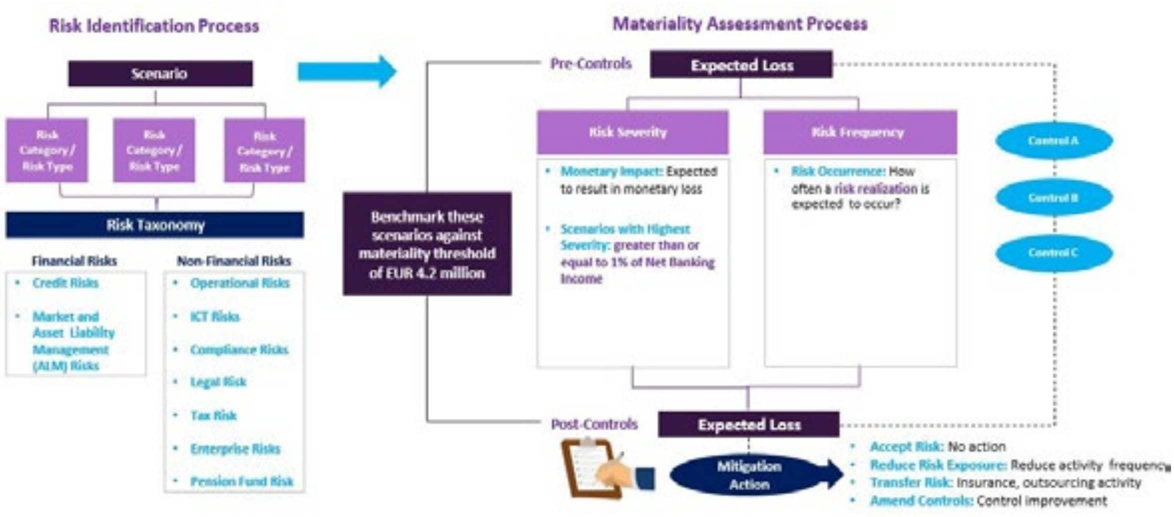
FIGURE 2: RISK IDENTIFICATION STEPS



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 were asked to estimate the frequency (from infrequent to frequent) and the monetary impact (from insignificant to extreme) using a 4-point scale approach. In order to be consistent with last year methodology and allow comparison between 2021 and 2022 exposures, as illustrated here below, the 4-point scale outcomes have been further bucketed into the same 3 categories as last year (low-medium-high) in the results of the Risk Cartography Exercise.

FIGURE 3: MATERIALITY ASSESSMENT PROCESS



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	Infrequent / Improbable (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)	8 (VERY HIGH)	12 (VERY HIGH)	16 (VERY HIGH)

Once the inherent risks are assessed, the next step was to determine the existing controls for each scenario. Participants had to 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 that the controls were further 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 terms of EUR amount. This materiality threshold is:
- Linked to a key metric of the Bank;
- Expressed in terms of percentage, so to increase when the Bank grows;
- Has a floor set in absolute terms (to cover the case where the chosen metric would drastically decrease).

In the previous exercise, materiality threshold was set at 0,75 percent of Gross Banking Income (Interest Income + Trading Income + Commission Income), with a floor of EUR 3 million.

The Gross Banking Income is an appropriate metric reflecting revenues generated from the Bank's core business activities, and correlates positively with the Bank's risk exposures (if the GBI is increasing we assume that also the risk exposure is increasing due to the increasing volume of the business). In a more conservative approach compared to last year, in terms of EUR amount, the materiality threshold for this year's ICLAAP exercise is EUR 3 million. The materiality threshold is used to allocate ECAP to the different risks. Moreover, as part of the self-assessment, the Bank considered all risks, self-assessed at residual level at Medium and High as per the methodology, as material risks.

Own funds and capital adequacy

2022 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 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.

2022 Gross Risk Identification

	High	Medium	Low
Credit Risks	Solvency Risk Concentration Risk	Country Risk Residual / Recovery Risk Settlement Risk Counterparty Risk	Securitization Risk Shadow Banking Risk
Market & ALM Risks	Balance Sheet Price Risk Inflation Risk	Credit Spread Risk Interest Rate Risk Basis Risk (IRRBB) Gap Risk (IRRBB) Option Risk (IRRBB) Liquidity Risk Funding Risk Behavioral Risk Volatility Risk Commodity Risk Currency Risk	Intraday Liquidity Risk Liquidity Currency Risk
Operational Risks	Clients, Products and Business Practices Risk External Fraud Risk Execution, Delivery and Process Management Risk	Employment Practice and Workplace Safety Risk Internal Fraud Risk	Damage to Physical Assets Risk
Enterprise Risks	Strategic Risk Model Risk Legal Risk	Subsidiary Oversight Risk Reputational Risk Step-In Risk Outsourcing and Third Party Risk	Tax Risk
ICT Risk	IT Supplier and Third Party Management Risk Information Security Risk IT Operations Management Risk System Development Lifecycle (SDLC) and Change Management Risk Data Management Risk IT Governance and Strategy Risk IT Program and Project Management Risk ICT and Security Risk Business Continuity Management Risk IT and Security Talent Management Risk		
Compliance Risks*	Financial Crime Prevention (Incl. AML/ CTF. tax transparency) Investor Protection (incl. MiFID and clients Complaints) Cross Border Activities (Incl. new products, services, markets) Preventing the Circumvention of Regulatory Obligations (incl. FATCA and CRS)	Regulatory Compliance and Compliance Framework Personal Data Protection (Incl. outsourcing) Market Integrity (Market Abuse and Personal Transaction) Conflicts of Interests	
Pension Fund Risk			Longevity Risk

2022 Net Risk Identification

	High	Medium	Low
Credit Risks	Solvency Risk	Concentration Risk Settlement Risk Country Risk	Securitization Risk Shadow Banking Risk Residual / Recovery Risk Counterparty Risk
Market & ALM Risks	Balance Sheet Price Risk	Credit Spread Risk Inflation Risk Interest Rate Risk Commodity Risk Option Risk (IRRBB) Funding Risk Gap Risk (IRRBB)	Currency Risk Intraday Liquidity Risk Liquidity Currency Risk Basis Risk (IRRBB) Liquidity Risk Behavioral Risk Volatility Risk
Operational Risks		Employment Practice and Workplace Safety Risk Execution, Delivery and Process Management Risk	External Fraud Risk Internal Fraud Risk Damage to Physical Assets Risk Clients, Products and Business Practices Risk
Enterprise Risks	Strategic Risk	Model Risk Legal Risk Outsourcing and Third Party Risk	Step-In Risk Tax Risk Subsidiary Oversight Risk Reputational Risk
ICT Risk		IT Supplier and Third Party Management Risk Information Security Risk IT Operations Management Risk System Development Lifecycle (SDLC) and Change Management Risk Data Management Risk	IT Governance and Strategy Risk IT Program and Project Management Risk ICT and Security Risk Business Continuity Management Risk IT and Security Talent Management Risk
Compliance Risks (*)		Regulatory Compliance and Compliance Framework Personal Data Protection (Incl. outsourcing) Investor Protection (incl. MiFID and clients Complaints) Conflicts of Interests Cross Border Activities (Incl. new products, services, markets) Financial Crime Prevention (Incl. AML/ CTF, tax transparency) Market Integrity (Market Abuse and Personal Transaction) Preventing the Circumvention of Regulatory Obligations (incl. FATCA and CRS)	
Pension Fund Risk			Longevity Risk

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 considering the Bank 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.

The bases of the AFR measure are BIL Group's CET1 ratio 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. According to this, AFR do not aim at absorbing the existing incurred losses for which provisions have been booked. Example: The current P&L is not filtered for the AFR, contrary to CET1.

Principle 3: Continuity of operations.

Any resource should comply with a going concern scenario, meaning that the Bank is not looking for a measure in a resolution scenario.

Principle 4: Solidarity between the different constituents within the group.

Minority interests are considered making part of the available financial resources (up to a certain level in line with current Basel III understanding).

AFR as of end 2022

According to these principles and in line with the 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 2022, the BIL Group AFR amounted to EUR 1,850 M (the figures are in million euro).

AFR in MEUR	31/12/2021	31/12/2022
Core Equity	**906,6**	**906,6**
P&L after allocation	**115,7**	**149,0**
Retained earnings	**467,1**	**541,4**
Other Reserves	**242,1**	**275,9**
Defined Benefit Pension reserve	-10,2	-3,3
HTC & Sales	9,2	-1,0
FVOCI Equities	187,1	239,3
FX Hedge	-17,3	-19,6
CF Hedge	1,0	3,8
Unrealised gains on investment property	6,3	6,4
Accumulated other comprehensive income	**176,2**	**225,6**
Equity	**1.907,7**	**2.098,4**
Others prudential filters (FVOCI Equities)	-187,1	-239,3
Others prudential filters (Investment Property)	-6,1	-25,1
Filters	**-193,2**	**-264,3**
Intangible & goodwill	-305,9	-357,5
DTA Netting avec DTL	-132,9	-122,6
Deductions	**-438,8**	**-480,2**
Hybrid	0,0	0,0
AT1	0,0	0,0
AT1 new methodology	**0,0**	**0,0**
AFR before UCG	**1.275,8**	**1.353,9**
Unrealised capital losses to be included	-11,2	-12,0
Unrealised capital gains before haircut	198,4	251,2
Unrealised capital gains after haircut (25%)	148,8	188,4
TOTAL FVOCI Equities	137,6	176,5
PLM Book Value	53,5	51,2
PLM Market Value	269,5	269,5
PLM MV haircut of 25%	0,0	0,0
PLM MV double haircut of 20%	172,5	172,5
UCG on real estate PLM	119,0	121,3
UCG on Investment Property	6,3	25,1
UCG on Investment Property after haircut of 25%	0,0	0,0
UCG on Investment Property after double haircut of 20%	4,0	16,0
UCG on investment property after haircut 25%	123,1	137,4
AFR	**1.536,4**	**1.667,7**
Financial investments measured at amortised cost	93,5	38,7
AFR with HTC FV	**1.629,8**	**1.706,5**
AT1	139,8	143,4
AFR with HTC FV & AT1	**1.769,6**	**1.849,8**

It is important to mention that the inclusion of the 2022 dividends payment leads to a total AFR of 1,787.58 million.

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 unexpected risks inherent in the Bank's activities in order to take into account the continuity of its business over a given time period with a certain interval, corresponding to a long- term rating of A- over a one-year horizon. 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 2022, with a level of confidence of 99.90% and a horizon of 1 year BIL Group's economic capital amounted to EUR 1,497M allocated to different risks as presented in the table below.

Risk Type	Approach	2021 YE		2022 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	555,22	463,88	631,15	559,04	*75,92*	*13,7%*	*95,16*	*20,5%*
	Concentration Add-on	89,21	74,53	104,29	92,38	*15,08*	*16,9%*	*17,84*	*23,9%*
	Guarantee and Resolution Funds	69,15	57,77	82,20	72,81	*13,05*	*18,9%*	*15,04*	*26,0%*
	CVA	1,43	1,19	0,40	0,36	*-1,02*	*-71,8%*	*-0,84*	*-70,1%*
Price Risk	VaR Banking	127,43	74,77	140,68	72,38	*13,25*	*10,4%*	*-2,39*	*-3,2%*
	Real Estate	27,66	27,66	34,66	34,66	*7,00*	*25,3%*	*7,00*	*25,3%*
Interest Rate Risk	VaR Banking & Trading	55,63	42,61	26,27	18,19	*-29,36*	*-52,8%*	*-24,42*	*-57,3%*
Spread Risk	VaR Banking & Trading	465,65	356,63	472,78	327,39	*7,12*	*1,5%*	*-29,23*	*-8,2%*
Currency Risk	VaR limit	9,96	9,96	13,28	13,28	*3,32*	*33,3%*	*3,32*	*33,3%*
Funding Risk	Stress scenario	18,59	18,59	78,63	78,63	*60,05*	*323,1%*	*60,05*	*323,1%*
Behavioral Risk	Statistical approach	9,32	9,32	21,18	21,18	*11,85*	*127,1%*	*11,85*	*127,1%*
NFR Risk	Enhanced standardized approach	78,99	78,99	60,72	60,72	*-18,27*	*-23,1%*	*-18,27*	*-23,1%*
Pension Funds Risks	Credit Risk	3,33	2,78	1,97	1,74	*-1,36*	*-40,9%*	*-1,04*	*-37,3%*
	Credit Spread Risk	10,70	8,19	7,01	4,85	*-3,69*	*-34,5%*	*-3,34*	*-40,8%*
	Price Risk	11,79	6,92	16,34	8,41	*4,55*	*38,6%*	*1,49*	*21,5%*
	Interest Rate Risk	7,81	5,98	4,69	3,25	*-3,12*	*-40,0%*	*-2,73*	*-45,7%*
Business Risk	Statistical approach	57,14	57,14	44,79	44,79	*-12,35*	*-21,6%*	*-12,35*	*-21,6%*
Model Risk	Model risk add-on	63,52	63,52	82,51	82,51	*18,99*	*29,9%*	*18,99*	*29,9%*
TOTAL		**1662,54**	**1360,45**	**1823,55**	**1496,58**	***161,01***	***9,7%***	***136,13***	***10,0%***
Diversification rate		18,17%		17,93%					

Capital Adequacy

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

Risk Category	Risk Type	ECAP
Credit	Credit Risk	559
	Concentration Risk	92
	Other Credit Risks	73
Market and ALM	Price Risk	107
	Interest Rate Risk	18
	Spread Risk	327
	Currency Risk	13
	Funding Risk	79
	Behavioural Risk	21
NFR Risk	NFR Risk	61
Pension Funds Risk	Pension Funds Risk	18
Enterprise Risk	Business Risk	45
	Model Risk	83
TOTAL ECAP		**1,497**
Available Financial Resources (AFR)		**1,850**
AFR/ECAP ratio		**124%**

At 2022 year-end, the ratio of economic capital resources to economic capital consumption (AFR/ECAP) had reached the level of 124%. It is important to mention that the inclusion of the 2022 net of tax result of 153 million, the dividends payment and the other elements previously described lead to a total AFR/ECAP Ratio of 119%.

2.4.3. Capital & Liquidity Planning

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

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

2.4.4. Stress testing

BIL applies a Stress Testing Charter aiming at providing common organizational requirements, methodologies and processes for the performance of stress testing at BIL as part of our Risk Management Framework, when conducting both regulatory and internal stress testing exercises.

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 group 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 (CRD IV Title VII, Chapter 2, Section III – in particular Article 100). This sets the legitimation for EU wide stress testing exercises such as the 2021 EBA/ECB stress test or the 2022 ECB Climate Risk Stress Testing Exercise. This category covers all such stress testing exercises that may be required from BIL's group to be performed;
  - Pillar I Stress Tests: This category includes any stress testing exercise that is performed to assess the adequacy of internal models (A-IRB, Foundation 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: Within this category, the Bank includes all stress testing exercises that are performed in the course of the ICAAP and ILAAP. As one of the main objectives of the ICAAP/ILAAP is to analyse if the Bank has sufficient capital and funding to support its business model and strategy on the long-run under both normal and adverse circumstances, the Bank is required to perform stress tests within its ICAAP/ILAAP;
  - 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 such as: Market Risk Stress Tests, IRRBB Stress Tests, Liquidity Stress Test, etc.

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 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)	31/12/2022	31/12/2021
AVAILABLE CAPITAL (AMOUNTS)		
Common Equity Tier 1 (CET1) capital	1,462.82	1,447.11
Common Equity Tier 1 (CET1) capital as if IFRS9 transitional arrangements were not applied	1,444.19	1,422.88
Tier 1 capital	1,637.82	1,622.11
Tier 1 capital as if IFRS9 transitional arrangements were not applied	1,619.19	1,597.88
Total capital	1,881.06	1,859.24
Total capital as if IFRS9 transitional arrangements were not applied	1,862.43	1,835.01
RISK-WEIGHTED ASSETS (AMOUNTS)		
Total risk-weighted assets	10,425.51	10,228.07
Total risk-weighted assets as if IFRS9 transitional arrangements were not applied	10,410.75	10,216.95
CAPITAL RATIO		
Common Equity Tier 1 (as a percentage of risk exposure amount)	14.03%	14.15%
Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS9 transitional arrangements were not applied	13.87%	13.93%
Tier 1 (as a percentage of risk exposure amount)	15.71%	15.86%
Tier 1 (as a percentage of risk exposure amount) as if IFRS9 transitional arrangements were not applied	15.55%	15.64%
Total capital (as a percentage of risk exposure amount)	18.04%	18.18%
Total capital (as a percentage of risk exposure amount) as if IFRS9 transitional arrangements were not applied	17.89%	17.96%
LEVERAGE RATIO		
Leverage ratio total exposure measure	34,792.92	32,816.10
Leverage ratio total exposure measure as if IFRS9 transitional arrangements were not applied	34,774.29	32,791.87
Leverage ratio	4.71%	4.94%
Leverage ratio as if IFRS9 transitional arrangements were not applied	4.66%	4.87%

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 raise and hold the capital resources (Eligible Liabilities) that will be either written-down or converted into equity ("bailed-in") as part of the resolution. MREL is the amount of the bail-inable liabilities that banks have to maintain as per their resolution plan. For 2022, the SRB has requested that BIL fulfil two MREL ratios: There are calculated (i) as the amount of own funds and eligible liabilities expressed as a percentage of the Total RWA (MREL RWA) and, (ii) as the amount of own funds and eligible liabilities expressed as a percentage of the Total exposures of the Leverage ratio (MREL TEM). At the end of 2022, the respective values of these two ratios versus their requirements are (rounded):

- MREL RWA: 46,8% versus a requirement of 21.6%
- MREL TEM: 14.0% versus a requirement of 5.9%

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	4,875.06					
EU-1a	Of which own funds and subordinated liabilities	1,881.06					
2	Total risk exposure amount of the resolution group (TREA)	10,425.51					
3	Own funds and eligible liabilities as a percentage of TREA (row1/row2)	46.8%					
EU-3a	Of which own funds and subordinated liabilities	18.0%					
4	Total exposure measure of the resolution group	34,856.20					
5	Own funds and eligible liabilities as percentage of the total exposure measure	14.0%					
EU-5a	Of which own funds or subordinated liabilities	5.4%					
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	21.58%					
EU-8	Of which to be met with own funds or subordinated liabilities						
EU-9	MREL requirement expressed as percentage of the total exposure measure	5.91%					
EU-10	Of which to be met with own funds or subordinated liabilities						

During the last quarter of 2022, BIL received from the SRB the main features regarding the Resolution Plan. The SRB highlighted the continued positive commitment from BIL towards delivering solutions to remedy any impediments and meeting the core resolvability conditions. In 2023, some matters are particularly prioritised with the SRB, towards the finalisation of the implementation of the Expectations for Banks (EfB) by the end of 2023, of which:

- Further enhancement of the bail-in playbook;
- Continue to work on business reorganisation planning in the context of open bail-in strategy;
- Continue to work on the cross-border recognition of resolution actions;
- Continue to work on the MIS capabilities for the execution of a valuation self-testing exercise and to work also on the implementation of the transfer tool related to the Bank's variant strategy.

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

3. Credit risk

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

3.1. Credit risk governance

3.1.1. Organisation

Please refer to the section 1.2.1 Organisation.

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 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.

In order 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 stating 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 facilitate 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 (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, by economic sector and by 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. We could mention the following ones:

(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 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) The credit risk exposure measure known as Exposure at-Default (EAD), which is used for the calculation of regulatory capital requirements includes (a) current and potential future exposures, and (b) credit risk mitigants (CRM) 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 the retail models, the rating process is daily and is fully automated (behavioural scores).

For the non-retail models, for example the Corporate exposures, the rating process is semi-automated with qualitative ratios estimated by the analysts and 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 so as to provide the analysts 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) in the CRR, this table represents the Credit quality of performing and non-performing exposures 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											
		Performing exposures			Non-performing exposures								
(in EUR)			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	4,323,048,987.20	4,323,048,987.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
010	Loans and advances	17,879,889,589.81	17,287,229,294.08	24,233,821.00	568,426,474.73	285,372,094.88	32,766,569.00	26,940,069.00	34,132,657.40	55,710,140.00	11,502,820.45	122,002,124.00	564,468,189.74
020	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
030	General governments	21,274,135.00	21,274,135.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
040	Credit institutions	1,099,783,055.76	1,099,777,283.76	0.00	5,772.00	5,772.00	0.00	0.00	0.00	0.00	0.00	0.00	5,772.00
050	Other financial corporations	2,437,927,059.00	2,317,162,730.00	3,108,072.00	117,656,257.00	34,079,645.00	27,593.00	45,531.00	9,515,294.00	303,810.00	164,587.00	73,519,797.00	117,656,257.00
060	Non-financial corporations	5,912,011,310.74	5,597,836,295.34	4,832,773.00	309,342,242.40	179,122,716.00	18,788,345.00	18,688,960.00	20,163,692.40	34,252,839.00	6,314,897.00	32,010,793.00	305,383,957.40
070	Of which SMEs	1,881,571,876.36	1,736,310,434.36	3,221,077.00	142,040,365.00	59,707,847.00	7,384,146.00	19,659,181.00	16,052,894.00	11,158,391.00	5,477,633.00	23,600,273.00	142,040,365.00
080	Households	8,408,894,029.31	8,251,178,849.98	16,292,976.00	141,422,203.33	72,163,961.88	13,950,631.00	8,205,578.00	4,453,671.00	21,153,491.00	5,023,336.45	16,471,534.00	141,422,203.34
090	Debt Securities	8,520,692,517.73	8,520,692,517.73	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100	Central banks	131,991,375.04	131,991,375.04	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
110	General governments	4,649,786,906.00	4,649,786,906.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
120	Credit institutions	2,351,553,784.31	2,351,553,784.31	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
130	Other financial corporations	479,985,639.00	479,985,639.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
140	Non-financial corporations	907,374,813.38	907,374,813.38	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
150	Off-balance sheet exposures	4,703,479,765.58			53,516,656.00								24,897,255.00
160	Central banks	0.00			0.00								0.00
170	General governments	126,101,005.00			0.00								0.00
180	Credit institutions	171,874,933.00			128,343.00								0.00
190	Other financial corporations	768,098,819.55			21,352.00								21,352.00
200	Non-financial corporations	1,485,512,457.00			42,146,282.00								23,026,248.00
210	Households	2,151,892,551.03			10,178,703.00								1,849,655.00
220	**Total**	**35,427,110,860.32**	**30,130,970,799.01**	**24,233,821.00**	**621,943,130.73**	**285,372,094.88**	**32,766,569.00**	**26,940,069.00**	**34,132,657.40**	**55,710,140.00**	**11,502,820.45**	**122,002,124.00**	**589,365,444.74**

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 2022. The industry classification is based on NACE codes (NACE (Nomenclature des Activités Économiques dans la Communauté Européenne) is a European industry standard classification system 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

		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		
	(in EUR)			of which: defaulted			
010	Agriculture, forestry and fishing	29,674,847	413,103	413,103	29,674,847	-115,314	
020	Mining and quarrying	2,071,806	25,719	25,719	2,071,806	-29,507	
030	Manufacturing	464,232,028	10,092,593	10,092,593	464,232,028	-5,366,020	
040	Electricity, gas, steam and air conditioning supply	186,061,809	35,401,148	35,401,148	186,061,809	-25,418,928	
050	Water supply	37,676,078	213	213	37,676,078	-660,826	
060	Construction	1,167,923,848	9,741,252	9,741,252	1,167,923,848	-14,100,312	
070	Wholesale and retail trade	338,098,727	13,071,389	13,071,389	338,098,727	-10,885,479	
080	Transport and storage	112,914,174	9,113,833	9,113,833	112,914,174	-5,728,449	
090	Accommodation and food service activities	328,512,097	31,548,822	31,548,822	328,512,097	-10,654,512	
100	Information and communication	106,679,104	8,466,088	8,466,088	106,679,104	-6,918,886	
110	Real estate activities	2,318,981,730	134,477,651	134,477,651	2,318,981,730	-55,939,520	
120	Financial and insurance actvities	152,716,121	0	0	152,716,121	-1,287,448	
130	Professional, scientific and technical activities	247,655,860	38,716,060	38,716,060	247,655,860	-17,447,919	
140	Administrative and support service activities	78,433,750	12,372,763	12,372,763	78,433,750	-7,286,319	
150	Public administration and defense, compulsory social security	12,516,926	0	0	12,516,926	-212,572	
160	Education	2,177,178	0	0	2,177,178	-18,828	
170	Human health services and social work activities	86,783,036	464,621	464,621	86,783,036	-752,617	
180	Arts, entertainment and recreation	8,102,453	1,203,817	1,203,817	8,102,453	-267,637	
190	Other services	230,799,740	4,233,170	274,885	230,799,740	-4,209,301	
200	**Total**	**5,912,011,311**	**309,342,242**	**305,383,957**	**5,912,011,311**	**-167,300,394**	

As at 31 December 2022, the sectors "Financial and insurances activities" and "Construction" represented the highest exposures with respectively 39.22% and 19.75% of the total exposures.

3.2.3. Exposure breakdown by residual maturity

In the application of Article 442 (f) of the CRR, the table below shows the net value of exposure broken down by exposure classes and residual maturities at year-end 2022. It comprises figures obtained using both the Standardised and the Advanced methods.

TEMPLATE EU CR1-A: MATURITY OF EXPOSURES

		NEXT EXPOSURE VALUE					
(in EUR million)		On demand	≤1 year	> 1 year ≤ 5 years	> 5 years	No stated maturity	TOTAL
1	Loans and advances	2,636.94	4,093.98	1,891.46	8,959.31	-	17,581.69
2	Debt securities	46.88	1,224.27	3,571.29	3,669.00	-	8,511.45
3	**TOTAL**	**2,683.82**	**5,318.25**	**5,462.75**	**12,628,31**	**-**	**26,093.14**

This table shows that about 52% of the total risk exposure does not exceed five years.

Over the longer term, 48% of the total risk exposure exceeds five years. This represents long-term bonds of 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 10% of the total exposure and are essentially composed of debits 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.

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
						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: subject to impairment			
(in EUR)				of which: defaulted				
010	**On balance sheet exposures**	**26,400,582,108**	**568,426,475**	**564,468,190**	**26,400,582,108**	**-307,613,028**		**0**
020	LU	15,473,722,030	296,889,882	292,931,597	15,473,722,030	-176,556,732		0
030	FR	2,343,451,847	105,697,640	105,697,640	2,343,451,847	-43,118,107		0
040	CH	2,178,965,811	17,675,199	17,675,199	2,178,965,811	-9,378,337		0
050	BE	1,298,706,052	9,129,574	9,129,574	1,298,706,052	-4,338,854		0
060	Country N	4,961,638,994	139,034,180	139,034,180	4,961,638,994	-74,220,998		0
070	Other countries	144,097,373	0	0	144,097,373	0		0
080	**Off balance sheet exposures**	**4,703,479,766**	**53,516,656**	**24,897,255**			**13,243,945**	
090	LU	3,226,294,174	22,787,462	7,606,674			10,486,257	
100	FR	286,365,829	3,203,502	2,692,692			1,346,460	
110	VG	95,365,913	1,122	1,122			50,148	
120	CH	94,744,635	1,367,058	1,367,058			86,954	
130	Country N	1,000,709,214	26,157,512	13,229,709			1,274,126	
140	Other countries	0	0	0				
150	**Total**	**31,104,061,874**	**621,943,131**	**589,365,445**	**26,400,582,108**	**-307,613,028**	**13,243,945**	**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 as a result 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 an 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.

We shall mention that a credit-impaired exposure is 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 notably 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 other 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 will also consider 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 as a result of 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 evaluating the participation such as latest securities exchanges, 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; and
  - A utility value calculated by the Credit Risk 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 in 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 the Basel II in the 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 realizing security (if held);
- The obligor is past due more than 90 days on any material credit obligation to the Bank group.".

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:
- 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 BIL Headquarter, its parent undertaking or any of its subsidiaries excluding equity exposures and is set at 1 %.

	Retail[1]	Non-retail*		
Materiality of the overdraft to start counting dpd	RET[1] and PME_RET	Sovereign, Institutions and Banks	Pub sat. and collect.	Other non retail
Absolute threshold Relative threshold (to on-balance)	First cent	First cent		
Materiality of the overdraft to trigger a default	100 EUR and 1% of total asset	500 EUR AND 1% of total asset		
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).				

[1] Retail and non-Retail classification according to prudential / CRR rules.

3.3.2. Information on forborne exposure and non-performing loans

Forborne exposures

BIL closely monitors its forborne exposures, notably 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 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; and
- 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 of end 2022, BIL Group's forborne exposures amounted to EUR 563 m (EUR 290.5 m forborne performing and EUR 272.7 m forborne non performing).

Non-performing exposures

According to EBA definition, non-performing exposures satisfying 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.

The 2018 EBA guidelines on management of non-performing and forborne exposures require to apply 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 (CRR) is considered to have occurred 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 CET1 deduction of the 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 in 2020, BIL regularly re-examines the classification of its outstanding loans under moratorium extended in response to the Covid-19 crisis, on the basis of (i) regulatory texts and guidance provided by the EBA and (ii) changes in the situation of the counterparties concerned.

TEMPLATE EU CQ1: CREDIT QUALITY OF FORBORNE EXPOSURES

		a	b	c	d	e	f	g	h
		Gross carrying amount/ Nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collaterals received and financial guarantees received on forborne exposures	
			Non-performing forborne						
(In EUR)		Performing forborne		Of which defaulted	Of which impaired	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	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
010	Loans and advances	287,505,952.00	257,449,692.00	257,449,692.00	257,449,692.00	-10,680,314.00	-75,876,139.00	446,649,302.00	177,024,744.00
020	Central banks	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
030	General governments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
040	Credit institutions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
050	Other financial corporations	14,834,445.00	36,048,029.00	36,048,029.00	36,048,029.00	-96,305.00	-13,551,178.00	37,234,991.00	22,496,851.00
060	Non-financial corporations	222,463,638.00	173,268,314.00	173,268,314.00	173,268,314.00	-10,322,825.00	-55,676,604.00	319,253,660.00	114,274,608.00
070	Households	50,207,869.00	48,133,349.00	48,133,349.00	48,133,349.00	-261,184.00	-6,648,357.00	90,160,651.00	40,253,285.00
080	Debt Securities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
090	Loan commitments given	3,003,152.00	15,295,940.00	15,295,940.00	0.00	20,667.00	3,357.00	0.00	0.00
100	**Total**	**290,509,104.00**	**272,745,632.00**	**272,745,632.00**	**257,449,692.00**	**-10,659,647.00**	**-75,872,782.00**	**446,649,302.00**	**177,024,744.00**

3.3.3. IFRS 9

In July 2014, the International Accounting Standards Board (IASB) published a new accounting framework, International Financial Reporting Standard 9 (or IFRS 9), aiming at replacing the former one, International Accounting Standard 39 (or IAS 39), with an effective implementation date fixed on 1 January 2018. That new standard is structured around three phases:
- The classification and measurement of financial instruments;
- The impairment of financial instruments; and
- The hedge accounting. BIL's IFRS 9 implementation is described in three successive phases:

Phase 1 – Classification and measurement of financial instruments

Classification refers on how both financial assets and liabilities are accounted for in financial statements and, in particular, on how they are measured on an on-going basis. While there are no major changes as regards financial liabilities, IFRS 9 has 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 interests on the outstanding amount. Also, 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 cashflows and selling financial assets ("Hold to Collect and Sell" or HTC&S 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. In particular, 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 nonperforming 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 IAS39 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 guarantor

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 in order 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 takes into account 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.

The Bank as well as 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 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 diversification of 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 considered to be 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 relating to eligible CRM is based on the Basel III approach:

- Standardised exposures:
  - Eligible CRM (after regulatory haircuts) are directly taken into account when calculating the EAD (deduction).
- A-IRB approach exposures – 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, this 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. Exposures unsecured 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. Exposures secured (column b here under) 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
1	Loans and advances	8,510.13	13,394.51	11,900.11	1,494.39	0.00
2	Debt securities	8,511.28	0.00	0.00	0.00	0.00
3	Total	17,021.41	13,394.51	11,900.11	1,494.39	0.00
4	Of which non-performing exposures	43.00	308.18	256.62	51.56	0.00
EU-5	Of which defaulted	0.00	0.00			

3.5. Standardised approach

3.5.1. Introduction

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. In order 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 portfolio 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 as- sociated 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

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

(In EUR million)		Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWAs density	
	Exposure classes	On-balance-sheet exposures	Off-balance sheet exposures	On-balance-sheet exposures	Off-balance sheet exposures	RWEA	RWEA density (%)
		a	b	c	d	e	f
1	Central governments or central banks	5,787.74	89.26	6,590.46	151.44	93.46	1.39%
2	Regional government or local authority	3,418.47	48.61	3,858.37	24.30	160.03	4.12%
3	Public sector entities	783.35	244.82	574.60	2.73	6.33	1.10%
4	Multilateral development banks	795.63	-	795.63	-	-	0.00%
5	International organisations	158.97	-	158.97	-	-	0.00%
6	Institutions	1,665.91	110.32	858.30	27.43	376.68	42.53%
7	Corporates	1,657.50	1,070.25	1,411.81	228.23	1,444.15	88.06%
8	Retail	5.11	4.84	5.08	2.41	5.56	74.16%
9	Secured by mortgages on immovable property	88.32	-	86.62	-	81.11	93.64%
10	Exposures in default	6.81	2.83	6.81	0.92	8.25	106.71%
11	Exposures associated with particularly high risk	69.58	2.44	69.58	2.44	108.02	150.00%
12	Covered bonds	432.60	-	432.60	-	43.26	10.00%
13	Institutions and corporates with a short-term credit assessment	209.91	46.90	209.91	9.38	46.76	21.32%
14	Collective investment undertakings	-	-	-	-	-	0.00%
15	Equity	32.99	-	32.99	-	82.47	250.00%
16	Other items	570.04	0.10	561.30	0.02	285.94	50.94%
17	**TOTAL**	**15,682.94**	**1,620.37**	**15,653.01**	**449.29**	**2,742.01**	**17.03%**

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

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

Credit Risk

TABLE EU CR5 – STANDARDISED APPROACH

	Exposure classes	Risk weight															Total	Of which unrated
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others		
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
1	Central governments or central banks	6,642.12	-	-	-	67.47	-	0.00	-	-	-	-	31.96	-	-	0.33	6,741.89	-
2	Regional government or local authorities	3,082.54	-	-	-	800.13	-	-	-	-	-	-	-	-	-	-	3,882.67	576.35
3	Public sector entities	545.67	-	-	-	31.65	-	-	-	-	-	-	-	-	-	-	577.33	23.63
4	Multilateral development banks	795.63	-	-	-	-	-	-	-	-	-	-	-	-	-	-	795.63	-
5	International organisations	158.97	-	-	-	-	-	-	-	-	-	-	-	-	-	-	158.97	-
6	Institutions	-	-	-	-	219.99	-	664.99	-	-	0.75	-	-	-	-	-	885.73	127.64
7	Corporates	-	-	-	-	86.25	-	259.03	-	-	1,289.73	-	5.02	-	-	-	1,640.04	1,294.72
8	Retail	-	-	-	-	-	-	-	-	7.49	-	-	-	-	-	-	7.49	7.49
9	Secured by mortgages on immovable property	-	-	-	-	-	-	1.42	-	-	85.20	-	-	-	-	-	86.62	86.62
10	Exposures in default	-	-	-	-	-	-	-	-	-	6.69	1.04	-	-	-	-	7.73	7.72
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	72.02	-	-	-	-	72.02	72.02
12	Covered bonds	-	-	-	432.60	-	-	-	-	-	-	-	-	-	-	-	432.60	-
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	209.66	-	9.60	-	-	0.03	-	-	-	-	-	219.28	-
14	Unit or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity	-	-	-	-	-	-	-	-	-	-	-	32.99	-	-	-	32.99	32.99
16	Other items	275.38	-	-	-	-	-	-	-	-	285.94	-	-	-	-	-	561.32	70.15
17	TOTAL	11,500.32	-	-	432.60	1,415.14	-	935.04	-	7.49	1,668.35	73.05	69.96	-	-	0.33	16,102.30	2,299.32

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 Exposure-at-Default (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 has 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: Probability of Default (PD), Loss Given Default (LGD) and Credit Conversion Factor (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 counterparty.

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 has to 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 noticed 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 50 million (250 million if Belgium and Luxembourg companies) or belonging to a group with total annual revenue higher than 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 50 million (250 million if Belgium and Luxembourg companies) and belonging to a group with consolidated total revenue lower than 50 million and with total assets higher than 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 IRBA, but regulatory risk weights are applied using the so called 'supervisory slotting criteria' approach as defined by Article 153 CRR. Under this approach, a number of 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 (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 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
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 has been communicated to the regulators in the beginning of 2019 in order 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 has been validated by the JST in August 2017 and is in application in the calculation of the regulatory risk-weighted assets since September 2017.

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 a roll-out plan (%)	Percentage of total exposure value subject to IRB Approach (%)
		a	b	c	d	e
1	Central governments or central banks	-	9,916.15	0.00%	100.00%	0.00%
1.1	Of which regional governments or local authorities		2,628.13	0.00%	100.00%	0.00%
1.2	Of which Public sector entities		545.67	0.00%	100.00%	0.00%
2	Institutions	-	5,042.12	0.00%	100.00%	0.00%
3	Corporates	5,712.59	7,909.39	0.00%	27.77%	72.23%
3.1	Of which Corporates - Specialised lending, excluding slotting approach		-	0.00%	0.00%	0.00%
3.2	Of which Corporates - Specialised lending under slotting approach		2,520.93	0.00%	0.00%	100.00%
4	Retail	12,027.24	12,034.87	0.00%	0.06%	99.94%
4.1	of which Retail – Secured by real estate SMEs		200.47	0.00%	0.96%	99.04%
4.2	of which Retail – Secured by real estate non-SMEs		8,042.37	0.00%	0.00%	100.00%
4.3	of which Retail – Qualifying revolving		-	0.00%	0.00%	0.00%
4.4	of which Retail – Other SMEs		343.08	0.00%	1.66%	98.34%
4.5	of which Retail – Other non-SMEs		3,448.95	0.00%	0.00%	100.00%
5	Equity	253.36	341.27	0.00%	25.76%	74.24%
6	Other non-credit obligation assets	-	491.18	0.00%	100.00%	0.00%
7	**TOTAL**	**17,993.19**	**35,734.98**	**0.00%**	**49.65%**	**50.35%**

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), as the first line of defence of BIL, ensure the proper application of the IRB Approach within the Bank. They are responsible, among others, for the development of rating systems and their ongoing monitoring.

In the current organization of the Risk Management function, the CRCUs which make up the credit risk control function are identified with the following departments: Credit Data Science; Rating Systems Control; F&R Factory; and Model Governance.

Pursuant to the Article 190 of 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 re- ports on the output of the internal rating systems. The roles and responsibilities of each component of CRCU are as follow:

- Credit Data Science, which is in charge of 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; and
  - 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 has been created since the 1 March 2021 and it integrates the former Credit Risk Calculation & Reporting team. This F&R Factory Unit is under the responsibility of Finance and its 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; and
- 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 Model Risk Management Framework of the Bank. 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;
- Co-operates 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; and
- Implements the outsourcing policy regarding certain functions of CRCU as stated in the Article 190 (3) of CRR.

Credit Risk Management Unit

The credit risk analysts are the main users of the IRS; they are responsible for correct segmentation of counterparties and for the assessment and monitoring of credit risk. Specifically, regarding the model 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 of documenting these results in the context of the loan approval process (i.e. mention on the "Credit Decision Sheet").

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. In particular, internal audit may review Credit Risk Quality Control Unit 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 subject matter in relation with model 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, it will also discuss other points such as significant variation in RWA.

Consequently, the Model Risk Committee (MRC) copes with all topics in relation to Pillar I and II models, as well as IFRS9 models. It oversees the lifecycle of each model: methodology, back-testing, validation, implementation, as well as the model change and model inventory.

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 Risk Policy Sub-Committee (RPsC) on model development.

Risk Policy Sub-Committee

The Risk Policy Sub-Committee (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 the Model Risk, the RPsC:

- Ensures the comprehensiveness and the consistency of the policies and procedures related to model risk concerns. In particular, 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 in case of new internal model or material model changes and extensions on existing models before sending the notification to 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 also 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. backtesting. Backtesting is performed according to a validated approach for each model when there is sufficient and appropriate data. Backtesting 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 re-develop 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

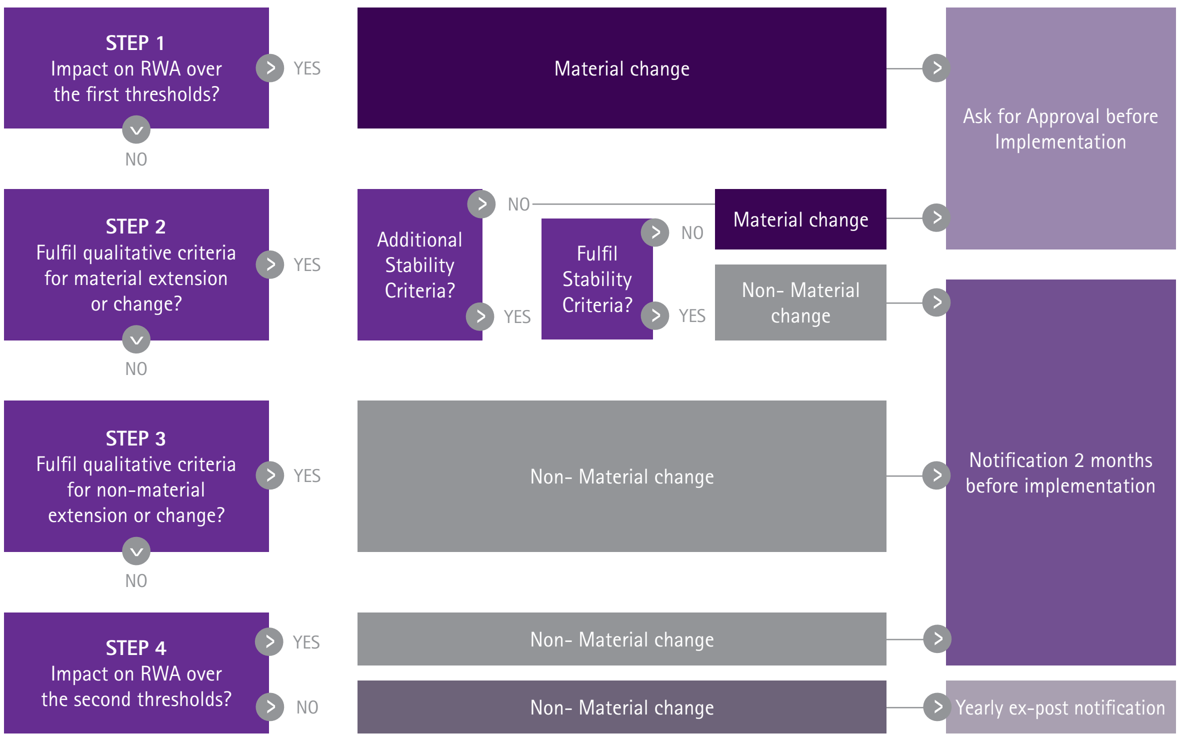
In the context of the Capital Requirement Regulation, the use of internal models for the assessment of the Risk-Weighted Assets may require preliminary approval by the competent Authority before effective implementation of one of the following cases:
- A new model is developed for a specific portfolio (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 Life-cycle).

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 Joint Supervisory Team ('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 Risk-Weighted Asset of BIL group decreases of more than 1.5% or when Risk-Weighted Asset 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 Risk-Weighted Asset related to the range of application of a considered IRS decreases of more than 5% and less than 15%;
- Other impacts on Risk-Weighted Assets 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 credit risk model governance, the Credit Data Science Unit includes an ongoing reviewing 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 regards all risk models under the scope of the A-IRB approach. This control consists in a backtesting. Its primary purpose is to ensure the adequacy of the regulatory capital of the Bank with the credit risks it is exposed to. Since the capital adequacy relies on internally estimated credit risk factors (i.e. PD, LGD and EAD/CCF), the Bank has to provide evidences that its risk assessment is accurate or at least sufficiently conservative.

A second purpose of backtesting 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 backtesting 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 backtesting exercise has been performed in 2021 for this type of exposures. Regarding the Bank exposures, no PD backtesting 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 backtesting 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 backtesting 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. The final decision letter from ECB should be received in Q1/2023. 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 model will be 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 backtesting 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 backtesting 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 has to be reminded that regarding the Bank PD model, no backtesting 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 backtest 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 backtesting 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 backtesting 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 backtesting have demonstrated that the PD are conservatively calibrated for the considered years and for the considered period.

Finally, it has to be noted that a recalibration of the PD values for the Mid 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.

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).

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
Cohort Period	*2008-2022*		*2008-2022*	

The backtesting 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. It has to be noticed that a new Retail LGD model and a new Mid Corporate LGD model have been developed in 2020 (and beginning of 2021) based on the new Loss DataBase in order to take into account the new DoD requirements, as well as the EBA guidelines on PD and LGD estimation, on LGD estimates for an economic downturn, Expected Loss Best Estimate and LGD in-default.

It has to be noticed that a new Retail LGD model and a new Small and Mid-Corporate LGD model have been developed in 2020 (and beginning of 2021) based on the new Loss DataBase in order to take into account the new DoD requirements, as well as the EBA guidelines on PD and LGD estimation, on LGD estimates for an economic downturn, Expected Loss Best Estimate and LGD in-default.

Regarding the Low Default Portfolio, no backtesting has been performed in 2022 due to the fact that the Sovereigns and Bank exposures are treated under the Standardised approach and the Corporates exposures under the Foundation approach.

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%[1]

A backtesting has been performed in 2022 based on the reporting dates from 2019/12 to 2021/12. 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 backtesting. 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.

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

The following tables provide the information on the backtesting of PD and compare, by exposure class and internal grade as of end of December 2022, 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.

[1] 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.

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 which: number of obligors which defaulted during the year				
a	b	c	d	e	f	g	h
Total A-IRB	0.00 to <0.15	39,947	193	0.48%	0.09%	0.07%	0.43%
	0.00 to <0.10	24,873	146	0.59%	0.06%	0.05%	0.56%
	0.10 to <0.15	15,074	47	0.31%	0.12%	0.12%	0.23%
	0.15 to <0.25	0	0	0.00%	0.23%	0.00%	0.00%
	0.25 to <0.50	16,805	115	0.68%	0.34%	0.31%	0.43%
	0.50 to <0.75	16,692	186	1.11%	0.65%	0.65%	1.16%
	0.75 to <2.50	8,714	186	2.14%	2.00%	1.99%	1.41%
	0.75 to <1.75	2,652	33	1.24%	1.58%	1.62%	0.98%
	1.75 to <2.5	6,062	153	2.53%	2.13%	2.16%	1.59%
	2.50 to <10.00	11,214	425	3.79%	4.62%	4.46%	3.06%
	2.5 to <5	9,012	278	3.09%	4.18%	4.03%	2.69%
	5 to <10	2,202	147	6.69%	6.24%	6.17%	4.29%
	10.00 to <100.00	3,157	473	15.09%	17.39%	15.81%	11.64%
	10 to <20	2,209	261	11.88%	11.89%	11.84%	9.12%
	20 to <30	840	186	22.41%	23.30%	23.94%	15.72%
	30.00 to <100.00	108	26	24.07%	39.95%	40.20%	16.60%
	100.00 (Default)	3,683	0	0.00%	99.96%	100.00%	0.00%

F-IRB

Exposure class	PD range	Number of obligors at the end of the 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
Total F-IRB	0.00 to <0.15	135	0	0.00%	0.08%	0.08%	0.08%
	0.00 to <0.10	106	0	0.00%	0.04%	0.04%	0.08%
	0.10 to <0.15	29	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	34	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	55	2	3.64%	0.86%	0.86%	0.85%
	0.75 to <1.75	55	2	3.64%	0.86%	0.86%	0.85%
	1.75 to <2.5	0	0	0.00%	0.00%	0.00%	0.00%
	2.50 to <10.00	22	0	0.00%	6.08%	4.44%	0.00%
	2.5 to <5	20	0	0.00%	4.10%	4.24%	0.00%
	5 to <10	2	0	0.00%	7.43%	7.43%	0.00%
	10.00 to <100.00	53	0	0.00%	0.14%	13.98%	0.00%
	10 to <20	384	11	2.86%	11.78%	11.77%	6.21%
	20 to <30	167	15	8.98%	22.64%	24.40%	12.23%
	30.00 to <100.00	9	2	22.22%	40.54%	39.72%	21.65%
	100.00 (Default)	269	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)

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

Exposure class	PD range		Number of obligors at the end of the 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	
Total A-IRB	0. 0.00 to <0.005	AAA+	0	0	0	0	0	
	1. 0.005 to <0.015	AAA	0	0	0	0	0	
	2. 0.015 to <0.025	AA+	0	0	0	0	0	
	3. 0.025 to <0.035	AA	0	0	0	0	0	
	4. 0.035 to <0.045	AA-	8,038	15	0.19%	0.04%	0.11%	
	5. 0.045 to <0.055	A+	-	0	0.00%	0.00%	0.00%	
	6. 0.055 to <0.065	A	15,284	22	0.14%	0.06%	0.09%	
	7. 0.065 to <0.125	A-	16,625	156	0.94%	0.07%	0.82%	
	8. 0.125 to <0.260	BBB+	2,233	6	0.27%	0.18%	0.32%	
	9. 0.260 to <0.525	BBB	16,805	113	0.67%	0.34%	0.42%	
	10. 0.525 to <0.795	BBB-	16,692	184	1.10%	0.71%	1.13%	
	11. 0.795 to <1.015	BB+	-	0	0.00%	0.00%	0.33%	
	12. 1.015 to <1.915	BB	2,652	28	1.06%	1.15%	0.94%	
	13. 1.915 to <3.315	BB-	7,349	183	2.49%	2.68%	1.76%	
	14. 3.315 to <6.510	B+	9,625	319	3.32%	3.95%	2.96%	
	15. 6.510 to <11.455	B	1,377	141	10.25%	9.07%	9.22%	
	16. 11.455 to <22.355	B-	1,157	130	11.33%	13.84%	8.57%	
	17. 22.355 to <99.975	CCC	925	206	22.51%	30.87%	15.81%	
	18. 99.975 to <100.050	D	3,683	0	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 which: number of obligors which defaulted during the year				
a	b	c	d	e	f	g	h
Total F-IRB	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	6	0	0.00%	0.03%	0.44%
	4. 0.035 to <0.045	AA-	2	0	0.00%	0.00%	0.00%
	5. 0.045 to <0.055	A+	15	0	0.00%	0.05%	0.00%
	6. 0.055 to <0.065	A	17	0	0.00%	0.00%	0.00%
	7. 0.065 to <0.125	A-	82	0	0.00%	0.00%	0.00%
	8. 0.125 to <0.260	BBB+	29	0	0.00%	0.18%	0.00%
	9. 0.260 to <0.525	BBB	34	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+	49	2	4.08%	0.88%	0.45%
	12. 1.015 to <1.915	BB	6	0	0.00%	0.00%	0.79%
	13. 1.915 to <3.315	BB-	2	0	0.00%	0.00%	0.00%
	14. 3.315 to <6.510	B+	18	0	0.00%	3.95%	0.00%
	15. 6.510 to <11.455	B	2	0	0.00%	9.07%	0.00%
	16. 11.455 to <22.355	B-	10	0	0.00%	13.84%	0.00%
	17. 22.355 to <99.975	CCC	43	0	0.00%	0.00%	0.00%
	18. 99.975 to <100.050	D	7	0	0.00%	100.00%	0.00%

3.6.5. Credit risk exposures by exposure class and PD range

In the application of Article 452 (b-g) in 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.

Please note that 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, they don't have PD or LGD data, and supervisory slotting risk weights are applied. The EAD and RWA of Specialised Lending exposure as of 31 December 2022 are EUR 2,520.9 million and EUR 2,198.7 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. This type of exposure has EUR 165.8 million EAD and EUR 465 million RWA in the end of year 2022.

As at 31/12/2022, BIL's exposures to Central governments and to Institutions are all under Standardised approach.

TABLE 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	m
Corporate – SME	0.00 to <0.15	-	-	0%	-	0.00%	-	0.0%	-	-	0.00%	-	0.00
	0.00 to <0.10	-	-	0%	-	0.00%	-	0.0%	-	-	0.00%	-	0.00
	0.10 to <0.15	-	-	0%	-	0.00%	-	0.0%	-	-	0.00%	-	0.00
	0.15 to <0.25	0.23	0.08	100%	0.31	0.23%	10	17.2%	1.00	0.04	0.00%	0.00	-0.00
	0.25 to <0.50	63.54	21.89	68%	100.34	0.43%	86	7.5%	3.00	10.42	0.00%	0.04	-0.05
	0.50 to <0.75	71.82	31.77	66%	92.73	0.63%	96	8.0%	4.00	13.89	0.00%	0.05	-0.05
	0.75 to <2.50	283.73	182.04	50%	363.01	2.01%	416	6.6%	3.00	49.65	0.00%	0.44	-0.45
	0.75 to <1.75	67.54	68.62	47%	97.52	1.36%	134	9.6%	2.00	18.30	0.00%	0.13	-0.08
	1.75 to <2.5	216.19	113.41	52%	265.50	2.24%	282	5.5%	3.00	31.35	0.00%	0.31	-0.37
	2.50 to <10.00	449.15	161.11	55%	521.38	4.30%	443	5.3%	3.00	71.62	0.00%	1.13	-1.86
	2.5 to <5	315.34	129.02	54%	371.67	3.20%	316	5.6%	3.00	51.98	0.00%	0.66	-1.09
	5 to <10	133.81	32.09	57%	149.70	7.03%	127	4.3%	3.00	19.65	0.00%	0.47	-0.78
	10.00 to <100.00	118.38	32.75	52%	132.54	18.78%	170	8.2%	3.00	48.66	0.00%	1.91	-1.69
	10 to <20	58.23	25.24	49%	68.50	12.37%	91	8.5%	2.00	23.28	0.00%	0.69	-0.58
	20 to <30	46.05	6.50	60%	49.30	21.37%	63	8.5%	3.00	20.66	0.00%	0.88	-0.85
	30.00 to <100.00	14.09	1.01	99%	14.73	39.96%	16	5.9%	3.00	4.72	0.00%	0.35	-0.26
	100 (default)	99.29	28.60	41%	86.18	99.79%	55	10.2%	3.00	53.80	0.00%	44.00	-43.99
	SUBTOTAL	**1,086.13**	**458.23**		**1,296.48**					**248.09**		**47.56**	**-48.11**

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	m
Corporate – Other	0.00 to <0.15	-	-	0%	-	0.00%	-	0.0%	-	-	0.00%	-	0.00
	0.00 to <0.10	-	-	0%	-	0.00%	-	0.0%	-	-	0.00%	-	0.00
	0.10 to <0.15	-	-	0%	-	0.00%	-	0.0%	-	-	0.00%	-	0.00
	0.15 to <0.25	-	-	0%	-	0.00%	-	0.0%	-	-	0.00%	-	0.00
	0.25 to <0.50	0.00	2.51	15%	0.38	0.48%	2	13.1%	5.00	0.14	0.00%	0.00	0.00
	0.50 to <0.75	22.31	50.36	42%	40.08	0.66%	5	7.4%	4.00	8.18	0.00%	0.02	-0.10
	0.75 to <2.50	53.33	120.13	53%	111.80	1.90%	28	9.7%	3.00	34.82	0.00%	0.20	-0.31
	0.75 to <1.75	5.91	17.63	73%	18.85	1.30%	9	12.9%	5.00	8.90	0.00%	0.03	-0.01
	1.75 to <2.5	47.42	102.50	50%	92.95	2.02%	19	9.1%	2.00	25.92	0.00%	0.17	-0.29
	2.50 to <10.00	39.95	58.29	44%	61.77	3.51%	27	12.8%	2.00	29.12	0.00%	0.28	-0.11
	2.5 to <5	29.99	34.45	59%	46.29	2.70%	17	12.7%	2.00	20.01	0.00%	0.16	-0.06
	5 to <10	9.96	23.84	23%	15.48	5.92%	10	12.9%	3.00	9.11	0.00%	0.12	-0.05
	10.00 to <100.00	1.79	3.07	49%	1.86	10.41%	5	18.4%	1.00	1.74	0.00%	0.04	-0.02
	10 to <20	1.78	3.07	49%	1.86	10.36%	4	18.4%	1.00	1.73	0.00%	0.04	-0.02
	20 to <30	0.01	-	0%	0.01	20.00%	1	13.1%	1.00	0.01	0.00%	0.00	-0.00
	30.00 to <100.00	-	-	0%	-	0.00%	-	0.0%	-	-	0.00%	-	0.00
	100 (default)	0.00	0.03	65%	0.02	100.00%	1	13.1%	1.00	0.01	0.00%	-	0.00
	SUBTOTAL	**117.37**	**234.39**		**215.92**					**74.01**		**0.53**	**-0.53**

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	m
Retail – Secured by immovable property SME	0.00 to <0.15	-	-	0%	-	0.00%	-	0.0%	-	-	0.00%	-	0.00
	0.00 to <0.10	-	-	0%	-	0.00%	-	0.0%	-	-	0.00%	-	0.00
	0.10 to <0.15	-	-	0%	-	0.00%	-	0.0%	-	-	0.00%	-	0.00
	0.15 to <0.25	0.01	-	0%	0.01	0.23%	2	10.0%	-	0.00	0.00%	0.00	0.00
	0.25 to <0.50	2.78	0.12	100%	2.91	0.38%	16	14.0%	-	0.22	0.00%	0.00	-0.00
	0.50 to <0.75	9.25	7.49	100%	16.74	0.60%	33	8.7%	-	1.77	0.00%	0.01	-0.00
	0.75 to <2.50	26.94	6.70	100%	33.64	2.12%	117	12.3%	-	8.33	0.00%	0.09	-0.06
	0.75 to <1.75	7.62	3.25	100%	10.87	1.62%	37	12.9%	-	3.30	0.00%	0.02	-0.01
	1.75 to <2.5	19.32	3.45	100%	22.77	2.36%	80	12.0%	-	5.02	0.00%	0.06	-0.05
	2.50 to <10.00	95.71	6.81	100%	102.52	4.26%	223	11.5%	-	40.96	0.00%	0.50	-0.05
	2.5 to <5	89.68	6.79	100%	96.46	3.94%	208	11.4%	-	37.72	0.00%	0.43	-0.05
	5 to <10	6.04	0.02	100%	6.06	9.40%	15	11.7%	-	3.24	0.00%	0.07	-0.01
	10.00 to <100.00	32.54	1.51	100%	34.06	20.86%	83	11.4%	-	26.33	0.00%	0.80	-0.02
	10 to <20	12.39	1.45	100%	13.85	11.78%	39	12.0%	-	10.00	0.00%	0.20	-0.01
	20 to <30	15.17	0.04	100%	15.20	22.64%	28	10.8%	-	12.49	0.00%	0.37	-0.01
	30.00 to <100.00	4.98	0.02	100%	5.00	40.54%	16	11.5%	-	3.84	0.00%	0.23	-0.00
	100 (default)	8.28	0.40	100%	8.68	100.00%	19	0.1%	-	5.43	0.00%	0.09	-0.09
	SUBTOTAL	**175.52**	**23.02**		**198.54**					**83.04**		**1.49**	**-0.22**

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	m
Retail - Secured by immovable property non-SME	0.00 to <0.15	1,183.82	95.50	100%	1,279.32	0.10%	5,205	10.7%	-	36.65	0.00%	0.13	-0.03
	0.00 to <0.10	455.36	50.68	100%	506.04	0.06%	2,415	10.7%	-	10.21	0.00%	0.03	-0.01
	0.10 to <0.15	728.46	44.82	100%	773.28	0.12%	2,790	10.7%	-	26.43	0.00%	0.10	-0.02
	0.15 to <0.25	204.53	13.00	100%	217.52	0.23%	440	10.7%	-	12.11	0.00%	0.05	-0.01
	0.25 to <0.50	1,166.04	57.20	100%	1,223.24	0.34%	3,167	10.7%	-	90.53	0.00%	0.44	-0.05
	0.50 to <0.75	2,412.67	128.67	100%	2,541.14	0.65%	5,011	10.7%	-	298.42	0.00%	1.77	-0.29
	0.75 to <2.50	1,132.38	60.78	98%	1,192.23	1.98%	2,030	10.9%	-	287.42	0.00%	2.56	-2.06
	0.75 to <1.75	315.14	27.20	100%	342.34	1.63%	641	11.4%	-	79.06	0.00%	0.64	-0.47
	1.75 to <2.5	817.24	33.58	97%	849.90	2.12%	1,389	10.7%	-	208.36	0.00%	1.93	-1.59
	2.50 to <10.00	1,021.08	87.24	100%	1,108.08	4.78%	2,149	10.9%	-	454.63	0.00%	5.77	-1.03
	2.5 to <5	702.92	76.65	100%	779.34	4.39%	1,520	11.0%	-	310.64	0.00%	3.78	-0.78
	5 to <10	318.16	10.59	100%	328.75	5.72%	629	10.6%	-	143.99	0.00%	1.99	-0.25
	10.00 to <100.00	354.02	13.33	97%	367.01	15.56%	617	10.8%	-	236.17	0.00%	6.15	-0.95
	10 to <20	251.87	10.82	97%	262.35	11.74%	431	10.7%	-	158.73	0.00%	3.29	-0.73
	20 to <30	96.88	2.51	100%	99.38	24.37%	176	10.9%	-	73.85	0.00%	2.64	-0.21
	30.00 to <100.00	5.27	-	0%	5.27	39.72%	10	10.4%	-	3.59	0.00%	0.22	-0.00
	100 (default)	111.81	2.01	100%	113.82	100.00%	237	0.3%	-	71.14	0.00%	4.38	-4.38
	SUBTOTAL	**7,586.34**	**457.73**		**8,042.37**					**1,487.09**		**21.26**	**-8.78**

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	m
Retail - Other SME	0.00 to <0.15	0.15	0.10	100%	0.25	0.06%	19	18.1%	-	0.01	0.00%	0.00	-0.00
	0.00 to <0.10	0.15	0.10	100%	0.25	0.06%	19	18.1%	-	0.01	0.00%	0.00	-0.00
	0.10 to <0.15	-	-	0%	-	0.00%	-	0.0%	-	-	0.00%	-	0.00
	0.15 to <0.25	1.49	2.87	100%	4.36	0.23%	493	16.7%	-	0.45	0.00%	0.00	-0.00
	0.25 to <0.50	9.08	5.51	71%	12.81	0.38%	87	12.9%	-	0.99	0.00%	0.01	-0.01
	0.50 to <0.75	14.45	17.01	88%	29.45	0.62%	1,463	15.9%	-	5.22	0.00%	0.03	-0.02
	0.75 to <2.50	60.61	52.81	73%	95.17	2.15%	1,777	13.0%	-	17.43	0.00%	0.26	-0.21
	0.75 to <1.75	14.22	13.96	88%	26.14	1.61%	977	14.5%	-	6.20	0.00%	0.06	-0.03
	1.75 to <2.5	46.39	38.85	68%	69.03	2.35%	800	12.5%	-	11.23	0.00%	0.20	-0.18
	2.50 to <10.00	85.79	60.85	75%	128.95	5.06%	1,566	13.7%	-	30.28	0.00%	0.88	-0.51
	2.5 to <5	65.70	54.13	76%	104.75	4.04%	1,358	14.0%	-	25.40	0.00%	0.59	-0.37
	5 to <10	20.09	6.71	69%	24.20	9.47%	208	12.5%	-	4.89	0.00%	0.29	-0.14
	10.00 to <100.00	34.94	9.10	71%	40.16	21.69%	557	14.9%	-	16.50	0.00%	1.32	-0.36
	10 to <20	15.78	6.14	68%	19.51	13.34%	338	14.0%	-	6.06	0.00%	0.36	-0.12
	20 to <30	11.44	2.31	72%	12.69	22.97%	151	15.5%	-	5.88	0.00%	0.45	-0.11
	30.00 to <100.00	7.72	0.66	84%	7.97	40.10%	68	16.2%	-	4.55	0.00%	0.52	-0.13
	100 (default)	17.18	1.55	58%	17.15	100.00%	555	15.8%	-	10.72	0.00%	9.04	-9.04
	SUBTOTAL	**223.69**	**149.80**		**328.30**					**81.60**		**11.53**	**-10.15**

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	m
Retail - Other non - SME	0.00 to <0.15	335.21	310.34	77%	575.32	0.09%	46,392	10.4%	-	18.41	0.00%	0.05	-0.08
	0.00 to <0.10	113.97	172.25	86%	261.55	0.06%	30,926	10.8%	-	6.22	0.00%	0.02	-0.02
	0.10 to <0.15	221.24	138.09	67%	313.76	0.12%	15,466	10.1%	-	12.19	0.00%	0.04	-0.06
	0.15 to <0.25	32.09	24.31	88%	53.44	0.23%	1,707	10.8%	-	3.57	0.00%	0.01	-0.01
	0.25 to <0.50	383.22	180.86	52%	478.02	0.34%	16,833	10.5%	-	39.56	0.00%	0.17	-0.09
	0.50 to <0.75	349.51	124.97	61%	426.12	0.64%	11,319	10.1%	-	49.38	0.00%	0.28	-0.27
	0.75 to <2.50	615.00	261.09	41%	721.56	2.02%	4,713	25.7%	-	287.63	0.00%	3.84	-2.15
	0.75 to <1.75	88.62	41.06	54%	110.80	1.63%	1,069	7.0%	-	13.17	0.00%	0.13	-0.10
	1.75 to <2.5	526.38	220.03	38%	610.76	2.09%	3,644	29.1%	-	274.46	0.00%	3.71	-2.05
	2.50 to <10.00	774.43	200.15	48%	868.56	4.67%	6,765	9.7%	-	166.67	0.00%	3.93	-3.15
	2.5 to <5	726.03	174.38	42%	798.27	4.58%	5,488	9.4%	-	148.37	0.00%	3.41	-2.63
	5 to <10	48.39	25.77	85%	70.28	5.72%	1,277	12.8%	-	18.30	0.00%	0.51	-0.52
	10.00 to <100.00	105.61	12.10	96%	117.16	19.19%	1,877	19.1%	-	64.03	0.00%	4.09	-2.00
	10 to <20	56.76	3.74	95%	60.29	11.62%	1,492	21.6%	-	32.33	0.00%	1.53	-1.27
	20 to <30	35.54	8.32	96%	43.52	23.39%	366	16.3%	-	23.16	0.00%	1.65	-0.71
	30.00 to <100.00	13.32	0.04	99%	13.36	39.72%	19	17.2%	-	8.54	0.00%	0.91	-0.01
	100 (default)	196.57	7.78	80%	202.71	100.00%	2,908	15.4%	-	126.70	0.00%	74.61	-74.61
	SUBTOTAL	**2,791.64**	**1,121.61**		**3,442.89**					**755.95**		**86.98**	**-82.35**
A-IRB TOTAL (ALL EXPOSURES CLASSES)		**11,980.69**	**2,444.78**		**13,524.50**					**2,729.78**		**169.36**	**-150.14**

F-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	m
Corporate - SME	0.00 to <0.15	-	-	0%	-	0.00%	-	0.0%	-	-	0.00%	-	0.00
	0.00 to <0.10	-	-	0%	-	0.00%	-	0.0%	-	-	0.00%	-	0.00
	0.10 to <0.15	-	-	0%	-	0.00%	-	0.0%	-	-	0.00%	-	0.00
	0.15 to <0.25	-	-	0%	-	0.00%	-	0.0%	-	-	0.00%	-	0.00
	0.25 to <0.50	20.33	-	0%	20.33	0.31%	1	45.0%	3.00	12.34	0.00%	0.03	-0.07
	0.50 to <0.75	-	-	0%	-	0.00%	-	0.0%	-	-	0.00%	-	0.00
	0.75 to <2.50	21.33	9.95	24%	23.68	0.84%	2	45.0%	3.00	18.44	0.00%	0.09	-0.20
	0.75 to <1.75	21.33	9.95	24%	23.68	0.84%	2	45.0%	3.00	18.44	0.00%	0.09	-0.20
	1.75 to <2.5	-	-	0%	-	0.00%	-	0.0%	-	-	0.00%	-	0.00
	2.50 to <10.00	131.31	0.00	75%	131.31	7.43%	1	37.6%	3.00	174.78	0.00%	3.67	-7.89
	2.5 to <5	-	-	0%	-	0.00%	-	0.0%	-	-	0.00%	-	0.00
	5 to <10	131.31	0.00	75%	131.31	7.43%	1	37.6%	3.00	174.78	0.00%	3.67	-7.89
	10.00 to <100.00	-	-	0%	-	0.00%	-	0.0%	-	-	0.00%	-	0.00
	10 to <20	-	-	0%	-	0.00%	-	0.0%	-	-	0.00%	-	0.00
	20 to <30	-	-	0%	-	0.00%	-	0.0%	-	-	0.00%	-	0.00
	30.00 to <100.00	-	-	0%	-	0.00%	-	0.0%	-	-	0.00%	-	0.00
	100 (default)	24.35	12.31	75%	33.59	100.00%	1	45.0%	3.00	-	0.00%	0.50	-0.50
	SUBTOTAL	**197.32**	**22.26**		**208.90**					**205.56**		**4.29**	**-8.66**

F-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	m
Corporate – Other	0.00 to <0.15	524.79	175.98	33%	558.41	0.08%	37	45.0%	3.00	188.09	0.00%	0.21	-0.50
	0.00 to <0.10	321.09	56.70	58%	329.34	0.04%	21	45.0%	3.00	76.38	0.00%	0.06	-0.13
	0.10 to <0.15	203.70	119.28	21%	229.07	0.14%	16	45.0%	3.00	111.71	0.00%	0.15	-0.37
	0.15 to <0.25	-	-	0%	-	0.00%	-	0.0%	-	-	0.00%	-	0.00
	0.25 to <0.50	285.50	33.58	73%	286.72	0.31%	20	44.9%	3.00	211.66	0.00%	0.40	-0.95
	0.50 to <0.75	-	-	0%	-	0.00%	-	0.0%	-	-	0.00%	-	0.00
	0.75 to <2.50	276.35	166.66	47%	349.53	0.86%	37	45.0%	3.00	409.23	0.00%	1.35	-3.49
	0.75 to <1.75	276.35	166.66	47%	349.53	0.86%	37	45.0%	3.00	409.23	0.00%	1.35	-3.49
	1.75 to <2.5	-	-	0%	-	0.00%	-	0.0%	-	-	0.00%	-	0.00
	2.50 to <10.00	100.15	80.53	54%	89.87	4.10%	14	31.7%	3.00	119.52	0.00%	1.16	-3.23
	2.5 to <5	100.15	80.53	54%	89.87	4.10%	14	31.7%	3.00	119.52	0.00%	1.16	-3.23
	5 to <10	-	-	0%	-	0.00%	-	0.0%	-	-	0.00%	-	0.00
	10.00 to <100.00	0.39	-	0%	0.58	0.14%	1	45.0%	3.00	0.28	0.00%	0.00	-0.00
	10 to <20	0.39	-	0%	0.58	0.14%	1	45.0%	3.00	0.28	0.00%	0.00	-0.00
	20 to <30	-	-	0%	-	0.00%	-	0.0%	-	-	0.00%	-	0.00
	30.00 to <100.00	-	-	0%	-	0.00%	-	0.0%	-	-	0.00%	-	0.00
	100 (default)	25.92	2.47	75%	24.54	86.18%	4	45.0%	3.00	5.87	0.00%	8.76	-8.93
	SUBTOTAL	**1,213.10**	**459.22**		**1,309.65**					**934.65**		**11.87**	**-17.10**
F-IRB TOTAL (ALL EXPOSURES CLASSES)		**1,410.42**	**481.48**		**1,518.55**					**1,140.21**		**16.16**	**-25.76**

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 has been performed in October 2019, with 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) has started in November 2021 and finished end of June 2022, for the approval of the new Retail models developed in 2019/2020 (PD Retail, CCF Retail, LGD Retail for performing and defaulted exposures). The ECB final decision letter should be received end of Q1/2023
- The application package of the new CCF Mid Corporate model has been sent to ECB end of January 2023
- The development of the new PD Mid Corporate model is finished, and the internal validation process is near to the end. The pre-application package will be sent to ECB end of May 2023 as planned.

3.6.7. RWA flow statements of credit risk exposures

In the application of Article 438 (h), the following table provides a flow statement explaining variations in the credit RWAs between year-end 2021 and 2022, 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	7,325.81
2	Asset size (+/-)	-146.22
3	Asset quality (+/-)	-61.74
4	Model updates (+/-)	-620.37
5	Methodology and policy (+/-)	0.00
6	Acquisitions and disposals (+/-)	0.00
7	Foreign exchange movements (+/-)	0.00
8	Other (+/-)	36.23
9	**Risk weighted exposure amount as at the end of the reporting period**	**6,533.71**

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

In order to reduce counterparty risk, derivatives transactions are traded with counterparties with whom BIL has master agreement (ISDA/CSA). It takes into account 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.

Remark: 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 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) on a daily basis. 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 taken into account in the collateral management rules.

As reminder, Market and Liquidity Risk Management (MLRM) process is designed in order that the risk incurred by positions on the Dealing room are identified, measured, monitored, mitigated, supervised and reported. The approach allows 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 M); a downgrade by one notch will lead to a MTA level of EUR 0.1 M.

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 2022 (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	-314.8	-678.2	-1,577.3
Maximum	-514.9	-843.1	-1,895.7

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 0.315 M in average would have to be pledged (EUR 0.515 M under worst case scenario in 2022).

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 of 31/12/2022 is of EUR 150 M.

Remark: 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) in 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)	8.83	23.04		1.4	97.03	44.62	44.62	19.36
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)					252.48	-	-	-
5	VaR for SFTs					-	-	-	-
6	**Total**					**349.50**	**44.62**	**44.62**	**19.36**

3.7.3. CVA capital charge

In the application of Article 439 (h) in 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	29.61	5.04
EU4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)		
5	**TOTAL TRANSACTIONS SUBJECT TO OWN FUNDS REQUIREMENTS FOR CVA RISK**	**29.61**	**5.04**

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)		48.89
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	1,222.18	48.89
3	(i) OTC derivatives	1,222.18	48.89
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

In the application of Article 444 (e) in 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
	Exposure classes	Risk weight											
		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	-	-	1,222.18	-	59.05	19.46	-	-	-	-	-	1,300.69
7	Corporates	-	-	-	-	-	0.02	-	-	9.97	-	-	9.99
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	44.34	0.02	-	-	0.03	-	-	44.39
10	Other items	-	-	-	-	-	-	-	-	-	0.31	-	0.31
11	**Total exposure value**	**-**	**-**	**1,222.18**	**-**	**103.40**	**19.49**	**-**	**-**	**10.00**	**0.31**	**-**	**1,355.38**

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

In the application of Article 452 (g) in 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 PORTFOLIO 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
Corporates – (F-IRB)	0.00 to <0.15	0.15	0.03%	3	45%	3.0	0.03	19.63%
	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	-	0.00%	-	0%	-	-	0.00%
	0.75 to <2.50	1.38	0.87%	2	45%	3.0	1.63	117.65%
	2.50 to <10.00	0.02	4.00%	1	45%	3.0	0.03	187.43%
	10.00 to <100.00	0.03	13.98%	4	45%	3.0	0.08	291.23%
	100.00 (Default)	-	0.00%	-	0%	-	-	0.00%
	SUBTOTAL	**1.57**	**1.05%**	**10**	**45%**	**3.0**	**1.76**	**112.15%**

		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
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	-	0.00%	-	0%	-	-	0.00%
	0.75 to <2.50	0.56	2.02%	1	13%	1.0	0.20	35.81%
	2.50 to <10.00	-	0.00%	-	0%	-	-	0.00%
	10.00 to <100.00	0.03	10.26%	1	13%	1.0	0.01	45.32%
	100.00 (Default)	-	0.00%	-	0%	-	-	0.00%
	SUBTOTAL	**0.59**	**12.28%**	**2**	**26%**	**2.0**	**0.21**	**81.13%**

	PD scale	a Exposure value	b Exposure weighted average PD (%)	c Number of obligors	d Exposure weighted average LGD (%)	e Exposure weighted average maturity (years)	f RWEA	g Density of risk weighted exposure amount
Retail – (A-IRB)	0.00 to <0.15	0.27	0.10%	17	13%	-	0.01	4.56%
	0.15 to <0.25	-	0.00%	-	0%	-	-	0.00%
	0.25 to <0.50	0.14	0.34%	6	13%	-	0.01	10.63%
	0.50 to <0.75	0.36	1.24%	4	34%	-	0.07	38.84%
	0.75 to <2.50	2.56	4.37%	112	27%	-	0.61	42.66%
	2.50 to <10.00	0.93	8.44%	29	30%	-	0.25	61.73%
	10.00 to <100.00	0.18	11.45%	1	13%	-	0.06	32.72%
	100.00 (Default)	-	0.00%	-	0%	-	-	0.00%
	SUBTOTAL	**4.44**	**4.45%**	**169**	**29%**	**-**	**1.02**	**42.46%**
TOTAL (ALL CCR RELEVANT EXPOSURE CLASSES)		**6.60**	**3.73%**	**181**	**59%**	**4.0000**	**3.00**	**136.69%**

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

In the application of Article 439 (e) in 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	-	5.13	-	277.15	-	0.21	-	-
2	Cash – other currencies	-	9.96	-	-	-	-	-	-
3	Domestic sovereign debt	-	-	-	-	-	-	-	-
4	Other sovereign debt	-	-	-	-	-	84.03	-	-
5	Government agency debt	-	-	-	-	-	168.23	-	-
6	Corporate bonds	-	-	-	-	-	-	-	-
7	Equity securities	-	-	-	-	-	-	-	-
8	Other collateral	-	-	-	-	-	4,425.30	-	-
9	**TOTAL**	**-**	**15.09**	**-**	**277.15**	**-**	**4,677.77**	**-**	**-**

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 collaterised 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 take into account 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 2022.

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)	31/12/22			
	Level 1	Level 2	Level 3	Total
Financial assets at FV through OCI - equities	0	0	296,826,490	296,826,490
Financial assets mandatorily at FV through PL - equities	0	24,246,138	3,493,447	27,739,585
TOTAL	**0**	**24,246,138**	**300,319,937**	**324,566,075**

3.8.3. Equity portfolio

31 December 2022, the Bank had an equity portfolio in the non-trading book at fair-value (FV) through other comprehensive income of EUR 297 million.

Financial assets at FV through OCI – equities (in EUR)	31/12/22		
	Acquisition cost	Fair Value Adjustment	Carrying Amount
Operational Participations	16,377,022	28,178,845	44,555,867
Other	11,143,376	(8,049,808)	3,093,568
Private Equities	0	0	0
Strategic Participations	8,059,638	241,117,416	249,177,054
TOTAL	**35,580,036**	**261,246,453**	**296,826,489**

Financial assets at FV through OCI – equities (in EUR)	31/12/22		
	Carrying Amount	of which at cost	of which fair valued
Operational Participations	44,555,867	0	44,555,867
Other	3,093,568	0	3,093,568
Private Equities	0	0	0
Strategic Participations	249,177,054	0	249,177,054
TOTAL	**296,826,489**	**0**	**296,826,489**

The Bank had also at 31 December 2022 an equity portfolio in the non-trading book at fair-value (FV) through P&L of EUR 28 million.

Financial assets mandatorily at FV through PL – equities (in EUR)	31/12/22		
	Acquisition cost	Fair Value Adjustment	Carrying Amount
Investment Funds	27,707,404	32,181	27,739,585
Private Equities	0	0	0
TOTAL	**27,707,404**	**32,181**	**27,739,585**

Financial assets mandatorily at FV through PL – equities (in EUR)	31/12/22		
	Carrying Amount	of which at cost	of which fair valued
Investment Funds	27,739,585	0	27,739,585
Private Equities	0	0	0
TOTAL	**27,739,585**	**0**	**27,739,585**

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 2021 and 2022.

(in EUR)	2021	2022
Financial assets at FV through OCI - equities	10,828	(40,542)
Financial assets mandatorily at FV through PL - equities	387,055	(260,692)
TOTAL	**397,883**	**(301,235)**

3.8.4.2. Unrealised gains or losses included in own funds

The total unrealised gains or losses related to equity instruments amounted to 46 million as at 31 December 2022.

(in EUR)	2021	2022
Financial assets at FV through OCI - equities	135,418,841	52,081,169
Financial assets mandatorily at FV through PL - equities	3,342,304	(5,819,726)
TOTAL	**138,761,145**	**46,261,443**

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 it has about EUR 188.87 million of asset-backed securities (ABS) on a total portfolio of EUR 8.7 billion.

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 upon 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 to the strict investment guidelines that were approved by the Board of Directors. These guidelines stipulate that:
- Exposures on securitised assets could 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.

On 31 December 2022, the total EAD for securitised products amounted to EUR 188.87 million for 14 positions.

3.9.3. Securitisation accounting policies

Currently, the Bank does not own any securitisation for which it would be 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 expected credit loss ("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).

4. Market risk

Market risk is the risk of losses resulting from adverse movements of market risk parameters (notably the interest rate risk, the spread risk, the equity price risk, the foreign exchange risk and the liquidity risk):
- The 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;
- The 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;
- The risk associated with the equity price represents the risk arising from the reduction in value of the Bank's equity positions;
- The foreign exchange risk represents the potential decrease in value due to currency exchange rate movements;
- Liquidity risk measures BIL's ability to meet its current and future liquidity requirements, both expected and unexpected, whether or not the situation deteriorates.

4.1. Market risk governance

4.1.1. Organisation

Please refer to the 1.2.1 Organisation part of the report.

4.1.2. Policy and committees

In order 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 Market & Liquidity Risk Management (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 is in charge of the charters, policies and guidelines definition and their application on financial market activities (Banking (of which ALM) 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 Kondor+ interfaced with the new CBS (core banking system) planned in 2023.

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):

TRADING (close / open positions)	Luxembourg	Switzerland
FX Spot	open	close
FX Forward	open	close
FX Swap	open	close
FX Option (plain vanilla)	open	close
Non-deliverable forward	open	close
Non-deliverable options	close	n.a
Spot transactions on precious metals: gold, silver, platinum	open	close

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;
- Trigger 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 has been scaled down in 2022. The FOREX position of BIL Luxembourg is managed in real time in Kondor+ (from Finastra).

MLRM produces on a daily basis a report whose objective is to:
- Measures the FOREX risk and P&L;
- Analyses and explains FOREX risks and P&L evolution;
- Monitors exposures versus limits;
- Produces 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 has been discontinued in 2022.

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 the 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 (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). The VaR is the estimation of the maximum loss which may incurred on a portfolio in x days at a certain confidence level. The VaR is a Risk Appetite Statement's metric.
- The VaR is supplemented by a backtesting (BT). The BT 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 stress testing framework. Stress testing (also including extreme scenario) allows to simulate 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 EVE and NII are part of the 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, the article 103(a) however 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 KPIs about the fraud risk allow to detect inappropriate prices, time dealing or movement at the dealing room level.

4.1.5. Governance of limits[1]

Allocated limits

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.

<table>
<tr><th colspan="2" rowspan="2">Limit framework</th><th colspan="4">Scope of application</th></tr>
<tr><th>BIL Group</th><th>BIL/Entity</th><th>Business Line[2]</th><th>DESK[3]</th></tr>
<tr><td rowspan="2">Business</td><td>Definition</td><td colspan="2" rowspan="2">BoD HO</td><td>MB HO</td><td>ALCO HO</td></tr>
<tr><td>Temporary Increase[4]</td><td>MB HO or ALCO HO[5]</td><td>ALCO HO</td></tr>
<tr><td rowspan="2">RAF / Recovery Plan</td><td>Definition</td><td colspan="3" rowspan="2">BoD HO</td><td rowspan="2"></td></tr>
<tr><td>Temporary Increase[4] (not possible for regulatory limits)</td></tr>
</table>

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.

1 This responds to the Article 435(1)(b) of the qualitative "Table EU MRA – Qualitative disclosure requirements related to market risk".
2 Banking Book Management (composed of ALM, Treasury, Investment Portfolio and Derivatives and Long-Term Funding) and Markets & Execution.
3 ALM, Treasury, Investment Portfolio, Derivatives, Foreign Exchange (FOREX), BIL Structured Products (BSP) secondary market and Warrants.
4 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.
5 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.

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 case of 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 Other Comprehensive Income (OCI)[1] 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 in order 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

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

[1] 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.

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.

<table>
<tr><th colspan="2">Type of breach</th><th>Escalation process</th></tr>
<tr><td>Business</td><td>Trigger / limit</td><td>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[1].</td></tr>
<tr><td rowspan="3">RAF / Recovery Plan</td><td>RAF trigger</td><td>• 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.</td></tr>
<tr><td>RAF limit
Recovery trigger</td><td>• 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.</td></tr>
<tr><td>Recovery Limit</td><td>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.</td></tr>
</table>

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 6.2 (governance of limits).

[1] 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 Value at Risk was EUR 0.09 million in 2022, compared with EUR 0.17 million in 2021. This decrease is mainly explained by the stoppage of the Fixed Income activity.

VaR (10 days 99%) (in EUR million)		30/12/21							
		Fixed Income & FOREX (Trading)				Equity (Trading)			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
By risk factor	Average	0.17	0.16	0.18	0.17	0.00	0.00	0.00	0.00
	Maximum	0.53	0.46	0.63	0.44	0.01	0.00	0.00	0.00
Trading	Average	0.17							
	Maximum	0.63							
	End of period	0.09							
	Limit	**2.00**							

VaR (10 days 99%) (in EUR million)		30/12/22							
		FOREX (Trading)				Treasury (Banking Book)			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
By activity	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**			

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

As at 31 December 2022, the Treasury sensitivity was EUR 3.6 million compared with EUR 4.4 million in 2021.

Sensitivity +1% (in EUR million)	2021			
	Treasury			
	Q1	Q2	Q3	Q4
End of period	5.96	3.11	3.71	4.40
Limit	-9.00			

Sensitivity +1% (in EUR million)	2022			
	Treasury			
	Q1	Q2	Q3	Q4
End of period	6.19	3.62	0.66	3.6
Limit	-9.00			

4.2.2. Asset & Liability Management (ALM)

Asset and Liability Management (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 Asset & Liability Committee (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 organization 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 on a daily basis for financial and risk aspects as well as operational, including the analyses of potential frauds or abnormal transactions.

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

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

Market and Liquidity Risk Management also challenges on a monthly basis the "Rate ALM result" calculated daily by the ALM Department. P&L and Financial investment at Fair Value Through OCI (FVTOCI) are also monitored on this occasion. When figures are validated, Financial Risk Management informs Finance and the "Rate ALM result" can be reported to the Management Board.

Finally, Market and Liquidity Risk Management 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 2022, the ALM sensitivity[1] amounted to EUR -15.2 million (vs EUR 9.8 million as at end 2021).

Over 2022, the ALM department maintained its neutral strategy regarding parallel shocks (meaning in a range of – 25 million to + 25 million)

The limit of interest-rate sensitivity for a 100 bp parallel shift is EUR -90 million[2] as at 31 December 2022 (same as 2021 year-end).

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 done either by 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 on a daily basis while it is on a monthly basis for the ALM.

MLRM monitors on a monthly basis:
- 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).

[1] Sensitivity (+1 %), consolidated ALM perimeter (own funds excluded

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

The Luxembourg investment portfolio had a total nominal exposure of EUR 8.3 billion as at 31 December 2022 (against EUR 7.6 billion as at 31 December 2021). Following IFRS 9 introduction, most of the bonds are classified in the "Hold-to-Collect"(HTC) portfolio measured at amortised cost: EUR 7.9billion as at 31 December 2022 (EUR 6.8 billion as at 31 December 2021). The remaining part is classified in the "Hold-to-Collect and Sell" (HTC&S) portfolio measured at fair value through OCI: EUR 0.4 billion as at 31 December 2022 (EUR 0.3 million per basis point as at 31 December 2021).

The fair value sensitivity of the HTC&S portfolio to a one basis point widening of the spread (booked in the OCI reserve), was 0.16 EUR million as at 31 December 2022 (EUR 0.3 million per basis point as at 31 December 2021).

Investment portfolio FVTOCI (in EUR million)	**Notional amount**		**Rate bpv (incl. swap coverage where applicable)**		**Spread bpv**	
	31/12/2021	**31/12/2022**	**31/12/2021**	**31/12/2022**	**31/12/2021**	**31/12/2022**
Treasury	152	307	0.00	-0.002	-0.08	-0.12
ALM	650	95	-0.01	-0.006	-0.17	-0.03

4.2.4. Backtesting

The backtesting 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:

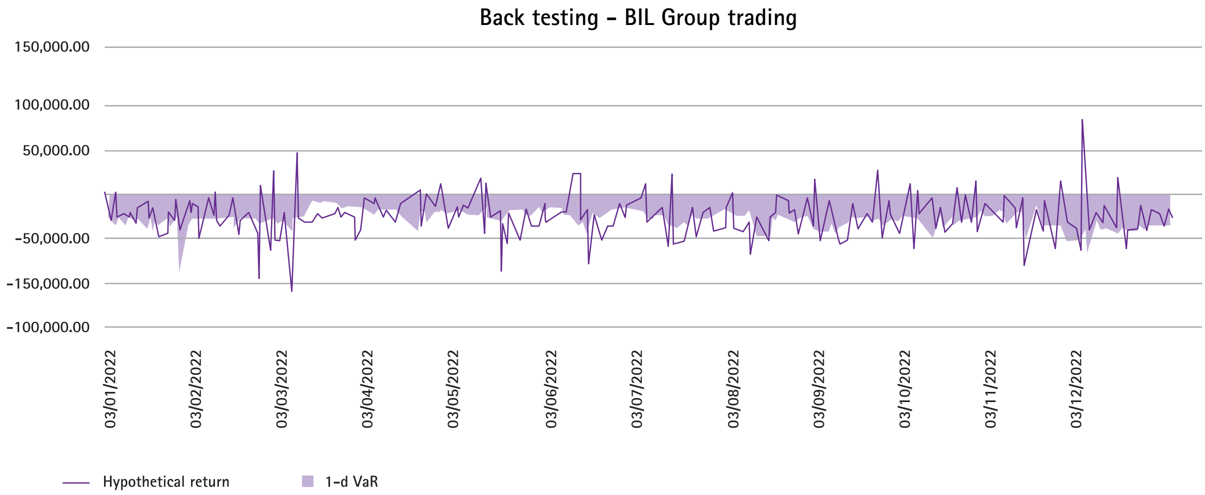
- Hypothetical backtesting is carried out daily based on the fixed positions of two days before (D-2) and then, it compares the profits and losses with the market datafrom changes between two days before (D-2) and the day before (D-1). That difference is then compared with the VaR (99%, 1D) for the previous day. BIL has adopted this method;
- Actual backtesting 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 2022, the hypothetical backtesting calculated on the trading portfolio revealed 13 downward backtesting exceptions following market data variations:

- Increase in EUR/PLN exchange rate impacting FX Spot and Fwd positions 23/02/2022, 25/02/2022, 04/03/2022;
- Variations in EUR/USD and EUR/CHF exchange rates impacting FX options 28/03/202, 29/03/2022, 20/05/2022, 15/06/2022 and 09/08/2022;
- Variations in EUR/CHF, EUR/XAU exchange rates impacting FX options and FX Spot and Fwd positions 16/05/2022;
- Variations in EUR/CHF exchange rates impacting FX options 18/05/2022;
- Variations in USD/EUR, USD/CHF, USD/GBP exchange rates impacting FX options 03/10/2022;
- Variations in EUR/USD, EUR/CHF, EUR/GBP exchange rates impacting FX spot positions 10/11/2022;
- Variations in EUR/USD exchange rates impacting FX options and FX Spot and Fwd positions 18/11/2022.

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



4.2.5. Systems and controls

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

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 inside 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 upon 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 ALM Committee 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 will enable 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 ALM Committee meetings.

In accordance with the regulation[1], BIL is submitted to the Internal Liquidity Adequacy Assessment Process (ILAAP).

The ILAAP thus 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 (ALM Committee, the Risk Dashboard, etc.).

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

Finally, the Bank produces the Liquidity Adequacy Statement ("LAS"). The purpose of this document is to address a re- quest from the ECB, as stated in a letter (7 February 2019) entitled as the "Technical implementation of the EBA Guidelines on ICAAP and ILAAP information collected for SREP purposes", 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 set-up 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 organizational 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 indica- tors inside the Liquidity Risk Appetite Statement (RAS). The CFP is in line with the Recovery Plan of the Bank.

4.3.2. Concentration of funding and liquidity source

BIL uses differentiated funding sources as at 31 December 2022 of which:

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	**10,105,832,088**	**4,394,388,794**	**5,711,443,293**	**122**	**72**
of which sight deposits	*5,919,509,303*	*2,723,040,023*	*3,196,469,280*		
of which term deposits not withdrawable within the following 30 days					
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	2,837,938,849	1,671,313,536	1,166,625,313	1	1
WHOLESALE FUNDING					
Unsecured wholesale funding	17,762,986,968	83,231,735	17,679,755,232	553	291
of which loans and deposits from financial customers	*6,337,134,347*		*6,337,134,347*	*140*	*76*
of which loans and deposits from non financial customers	*7,138,205,173*	*81,892,599*	*7,056,312,574*	*195*	*95*
of which loans and deposits from intra-group entities	*0*	*0*	*0*		
Secured wholesale funding	768,220,543	0	768,220,543	299	268
of which SFTs	*518,220,543*	*0*	*518,220,543*	*92*	*50*
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.

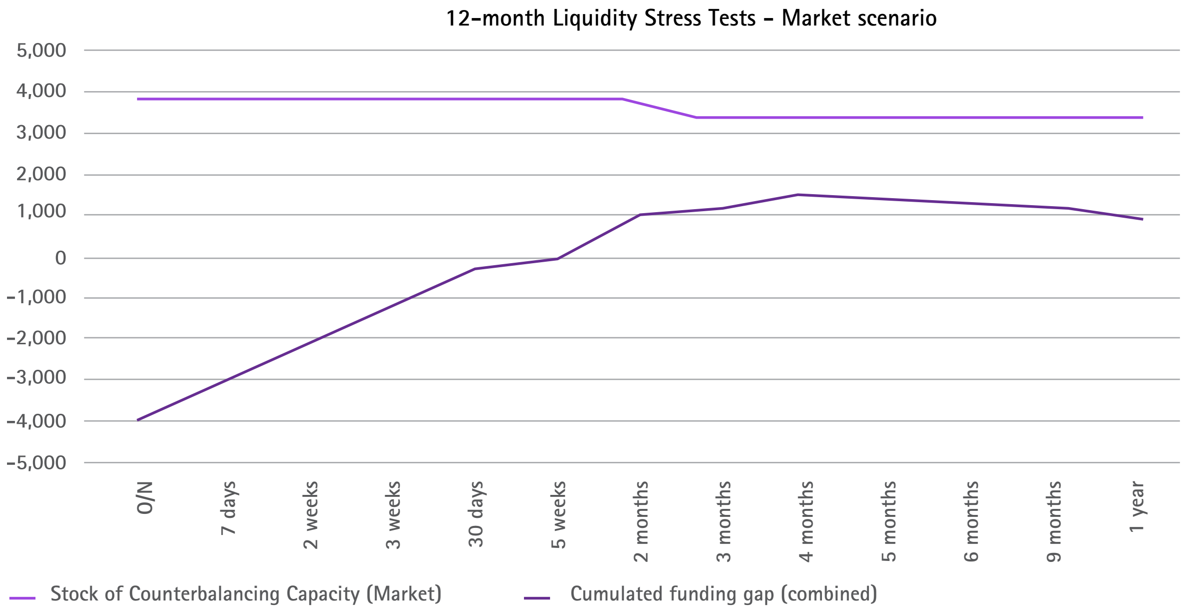
4.3.4. Risk exposure

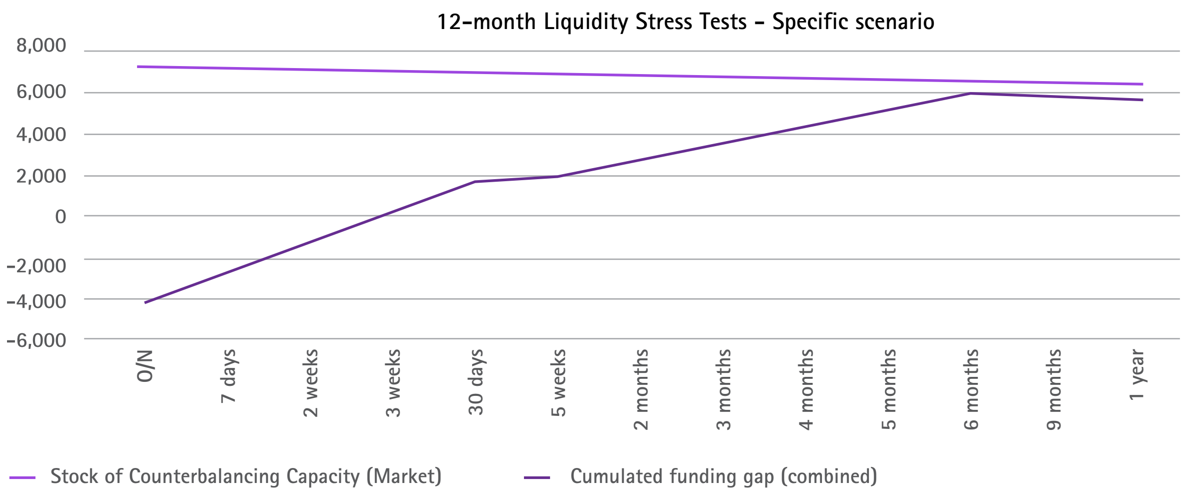
Each day, a liquidity report containing the liquidity projection up to five days and a daily estimated LCR solo is sent to the Chief Risk Officer, the Chief Financial Officer, the ALM and Treasury teams.

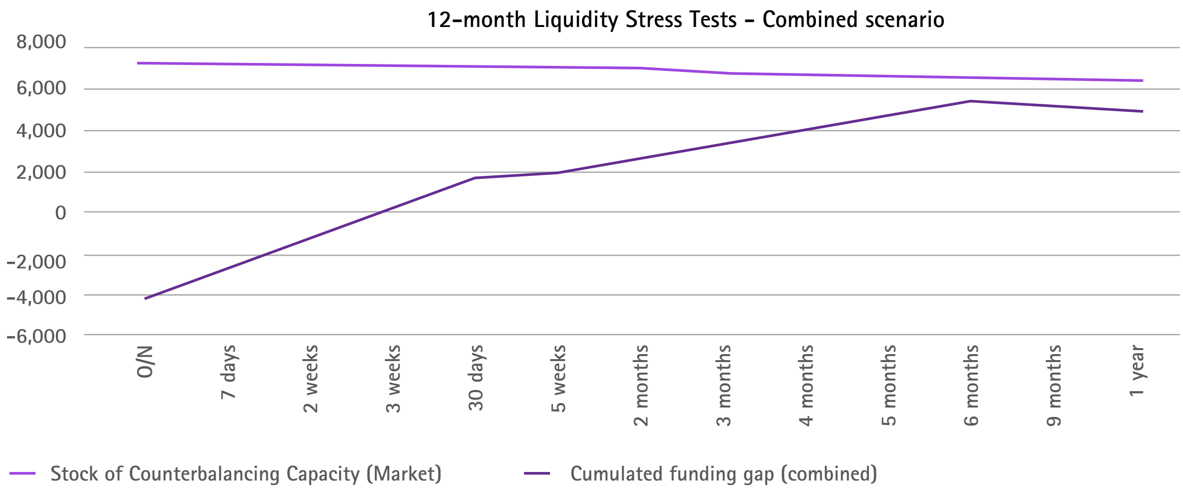
In addition, a weekly stress liquidity report is sent to the Chief Executive Officer, the Chief Risk Officer, the Head of Financial Markets, the ALM Committee members, the Risk Management, the ALM and Treasury teams. The liquidity risk is captured through three scenarios which are considered as an early 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		
31/12/2022		Cumulated funding gap	Cumulated buffer	Ratio	Cumulated funding gap	Cumulated buffer	Ratio	Cumulated funding gap	Cumulated buffer	Ratio
HORIZON	3-month	1,118	3,498	313%	4,554	6,760	148%	4,598	6,320	137%
	6-month	1,348	3,467	257%	5,819	6,678	115%	5,486	6,273	114%
	12-month	891	3,513	394%	5,256	6,510	124%	4,919	6,153	125%

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 weekly to the ECB.

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 . the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR).

Reverse stress testing

The reverse stress testing is a tool for the Bank that allows to explore and identify the circumstances that might cause a predefined outcome at which BIL Group can be considered as failing or likely to fail. This stress makes also 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%	-23 -509 -105 -186
• Retail – Term loans • Non-Financial and Others – Term Loans	Decrease of Monthly rollover rate with 1%	+54 +51
• Committed facilities	Increase of the monthly outflow rate with 1%	-30
• Credit Concentration	Default of Top 3	-2,240
• Funding Concentration	Outflow of Top 3	-1,982
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	 -30 -369 -1,189 -25
Collateral amount • Market stress • Outflows from non-HQLA	 Covid stress Non-HQLA Haircut to 50%	 -200 -133
Currency Liquidity Position • Liquidity position in USD	Limited FX market on cash position	-165

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 not anymore eligible; the credit spreads and the interest rates increase while the equity market drops.

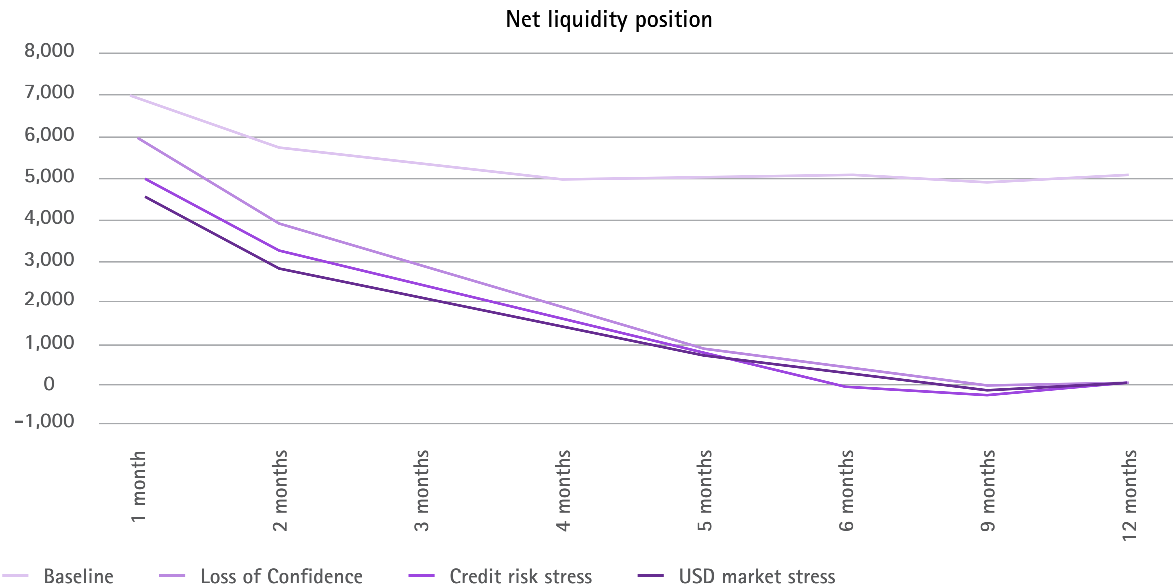
For each scenario, the outflow rates of deposits coming from retail and non-financial counterparties are calibrated to breach the net liquidity position on the 12-month horizon. As an additional stress, some committed lines are also drawn. In order to counterbalance the impact of the outflow, the volume 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	15%	13%	11%
Retail - Sight deposit	Cumulated Outflow rate after 12 months	**23%**	**19%**	**16%**
Non-Financial - Term deposit	Yearly Average Outflow rate	19%	28%	23%
Non-Financial - Sight deposit	Cumulated Outflow rate after 12 months	**27%**	**41%**	**34%**
Retail - Term Loans	Yearly Average Roll-over rate	100%	100%	100%
Non-Financial - Term Loans	Yearly Average Roll-over rate	96%	90%	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 months	3 months	4 months	5 months	6 months	9 months	12 months
Baseline	6,934	5,743	5,360	5,018	5,024	5,083	4,775	5,061
Loss of Confidence	6,005	3,924	2,969	2,002	1,013	472	-40	18
Credit risk stress	5,052	3,215	2,278	1,371	612	24	-292	-30
USD market stress	4,507	2,777	1,993	1,217	572	182	-193	4

Liquidity ratio	1 month	2 months	3 months	4 months	5 months	6 months	9 months	12 months
Baseline								
Loss of Confidence		251%	189%	146%	119%	108%	99%	100%
Credit risk stress		208%	161%	129%	111%	100%	95%	99%
USD market stress		225%	172%	135%	114%	104%	97%	100%

Under the baseline scenario (where all financial deposit are not renewed), the liquidity position decreases from 6.9 EUR billion to 5.1 EUR billion. Under the reverse stress scenario, the liquidity position sharply decreases to less than 500 million over 6 months. At this stage, the liquidity ratio reaches the limit of the risk appetite; the Bank has still three 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 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)	31/12/2021	31/12/2022
Stock of HQLA	10.30	10.77
Net Cash Outflows	7.28	7.03
LCR ratio	142%	153%
Regulatory limit	100%	
Internal limit	110%	
Trigger	115%	

BIL's liquidity situation remained solid throughout 2022. By keeping a proactive approach in managing its liquidity position, the BIL Group prudently increased its LCR excess liquidity level to around EUR 3.7 billion approaching year end (versus EUR 3 billion as at the end of December 2021) in anticipation of the somewhat heavier redemption schedule in early 2023. The LCR ratio reached 153%, well above the target established by the ALM Committee. The yearly evolution of the LCR is mainly due to new or a roll of deposits over 30 days in a rising interest rate environment with steepening yield curves.

The Investment Portfolio purchases have been concentrated on HQLA eligible securities, LCR level 1 securities representing nearly 71% of the total Investment Portfolio as at 31 December 2022.

Following the prudent increase of our TLTRO III participation from EUR 1.5 billion to EUR 2.2 billion in December 2021 with the objective of continuing to provide intermediated financing to our customers and to support the local economy, the Bank decided to early repay part of its outstanding in order to decrease its excess liquidity position which continued to grow as expected outflows didn't materialize over the course of 2022. In summary, EUR 0.8 billion of TLTRO III.4 have been repaid in June, EUR 0.7 billion of TLTRO III.9 in September, EUR 0.2 billion and EUR 0.25 billion of TLTRO III.10 in November and December respectively bringing the current outstanding down to EUR 0.25 billion.

For further details, please refer to the templates LIQ1 elaborated in line with the circular CSSF 18/676 on LCR disclosure below and template LIQB in Appendix 3.

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 March 2022	30 June 2022	30 September 2022	31 December 2022	31 March 2022	30 June 2022	30 September 2022	31 December 2022
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)					10,311.49	10,518.64	11,128.30	11,413.09
CASH-OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	9,665.79	9,687.29	9,695.46	9,655.62	986.89	975.28	966.30	955.09
3	*Stable deposits*	3,896.15	3,991.04	4,071.71	4,125.01	194.81	199.55	203.59	206.25
4	*Less stable deposits*	5,667.74	5,548.72	5,437.99	5,310.21	792.08	775.73	762.72	748.84
5	Unsecured wholesale funding	8,402.33	8,649.15	9,168.88	9,284.51	5,915.98	6,197.04	6,763.03	6,881.65
6	*Operational deposits and deposits in networks of cooperative banks*	-	-	-	-	-	-	-	-
7	*Non-operational deposits (all counterparties)*	8,337.59	8,566.01	9,047.34	9,130.51	5,851.23	6,113.89	6,641.49	6,727.65
8	*Unsecured debt*	64.74	83.15	121.54	154.00	64.74	83.15	121.54	154.00
9	Secured wholesale funding					18.10	23.00	30.73	39.14
10	Additional requirements	3,385.46	3,397.77	3,407.75	3,382.45	587.13	620.18	673.60	726.60
11	*Outflows related to derivative exposures and other collateral requirements*	208.99	218.80	254.27	287.37	208.99	218.80	254.27	287.37
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	3,176.47	3,178.96	3,153.48	3,095.07	378.14	401.37	419.33	439.23
14	Other contractual funding obligations	-	-	-	-	-	-	-	-
15	Other contingent funding obligations	1,161.31	1,167.33	1,164.17	1,146.58	11.61	11.67	11.64	11.47
16	TOTAL CASH OUTFLOWS					7,519.72	7,827.17	8,445.31	8,613.95
CASH-INFLOWS									
17	Secured lending (eg reverse repos)	2.67	2.23	10.51	70.33	1.11	1.11	2.42	10.17
18	Inflows from fully performing exposures	445.38	486.23	504.17	546.79	322.75	342.47	345.10	375.85
19	Other cash inflows	1,413.19	1,174.89	1,014.76	966.13	307.19	259.88	232.50	226.37
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	1,861.24	1,663.34	1,529.44	1,583.25	631.05	603.46	580.03	612.40
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows Subject to 90% Cap	-	-	-	-	-	-	-	-
EU-20c	Inflows Subject to 75% Cap	1,861.24	1,663.34	1,529.44	1,583.25	631.05	603.46	580.03	612.40
21	LIQUIDITY BUFFER					10,311.49	10,518.64	11,128.30	11,413.09
22	TOTAL NET CASH OUTFLOWS					6,888.66	7,223.71	7,865.28	8,001.55
23	LIQUIDITY COVERAGE RATIO (%)					150%	146%	142%	143%

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 billion	2021	2022
Available Stable Funding (ASF)	20.88	18.55
Required Stable Funding (RSF)	16.51	14.98
NSFR ratio	126%	124%
Trigger	106%	
Limit	104%	

The NSFR has slightly decreased from 126% to 124%. This variation is mainly driven by the decrease of the Available Stable Funding (ASF), negatively impacted by the aging of long-term institutional debt securities issued and of treasury term deposits, which have been only partially renewed. The decrease in ASF has been slightly offset by the decrease in the Required Stable Funding (RSF), which has mainly resulted from the decline in loans granted to non-financial customers during the last quarter. The NSFR ratio remains well above the internal Risk Appetite Framework trigger (106%).

TEMPLATE EU LIQ2: NET STABLE FUNDING RATIO

		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
	(in EUR)	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
	Available stable funding (ASF) Items					
1	**Capital items and instruments**	**2,218,538,998**	**-**	**-**	**243,236,959**	**2,461,775,957**
2	Own funds	2,218,538,998		-	243,236,959	2,461,775,957
3	Other capital instruments		-	-	-	-
4	**Retail deposits**		**9,448,434,001**	**132,921,091**	**524,476,996**	**9,351,218,736**
5	Stable deposits		4,070,443,137	-	-	3,866,920,980
6	Less stable deposits		5,377,990,864	132,921,091	524,476,996	5,484,297,755
7	**Wholesale funding:**		**12,749,137,969**	**784,419,363**	**710,002,731**	**4,216,884,867**
8	Operational deposits		-	-	-	-
9	Other wholesale funding		12,749,137,969	784,419,363	710,002,731	4,216,884,867
10	**Interdependent liabilities**		**-**	**-**	**-**	**-**
11	**Other liabilities:**	**-**	**1,706,499,457**	**571,970,904**	**2,234,927,064**	**2,520,912,516**
12	NSFR derivative liabilities	-				
13	All other liabilities and capital instruments not included in the above categories		1,706,499,457	571,970,904	2,234,927,064	2,520,912,516
14	**Total available stable funding (ASF)**					**18,550,792,075**

(in EUR)	a	b	c	d	e
	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Required stable funding (RSF) Items					
15 Total high-quality liquid assets (HQLA)					**237,442,234**
EU-15a Assets encumbered for a residual maturity of one year or more in a cover pool		**0**	**0**	**0**	**0**
16 Deposits held at other financial institutions for operational purposes		**0**	**0**	**0**	**0**
17 Performing loans and securities:		**2,424,760,354**	**1,334,871,870**	**14,871,787,804**	**13,213,923,383**
18 Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		0	0	0	0
19 Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		810,902,857	316,058,394	847,337,449	1,071,223,866
20 Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		1,287,181,483	683,498,379	6,615,230,476	6,608,285,836
21 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		0	0	0	0
22 Performing residential mortgages, of which:		216,919,728	186,222,405	5,911,143,630	4,043,814,427
23 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		216,919,728	186,222,405	5,911,143,630	4,043,814,427
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		109,756,286	149,092,692	1,498,076,248	1,490,599,255
25 Interdependent assets		**0**	**0**	**0**	**0**
26 Other assets:		**1,041,013,910**	**0**	**997,303,747**	**1,371,502,204**
27 Physical traded commodities					0
28 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs			270,582,867		229,995,437
29 NSFR derivative assets			558,230		558,230
30 NSFR derivative liabilities before deduction of variation margin posted			418,687,606		20,934,380
31 All other assets not included in the above categories		351,185,208	0	997,303,747	1,120,014,157
32 Off-balance sheet items		**4,072,775,070**	**0**	**0**	**160,662,256**
33 Total RSF					**14,983,530,077**
34 Net Stable Funding Ratio (%)					**123.81%**

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[1] is calculated and presented in the internal report presented during ALM Committee 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" in order 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[2] (for example 29.1% in Q4 2021) is an available benchmark. By comparison, BIL's ratio is around 4% and reflects a low/moderate level of asset encumbrance compared to other institutions. As of 31 December 2022, EUR 1.4 billion of BIL Group's balance sheet assets are encumbered and the asset encumbrance ratio is 4% compared to 11% in December 2021. The annual variation of the ratio is essentially explained by the progressive and near-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)	**31/12/2021**	**31/12/2022**
Level of asset encumbrance		
Encumbered assets	3,420	1,357
Collateral received re-used	192	0
Total amount	3,612	1357
Ratio	**11%**	**4%**
Limit	**25%**	**25%**
Credit quality of unencumbered debt securities[3] [4]		
Step 1 (AAA to AA-)	2,824	5,888
of which eligible as LA for LCR	*2,799*	*5,689*
Step 2 (A+ to A-)	1,632	1,283
of which eligible as LA for LCR	*1,409*	*920*
Step 3 (BBB+ to BBB-)	559	747
of which eligible as LA for LCR	*544*	*445*
Non-rated securities	505	68
of which eligible as LA for LCR	*0*	*0*
Total amount	***5,519***	***7,985***
of which eligible as LA for LCR	***4,752***	***7,054***
Sources of encumbrance		
OTC Derivatives	351	419
Repurchase agreements	2,799	771
Collateral swaps	439	19
Securities Lending	0	0
Central Bank Reserves	0	0
Total amount	**3,589**	**1,209**
Contingent encumbrance		
OTC Derivatives	110	159
Repurchase agreements	837	234
Collateral swaps	135	11
Securities Lending	0	0
Total amount	**1,082**	**405**

1 Commission Implementing Regulation (EU) No 2015/79, Paragraphs 9-11 of Annex III.
2 EBA Report on asset Encumbrance, July 2021.
3 Assets and collateral received available for encumbrance.
4 Additional amount of encumbered assets resulting from a decrease by 30% of the fair value encumbered assets.

Market Risk

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 AE1 – ENCUMBERED AND UNENCUMBERED ASSETS

		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*
(In EUR)		010	030	040	050	060	080	090	100
010	Assets of the disclosing institution	2,547,324,694	*1,420,237,849*			31,240,397,713	*4,878,946,346*		
030	Equity instruments	0	*0*	0	*0*	290,323,205	*0*	*272,170,069*	*0*
040	Debt securities	1,990,588,703	*1,420,237,849*	1,993,494,924	*1,425,512,184*	6,299,791,378	*4,878,946,346*	*6,293,363,313*	*4,117,541,191*
050	of which: covered bonds	106,204,015	*106,204,015*	106,305,322	*106,305,322*	350,888,873	*346,367,164*	*350,810,962*	*315,395,912*
060	*of which: securitisations*	*0*	*0*	*0*	*0*	*3,900,630*	*0*	*3,900,630*	*0*
070	*of which: issued by general governments*	*1,009,025,223*	*983,468,195*	*1,017,159,225*	*991,706,932*	*3,552,829,027*	*3,417,914,886*	*3,581,156,203*	*2,856,938,461*
080	*of which: issued by financial corporations*	*816,787,807*	*295,086,859*	*808,506,541*	*288,983,188*	*2,088,966,988*	*1,229,674,021*	*2,064,136,704*	*932,003,613*
090	*of which: issued by non-financial corporations*	*164,775,674*	*141,682,796*	*167,829,158*	*144,822,064*	*664,445,138*	*356,848,812*	*667,559,486*	*328,599,118*
120	Other assets	515,275,378	0			25,267,545,923	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*
		010	030	040	060
130	Collateral received by the disclosing institution	0	*0*	722,370,919	*91,609,156*
140	Loans on demand	0	*0*	0	*0*
150	Equity instruments	0	*0*	0	*0*
160	Debt securities	0	*0*	91,609,156	*91,609,156*
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*	*33,123,957*	*33,123,957*
200	*of which: issued by financial corporations*	*0*	*0*	*52,784,753*	*52,784,753*
210	*of which: issued by non-financial corporations*	*0*	*0*	*0*	*0*
220	Loans and advances other than loans on demand	0	0	584,018,808	0
230	Other collateral received	0	0	0	0
240	Own debt securities issued other than own covered bonds or securitisations	0	0	19,870,540	0
241	Own covered bonds and securitisations issued and not yet pledged			0	0
250	**TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED**	**2,547,324,694**	**0**		

TEMPLATE EU AE3 - SOURCES OF ENCUMBRANCE

(In EUR)		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own
		010	030
010	Carrying amount of selected financial liabilities	2,425,675,865	2,496,650,517

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 ALM Committee. The document covers the key topics of the Regulation:

- Regulatory context;
- Scope;
- Methodology (accounting reconciliation, Economic Value (EVE) / Net Interest Income (NII), products specificities, stress scenario); and
- 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 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 measurement 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 is limited to:
  - The RTP portion (i.e. the LTP spread and any other specific spread, such as the commercial margin, are excluded of the EV measure) for the commercial assets and liabilities;
  - The initial reference rate (i.e. excluding the potential liquidity premium, credit spread and other spread components) for the financial instruments (assets, liabilities and derivatives).
- 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 standards[1] and EBA 2018 guidelines. Depending on the type of scenarios (regulatory or internal shocks), specific set of triggers and limits were defined in million EUR (based on the budget projections from 2021 to 2025):

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 ALM Committee. The figures are included in the Risk Appetite Summary.

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 include also 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:

Unlike the economic value, the Basel Committee and the ECB do not define a limit for the net interest income. The definition and the calibration of the limits and the triggers is a specific decision to each financial institution, but institutions should articulate their risk appetite for IRRBB in term of earning risk[2].

For the earnings risk, the Bank adopts a limit on the potential impact on the net interest income (NII) over 1 year. To complement its NII calculation, the bank considers the full earnings impact of interest rate movements as well on Fair Value through Profit and Loss (FVP&L) and Fair Value through Other Comprehensive Income (FVOCI).

Earnings Risk (bp)	Trigger	Internal Limit
+/- 200 bp parallel shift - NII	-70	-80
+/- 200 bp parallel shift - FVP&L	-20	-30
+/- 200 bp parallel shift - FVOCI	-60	-70
+/- 200 bp parallel shift - Full earnings	-130	-150

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

2 Interest rate risk in the Banking book, standard, April 2016 and EBA/GL/2015/08 EBA guidelines on the management of interest rate risk arising from non-trading activities.

BIL applies the regulatory +/- 200bp parallel shock scenarios to gauge its net interest income resilience.

	2021		2022	
	-200bp	+200bp	-200bp	+200bp
EUR million	-19	106	-78,6	-78,7
Trigger	-70		-70	
Limit	-80		-80	

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

Net interest income and earnings stress outcome				
Metrics	**31/12/2022**		RAF trigger	RAF limit
	+200bp	**-200bp**		
NII	78,7	-78,6	-70	-80
FVTOCI	-0,2	0,2	-60	-70
FVTPL	-8,0	8,1	-20	-25
Earnings	**70,5**	**-70,3**	**-130**	**-150**

The 2022 NII sensitivity has increased significantly for the scenario down driven by the increase in the interest rates, which nullified the effect of the regulatory floor in the shock down scenario leading to a more severe impact and a symmetrical result compared to the shock up scenario. The decrease in the sensitivity for the shock up scenario is driven by the remedial actions considered to decrease the negative impact for the scenario down.

In addition to the +/- 200bp 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 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 ALM Committee 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 BIL documentation and EBA guidelines. The model covers customer's current and savings accounts (in EUR and USD) of BIL Luxembourg for a balance of EUR 14.8 billion of deposits modelled at end December 2022. 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 absolute value of NMD volume volatility multiplied by the NMD sensitivity to interest rates, less a conservative haircut for model risk. Stable deposits are instead obtained using a Value-at-Risk approach, with a 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.

As a response to the recent change in interest rate regime, the ERM (Enterprise Risk Management), MLRM (Market and Liquidity Risk) and ALM (Asset-Liability Management) departments will explore possible adjustments to the NMD model to enhance its fitness.

4.4.3.2. Adjustable rate loans

Adjustable-rate loans, which are discretionary rate instruments, are replicated with a 1-month repricing profile, assumption supported by a qualitative and quantitative empirical analysis. The analysis will be revisited in 2023, notably in the light of the methodology implemented to determine the repricing behaviour for repricing sensitive non-maturing deposit categories.

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 longterm 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. The latter model demonstrated the best performances and has been selected to model CPR for the purposes of IRRBB. The model has been submitted to Internal Validation in March 2022. The recommendations issued were closed between April and October 2022.

At this stage, the EVE and NII metrics do not incorporate any prepayment rate.

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[1]:

- 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; and, - 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 with100 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%.

4.4.4.2. EVE: IR internal expert scenarios

Term	BCBS Parallel Up			BCBS Parallel Down			BCBS Steepener			BCBS Flattener			BCBS Short Rate Negative			BCBS 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
5Y	200	200	100	-200	-200	-100	18	40	36	14	5	-8	-72	-86	-43	72	86	43
7Y	200	200	100	-200	-200	-100	46	78	57	-15	-33	-29	-43	-52	-26	43	52	26
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

[1] According to paragraph 113 and 115 EBA/GL/2018/02.

In addition to the regulatory IR scenarios, the Bank applies three historical scenarios and defines three non-standard scenarios specific to BIL that are 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:

Internal scenarios														
Term	1st Expert scenario			2nd Expert scenario			3rd Expert scenario			Parallel shock down	Parallel shock up	Equity crash 1987	Monetary crisis 1992	Financial crisis 2008
1M	-	-	-	-	-	-	-20	-100	-20	-100	+100	-50	150	-245
3M	-	-	-	-	-	-	-20	-100	-20	-100	+100	-50	147	-244
6M	-	-	-	-	-	-	-20	-100	-20	-100	+100	-50	141	-242
1Y	-	-	-	-	-	-	-20	-100	-20	-100	+100	-50	131	-240
2Y	25	13	25	13	6	13	-23	-95	-23	-100	+100	-50	110	-223
5Y	100	50	100	50	25	50	-30	-80	-30	-100	+100	-50	80	-170
7Y	80	40	80	70	35	70	-38	-68	-38	-100	+100	-50	60	-138
10Y	50	25	50	100	50	100	-50	-50	-50	-100	+100	-50	30	-90
15Y	45	20	45	110	55	110	-55	-50	-55	-100	+100	-50	30	-90
20Y	40	20	40	120	60	120	-60	-50	-60	-100	+100	-50	30	-90
25Y	40	20	40	125	60	125	-60	-50	-60	-100	+100	-50	30	-90

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)		a	b	c	d
		Changes of the economic value of equity		Changes of the net interest income	
		Current period	Last period	Current period	Last period
1	Parallel up	-49.2	17.9	78.7	106.1
2	Parallel down	10.8	13	-78.6	-18.6
3	Steepener	-60.8	-82.7		
4	Flattener	30.9	71.3		
5	Short rates up	24	51		
6	Short rates down	-50.4	-28.5		

4.4.5.1. EVE Outcomes

The results of the **+200/-200 bp scenarios (EBA/GL/2018/02 -Article 113)** are disclosed below:

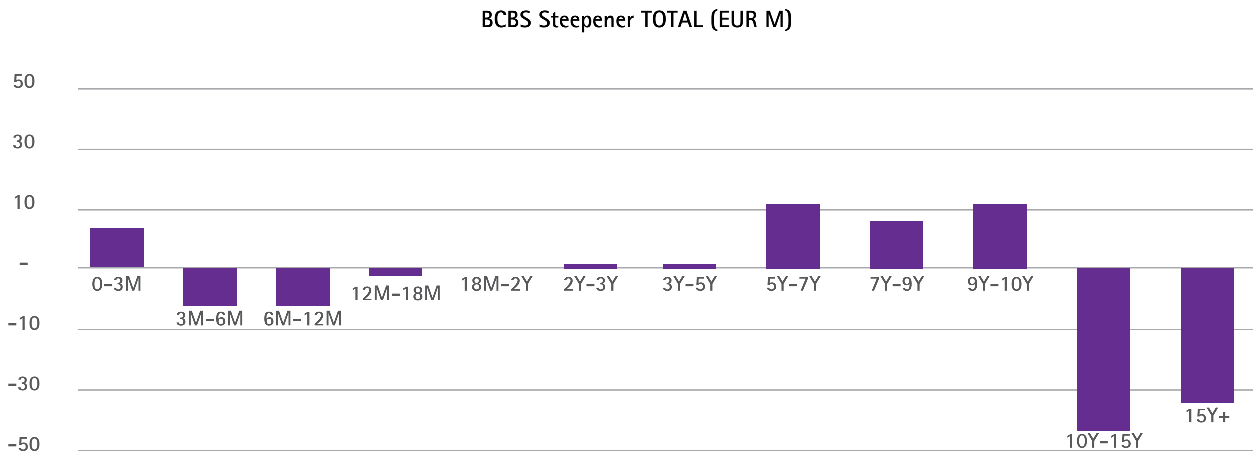
	31/12/2022 In EUR million					
	TOTAL	REGULATORY LIMIT	INTERNAL LIMIT	EUR	USD	CHF
Δ Economic Value of Equity under a Parallel Shock Down	7.2	-362	-180	107.8	-42.1	-4.6
Δ Economic Value of Equity under a Parallel Shock Up	-45.8			-67.2	38	4.8

The parallel shock down shows a result of -45,8 M EUR, of which -67,2 M EUR for the EUR, 38 M EUR for the USD and 4,8 M EUR for the CHF. The impacts for the EUR are mainly driven by the fixed rate mortgages loans at the long term.

The results of the **BCBS standardised scenarios (EBA/GL/2018/02 – Article 114)** are disclosed below:

	31/12/2022 In EUR million					
	TOTAL	INTERNAL LIMIT	TRIGGER	EUR	USD	CHF
Parallel Down	10.8	-180	-148	110.1	-42.1	-2.15
Parallel Up	-49.2			-69.2	37.9	2.2
Short Rate shock down	-50.4			-25.3	-21.8	-3.2
Short Rate shock up	24			24	20.7	3.1
Steepener	-60.8			-60.6	3.4	-1.9
Flattener	30.9			54	5.3	2.5

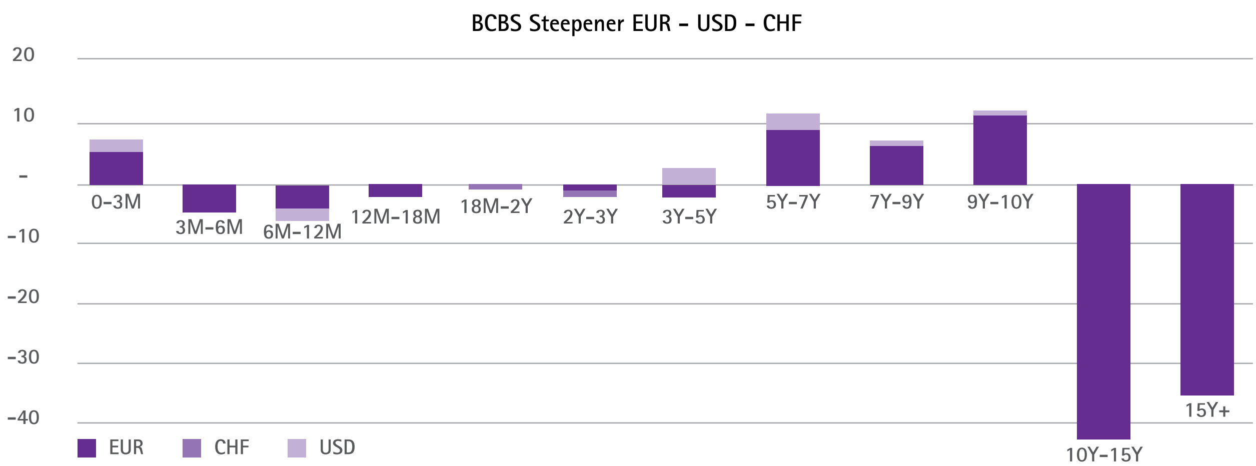
The BCBS steepener appears as the most adverse scenario (-60,8 M EUR). No trigger or limit was reached in 2022. The chart below details the distribution of the BCBS steepener for all currencies by bucket (31/12/2022).



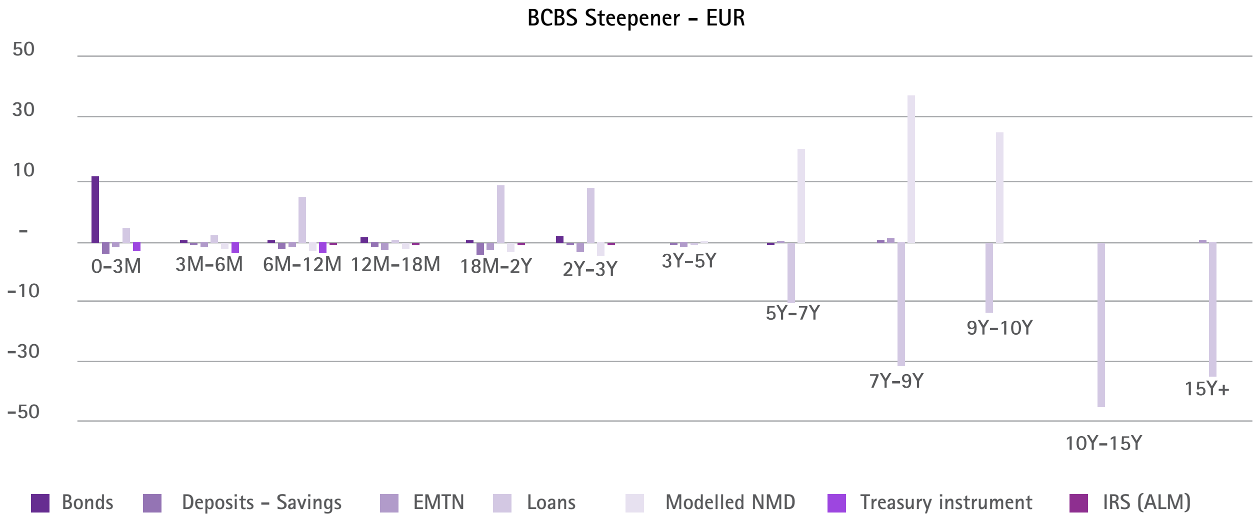
The negative impact is generated by the long term asset exposure (induced by the fixed rate mortgage loans). Unlike the parallel up scenario, this negative effect is not offset by the medium term liability excess linked to non-maturing core deposits as the steepener scenario shock size are closed to 0 for these specific buckets.

The three charts below show for each currency the swap curves and the stressed curves.

Steepener scenario results by currency:



Because of (i) the structure of the balance-sheet (only positions in EUR are long term) and the steepener scenario profile combined to the current rates level, the results is fully explained by the EUR.



The results of the **internal scenarios** are disclosed below:

Internal scenarios	31/12/2022 In EUR million					
	1st expert	2nd expert	3rd expert	Monetary crisis 1992	Terrorist attack	Financial crisis 2008
EVE impact	1.2	-58.1	19.9	22.9	-8	-38.2
Trigger	-148					
Internal limit	-180					

4.4.5.2. NII Outcomes

Net interest income and earnings stress outcome				
Metrics	31/12/2022		RAF trigger	RAF limit
	+200bp	-200bp		
NII	78.7	-78.6	-70	-80
FVTOCI	-0.2	0.2	-60	-70
FVTPL	-8.0	8.1	-20	-25
Earnings	**70.5**	**-70.3**	**-130**	**-150**

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 2021 and 2022.

EUR million	2021		2022	
	-200bp	+200bp	-200bp	+200bp
EUR	-11	92	-67	67
USD	-5	5	-10	10
CHF	-2	10	-2	2

The main changes come from EUR, the sensitivity of which (i) increases by EUR 56M for the -200bp scenario and (ii) decreases by EUR 25M for the +200bp scenario.

NII breach

As at 31 December 2021, in a low interest rate environment, the impact of the downward shift (-200bp) on NII was limited to EUR -19 million thanks to the application of the regulatory maturity-dependant floor. With the interest rate surging during 2022, the full 200bp down shock applied, leading to a decline in the NII and the breach of the Risk Appetite Framework limit as at 30 September 2022. Remedial actions notably encompassing financial market strategies (e.g. unwind of interest rate swaps hedging fixed rate bonds from the investment portfolio) have been activated in the end of the year to reduce the NII decline following a downward parallel shift (-200bp), which lands at EUR -79 million as at 31 December 2022, slightly below the limit.

4.5. 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 2021 and 2022.

TABLE EU MR1 – MARKET RISK UNDER THE STANDARDISED APPROACH

	2021		2022	
	RWAs	Capital requirements	RWAs	Capital requirements
OUTRIGHT PRODUCTS				
Interest rate risk (general and specific)	15.69	1.26	8.26	0.66
Equity risk (general and specific)	0	0	0	0
Foreign exchange risk	7.31	0.58	9.00	0.72
Commodity risk				
OPTIONS				
Simplified approach				
Delta-plus method				
Scenario approach				
Securitisation (specific risk)				
Total	**23.00**	**1.84**	**17.26**	**1.38**

5. Operational risk

Operational risk is the risk of losses stemming from inadequate or failed internal processes, people, systems or external events. This definition includes legal risk but excludes strategic risk. It also excludes losses resulting from commercial decisions.

5.1. Operational risk governance

5.1.1. Organization

Please refer to the section "Organization" of the 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

The main purpose of operational risk management (ORM) Policy is to provide details on BIL's operational risk framework encompassing Operational risk governance, Incident Management & Monitoring, Risk and Control Self-Assessment (RCSA). This policy involves the identification and regular assessment of existing operational risks and requests the implementation of measures to have an acceptably low level of risk. This is done in a preventive manner using the RCSA.

The Operational Risk Management policy was reviewed in 2020 (approved at the Internal Control Committee meeting held in August 2020) and additional information on specific topics was completed (e.g. management of boundary risks, new key risk indicator monitoring). Moreover, the section dedicated to the governance framework was also improved following the creation of an Operational Risk Committee (ORC).

It should be noted that the management of the Bank's risk framework also includes the transfer of part of the financial consequences of certain risks to insurance companies.

Committees

BIL's ORM framework relies on strong governance, with clearly defined roles and responsibilities.

The following committees are responsible with regards to operational risk at BIL:

- ***The Internal Control Committee (ICC)*** mandated by the Management Board, is in charge of supervising operational risk management for the following points:
  - Operational incidents, major risks and root causes, followup on corrective/mitigating measures, RCSA results, KRI.
  - Oversee the operational risks for BIL on the existing products/services and follow-up.

- ***The Operational Risk Committee*** **(ORC)** The Operational Risk Committee (ORC) is a multidisciplinary business committee comprising members of the Bank's main business lines and is responsible for creating a reliable framework to monitor the Bank's operational risk exposures. This committee also manages all matters in relation to operational risks, such as incident management. Finally, the ORC acts as a forum for discussion (on operational risk matters) between the Bank's business lines and Operational Risk department.

- ***The New Product Committee (NPC)*** mandated by the Management Board, is a transversal committee responsible for new products/services on the basis of ideas coming from the entire bank including the Innovation & Digital Forum and for checking the relevancy of the underlying business case against the Bank strategy. The head of BIL's Group Risk Management acts as a permanent member for risk matters advises.

- ***The Monthly Operational Committee (MOC)*** under the responsibility of the Financial Markets business line, and with the participation of ORM, supervises BIL's Product& Market projects and operational risks, takes decisions in terms of tackling day-to-day problems and monitors other risks related to Product & Market Luxembourg's 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).

- ***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.

5.1.3. Risk reporting

The main internal reporting on Operational Risks are the following:

Report	Freq	Topics covered by internal report	Recipients	Scope
Incidents	Q	Incidents: statistics data, detailed information on incidents, KRI Actions, RCSA update, specific operational topics	Management Committee (ICC)	Group
RCSA	Y	Report on risks evaluations /assessment from RCSA matrix		
Actions	Q	Follow up of RCSA action plan		
Insurance	Y	Renewal of Group BIL Policies	Executive Committee (Exco)	Group
ORM	H	Focus on ORM topics: Incidents, RCSA, KRI	Board of directors Committee (BRC)	Group
WIR/QMFU/ICIC[1]	W/M	Report on IT incidents with high or critical status & on investigations performed	Operational Committee: WIR, ICIC or QMFU	BIL

Q=Quaterly / Y=Yearly / H=Half-yearly / M= Monthly / W= Weekly

Among the external reporting realized by ORM, there is:
- The main one which is dedicated to Operational losses on incidents (Corep C17) - Half–yearly report;
- Basel III QIS, which is a qualitative assessment to collect data on incidents and produced on half-yearly basis;
- Reporting on Internal & external Fraud linked to payment service providers linked (PSD II regulation). This report is produced on a yearly basis;
- Reporting on the Operational & Security Risks linked to payment service providers (PSD II regulation) is produced annually. Reporting on frauds & payment (PSD2 regulation) is produced on a monthly basis since January 2022.

5.1.4. Risk measurement

The operational risk framework is based on the following elements:
- Efficient data collection;
- Self-assessment of risks;
- Corrective and preventive action plans;
- Development, implementation and follow up of Key Risk
- Indicators.

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 the fact that BIL complies 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;

[1] WIR: Weekly Incident Report - QMFU: Quality Management Follow Up

Operational Risk RWA

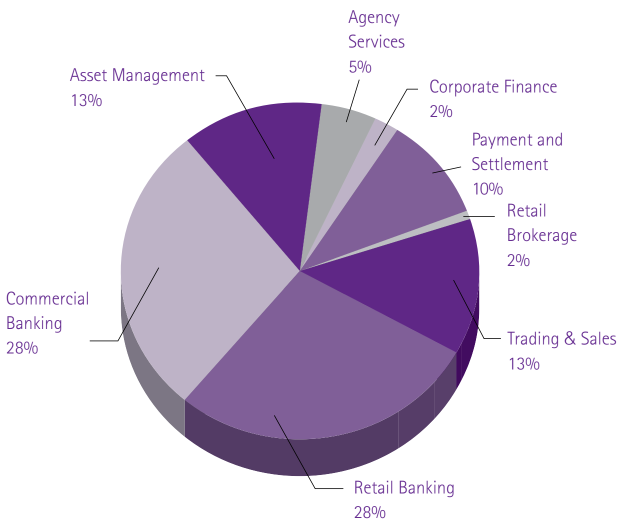
BIL group applies the standardised approach to calculate the regulatory capital requirements for operational risk. This approach consists in applying a percentage (called the "beta factor", ranging from 12% to 18%) to an appropriate activity indicator, calculated for each of the eight business lines 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 amount of operational risk-weighted assets has increased compared with the 2021 figures (954,4 million) to 1.000,5 million at year-end 2022.

Banking activities (EUR million)	**Beta Factor**	**P&L**	**Capital Requirements 2022**	**Capital Requirements 2021**
Commercial Banking	15%	160.2	24.0	16.5
Retail Banking	12%	205.2	24.6	23.2
Trading and sales	18%	61.9	11.1	12.6
Corporate Finance	18%	7.0	1.3	1.4
Payment and Settlement	18%	49.3	8.9	7.7
Retail Brokerage	12%	12.4	1.5	1.9
Agency Services	15%	29.1	4.4	3.7
Asset Management	12%	90.1	10.8	11.8
TOTAL		**615.2**	**86.6**	**78.8**

The chart below presents the breakdown by business lines (according to Basel definitions) of the capital requirement for operational risk as at 31 December 2022.



The following table presents own funds requirement for operational risk as of 31 December 2022.

TEMPLATE EU OR1 - OPERATIONAL RISK OWN FUNDS REQUIREMENTS AND RISK-WEIGHTED EXPOSURE AMOUNTS

		a	b	c	d	e
Banking activities (In EUR million)		**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	534.22	562.90	615.22	80.04	1,000.53
3	Subject to TSA:	534.22	562.90	615.22		
4	Subject to ASA:					
5	Banking activities subject to advanced measurement approaches AMA					

6. Information Security & Business Continuity

The Information Security & Business Continuity unit is responsible for managing ICT and security risks, such as, preserving the confidentiality, integrity and availability of BIL information and information system. They analyse 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

The Information Security & Business Continuity unit is composed of two different teams:
The **Security Risk Regulation team** is in charge of:
- Analysing and monitoring 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 Management Committee ICT & Security Risk to:
- Oversee the ICT & Security risks (as defined in the ICT & Security Risk Management charter) linked to the 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 to BIL's Information and IT assets;
- Oversee the ICT and Security incidents;
- Review 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 continuity plan (Business Continuity Plan), 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 up-to-date continuity plan set out in Business Continuity and Crisis Management Charter.

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 the 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	BIL
ICT & Security Risk Management Annual update	Y	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 in identifying and measuring the controls in place that allow to address the vulnerabilities and thus reduce 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.

Results of the most recent analysis

Among the 39 risks parts of the ICT Risk Catalog, **9 were identified as High** mainly due to:
- Lack of governance around monitoring of contracted services;
- Weaknesses in the logical access management including privileged access;
- Lack of strong process to ensure adequate treatment of new security vulnerabilities;
- Outdated IT assets supporting business critical applications;
- Inadequate controls on end user computing.

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.

7. Remuneration Charter and practices

7.1. Key pillars

This Remuneration Charter (the "Charter") has been reviewed and approved by the BoD in March 2023. 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 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, mid 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 account the main outcomes of the ICAAP. 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 environment, social and corporate governance (ESG)**

ESG considerations are embedded throughout the organization 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 organization.

BIL will monitor and benchmark equal pay between men and women, country-by-country, both overall and by categories (Identified Staff, members of the BOD (executive and non-executive), 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 and should mandatory specific local rules apply, local entities should adapt the Charter accordingly. Should local regulations provide stricter rules, the later shall prevail.

BIL Group regularly carries out internal audits in Group's entities to verify compliance by such entities with the Charter.

7.2. Determination of the 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 People, Culture and Communication (PCC) in close collaboration with Risk Management, Compliance, Audit and Secretary General Office departments;

4. The final consolidated list is reviewed by the BRNC-N and recommended by the BRNC-N 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 500.000 and 749.000 EUR: 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 Risk Committee and approved by the BOD;
- Request to the regulator for staff member with a remuneration between 750.000 and 999.999 EUR: 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 Risk Committee and approved by the BOD before the request for approval 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 50.000 EUR 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 PCC 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 high focuses on employees' achievements in the spirit of growth mindset to reach BIL's targets in a sustainable and risk-awareness 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 5 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 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 set up 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 favor his/her own interests or the Bank interests in the potential detriment of any client.

The How in terms of "Compliance, Risk and Business Ethics" is also the aim 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.

Formalize feedback are implemented through the year-end review as a mandatory process. The process requires managers and employees to record assessment of goals and appraisal of performance in writing. Each What and How is evaluated separately with a rating scale based on color coding and a final overall color 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. PCC 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, PCC 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.

Beside 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 executive committee meeting called "Promotion Board". During the Promotion Board, the variable remuneration of all the identified staff of BIL Luxembourg based entities is validated

7.5. Remuneration structure & 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 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 on the basis of individual and collective, financial and non-financial performance criteria. In particular, 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 Exco upon recommendation of BRNC, approved by BoD.

LTIP is a profit-sharing plan based on the issuance of two types of finite (phantom) certificates (The phantom certificates reward senior management for the value created over an extended period of 5 plus 1 year. 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)

On 31 December 2022, BIL Group has identified 109 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 (incl. 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, which 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 located 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, PCC, Compliance, Legal and Tax Departments of BIL.

In order 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 Key Performance Indicators (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, on the basis of 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 on the basis of 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 on 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 BRNCs' recommendation at BIL Group level.

For the variable portion of the remuneration, the appraisal and the objectives' setting for the heads of the Internal Control Functions are prepared by the CEO, and submitted to:

- The Chairman of the Board Audit and Compliance Committee (BACC) for the Chief Internal Auditor, and the CCO in accordance with the TOR of the BACC, for his consideration, assessment and further recommendation to the BRNC, and;
- The BRNC for the CRO, in accordance with the TOR of the BRNC, for assessment and further recommendation of the BoD.

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 of time. 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 company'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 PCC) 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 100.000 EUR is subject to specific deferral rules 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 only 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 50.000 EUR 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 as of 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 1.000.000 EUR.

Conditions of vesting and payment of the deferred element

Any vesting and payment 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. Vesting and payment of the Deferred Part of the Variable Remuneration requires in any case the fulfilment of the following conditions:

- Performance/ex-post risks adjustments: BIL Group may reduce part of or all the Variable Remuneration that has not been vested or paid out 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 institution'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.
- Existence of a professional relationship: there needs to be an active professional relationship under a contract of employment or, as the case may be, a mandate as a director and/or as a member of a management board, linking the beneficiary to a BIL Group entity on the date of vesting or payment. For the avoidance of doubt, the professional relationship is not considered as active and the condition of the previous sentence is not fulfilled if the relationship is under notice of termination (whether initiated by the BIL Group entity or the staff member) at the date of vesting or 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 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 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 Deferred Parts of the Variable Remuneration (in cash or instruments) will not be vested nor paid in all other scenarios of termination or notice of termination (whether initiated by the BIL Group entity or the staff member), in particular, but not exclusively, if the beneficiary leaves BIL Group voluntarily or if there is a termination on the grounds of serious misconduct. 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 TOR BRNC. 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 Courts.

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 ("Charter") compliant 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), PCC 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; and
- 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 and 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 TOR BRNC 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 Executive Committee oversee the correct operational implementation of the Charter throughout the BIL Group and the monitoring the 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 an annual 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 monitoring that it effectively complies with regulatory requirements, in close collaboration with PCC, the other Control Functions and the Legal department;
- Communicates to the PCC Department any new regulations to be taken into account with regard to the Charter;
- Advises the BRNC and to the BOD regarding any update related to regulatory requirements;
- In collaboration with the 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 monitoring that it effectively complies with regulatory requirements. It does so in close collaboration with PCC, 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

The function of HR is carried out by the "People, Culture and Communication" department.

- PCC is the process owner and coordinator of the Charter definition and implementation process;
- PCC proceeds to 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;
- PCC informs staff and concerned parties about all changes;
- PCC coordinates the circulation of the Charter within BIL Group, follow-up on the approval by local management, keeps track of the finalised version applicable in each entity;
- PCC ensures that BIL Group entities comply with the Charter during the appraisal/reward process (coherence checks, awareness of managers, etc.);
- PCC, together with General Secretary, initiates updates especially regarding the identification of the Identified Staff;
- PCC manages the day-to-day performance assessment and pay-out processes.

7.7. Diversity and succession plan at the level of the Management Body

The Board of Directors of BIL 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 in establishing the Diversity Charter is to document among others 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 others, 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 Executive Committee and Board of Directors by the year 2028 .

The BRNC-N is responsible for reviewing on a regular basis (at least every three years) the Diversity Charter and assess on an annual basis its implementation.

The Suitability & Succession Charter of BIL 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 others, 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 Board of Directors 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 Board of Directors have collectively considerable experience at senior level within the financial sector as well as in different fields such as economics, finance, politics, risk management, consulting and auditing. The very good balance in terms of collective knowledge, skills, complementarity and experience fosters an independent, effective and proper supervision of the management of the Bank.

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 & corporate governance, business administration & operations and human resource management. Most members of the Management Board held senior executive or/and director positions before joining the Management Board.

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 Board of Directors 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 is as follows (January 2023):

Board of Directors:
- Mr. Luc Frieden holding two non-executive directorships;
- Mr. Peng Li holding one executive directorship;
- Mr. Marcel Leyers holding one executive directorship and one non-executive directorship;
- Mr. Maurice Lam holding three non-executive directorship;
- Ms. Jing Li holding one executive directorship;
- Mr. Charles Li holding two non-executive directorship;
- Mr. Vincent Thurmes holding three non-executive directorships;
- Mr. Pierrot Rasqué holding one non-executive directorship;
- Mr. Chris Van Aeken holding three 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 one non-executive directorship;
- Mr. Nico Picard holding one executive directorship;
- Mr Hédi Ben Mahmoud[1] holding one executive directorship;
- Mr. Jeffrey Dentzer holding one executive directorship;
- Ms. Karin Scholtes holding one executive directorship;
- Mr. Bernard Mommens holding one executive directorship;

[1] CRO, member of the authorised management, pending ECB's approval

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 timely 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

To respond the CRR A.450(1)(a), for BIL, there is no external consultants whose services have been used for the determination of the remuneration and 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.

8. 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 completely integrated into our Bank strategy and is therefore monitored by the Board of Directors and the Board Strategy Committee.

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 and conducts a systematic dialogue on ESG issues with key internal and external stakeholders. She also leads the Towards Sustainability Committee and reports directly to the Executive Committee.

Since 2021, the Towards Sustainability Committee has been monitoring ESG initiatives and the sharing of information with the growing community of ESG experts within the Bank, representing different levels of the hierarchy (employees, managers, directors, and Executive Committee members).

The Committee meets regularly (five times in 2022) to coordinate BIL's ESG work, share ESG knowledge and good practice internally, guide the development of ESG, and identify possible synergies or interdependency between different projects.

Considering the upcoming strategy and the regulatory ESG challenges, in 2023 BIL will enhance the current ESG governance and structure to gain in clarity and efficiency while allowing synergies.

ESG projects have been managed separately by dedicated Steering Committees, including regulatory projects (SFDR, ESG MiFID) and specific business initiatives (Loans, Real Estate).

For 2023, a new **ESG Strategic Steering Committee** will cover all ESG projects. The main objective is to further engage the business side of the Bank to drive this transformation, not only from a regulatory perspective, but also from a commercial and strategic approach. Decisions will need to be made, targets will need to be discussed and there is a need for a forum to address ESG strategy discussions. This explains that the actual Towards Sustainability Committee will be complemented with this top-level decision-making committee composed of seven permanent members, all members of the Executive Committee, 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

The ESG Strategic Steering Committee will meet every six weeks to manage all initiatives. It manages the ESG strategic program for BIL and the BIL group. The Committee will not interfere with existing governance bodies and will ensure 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.

Data management and training were identified as main enablers of the ESG program, with dedicated resources to assist the program.

8.1.3. ESG Program 2023

The ESG program will be organised around three pillars:

- **ESG Strategy & Governance:** this will imply ESG target setting, strategy, client engagement approaches and integration of ESG aspects in business model and strategy, as expected by the regulator
- **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 and therefore 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)

8.1.4. ESG Strategy and Business model

In July 2022, BIL set its ESG Business ambition of *"being a key **transition facilitator** in ESG lending and advisory in order to support the Bank's individual and corporate clients in their own transition journeys as well as progressively adapt the Bank's ESG Investment and Daily banking offering according to market pace and client demand".*

This high-level ambition being defined, the further step is to translate it into tangible targets as part of the overall strategy of the bank, with the aim of:

- **maximizing business opportunities** that emerge especially but not only from climate-change adaptation and mitigation by financing/investing in investment opportunities that result from the transition
- identifying and **adapting to business disruptions** that emerge from climate change, including physical impacts but also impacts resulting from policy and technology changes.

The biggest focus is on the "E" (environment) with investors, regulators and other stakeholders challenging companies to demonstrate an integrated, strategic approach to addressing climate-change opportunities and risks. This implies defining **a climate strategy** starting with a decarbonisation trajectory with double impact: creating business opportunities as clients need to finance their own transition and reduce climate risks, as decarbonization has a positive impact on the bank's exposure to transition risks.

But not only: indeed, by integrating more globally ESG targets, the bank will maintain **the resilience of its business model** over different time horizons and make it more resilient to ESG factors.

8.2. ESG Risk Management

In accordance with the guidelines of the European Central Bank (ECB) and the European Banking Authority (EBA) through the ECB Climate and Environmental Risk Guide (https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.2020finalguideonclimate-relatedandenvironmentalrisks~58213f6564.en.pdf) and the EBA Report on Management and Supervision of Environmental, Social and Governance Risks (https://www.eba.europa.eu/sites/default/documents/files/document_library/Publications/Reports/2021/1015656/EBA%20Report%20on%20ESG%20risks%20management%20and%20supervision.pdf), the Risk Management function is gradually integrating the management of ESG risks throughout the whole organisation via the following themes:

- Risk identification and materiality assessment
- Business model and strategy
- Risk appetite and governance
- Risk management framework
- Reporting

Beyond this report, different descriptions of the integration of ESG aspects in risk management can be consulted in our publicly accessible policy "ESG integration framework" (ESG-Integration-framework.pdf (bil.com) explaining the commitments, the implementation, and governance for incorporating ESG criteria into the bank's business activities.

Different emerging initiatives were launched in 2022 to incorporate ESG risk into the general framework and are described in our Risk Management report.

8.2.1. ESG Risk Cartography

In January 2022, the Global Risk Cartography that covers all risks included in the bank's risk taxonomy was expanded as regards ESG features, through a process focusing on the "E" component of ESG and submitted to the ECB. Furthermore, an initial assessment of the social and governance dimensions was completed during the second half of 2022. Regarding the "E" component, the main observations arising from the responses provided are indicated below:

- Transition Risk is considered as the risk category with the greatest impact on the bank in terms of medium intensity, with a potential time horizon of risk identified that does not exceed five years (except for legal risks that can be foreseen over a longer horizon), while physical risk impacts are deemed low in most of the evaluations
- Transition Risk – Technology Risk: In such cases where the bank is financing manufacturing or FinTech/IT companies or any other business subject to technology risk, such companies might not be capable of transitioning to newer and more energy-efficient technologies. This will negatively affect the competitiveness of these companies and hence their sales turnover. Profits will be expected to drop as a result and their level of solvency might be at risk. The impact is on the bank's Credit Risk, and more specifically on Counterparty Risk/Solvency Risk
- Transition Risk – Market Sentiment: Both increased cost of raw materials and inputs and changes in choices of consumers and business clients could lead to a decrease in the value of several assets in the bank's debt securities investment portfolio, reflecting a widening in credit spreads. This is especially true in the following sectors: automotive manufacturers, leasing companies and other
- sectors (e.g., banking companies that have not made sufficient progress in their investment transition)
- Physical Risk – Acute Physical Risk: Acute physical events, such as floods or tornadoes, as already witnessed in recent years in Luxembourg, may potentially affect the bank's exposures. Loss of assets and business could have financial repercussions on clients and counterparties, and their repayment capacities

In the first half of 2023, the ESG Risk Cartography exercise will be reviewed considering ECB best practices and following their recommendation on considering medium to long-term horizons in the impacts related to ESG risk drivers and including quantitative assessments to substantiate expert judgements.

The Bank's Risk Cartography is an annual exercise and ESG factors will be included in the overall analysis as part of an iterative exercise. The Bank's response to the management of ESG-related risks will be embedded in the existing mitigation techniques for traditional risks.

8.2.2. Stress testing

Risk Department teams will work on improving BIL's level of preparedness, notably on the long-term projections of its credit risk parameters (migration matrix behaviours), the capacity to project long-term on/off balance-sheet elements including exogenous changing environments, and the ability to quantitatively address some impacts of ESG drivers on liquidity risk, among other risks. The Risk Department teams will work on these improvements in 2023.

In this context, in term of Stress Testing framework, the following approaches are currently being developed:

- Enterprise Risk Management (ERM) and the Credit Data Science team (IFRS 9 modelling) have started to work on the Moody's scenarios regarding ESG for the stressed projections of the ECL and RWA. The physical and transition impacts on the economy of temperature change are determined using a model of the global economy. The scenarios are consistent with Orderly, Disorderly, and No policy action scenarios by the Network of Central Banks and Supervisors for Greening the Financial System
- ERM and the Market and Liquidity Risk Management (MLRM) teams have started to work on the Market Risk impacts regarding several ESG scenarios provided by the different regulators/supervisors (ACPR, ECB, EIOPA, etc.)
- Regarding Liquidity Risk and capitalising on the deployment of the SASB classifications (please refer to the previous point) ERM and MLRM have started to work on the design of the Liquidity Risk Stress Tests based on the principle given by the Italian banking regulator (Banca d'Italia) that could be summarised as follows: "In some cases, several counterparties will need to incur expenses to finance their transitions, meaning they will certainly withdraw their deposits to invest in the necessary transition projects, resulting in an increase of outflows for the bank".

8.2.3 SME Climate Database Coordinated Project with 2Degrees Investing Initiative (2DII)

Starting from March 2022, BIL has been involved in a project funded by the EU Commission and launched by the 2 Degrees Investing Initiative (2DII) called SME Climate Database, dedicated to the creation of a European non-listed SME climate database to help banks assess the double materiality of their lending portfolios.

Risk teams are working on the development of a tool that will complement the PACTA tool that 2DII created to assess the alignment of listed companies with climate-related scenarios. Following our participation as a user bank, the next step of the SME project is the start of the road-testing phase and its application. Extension of the database will happen during 2023. There will be two other expected outputs: indicators (e.g., Input indicator, Product Indicator, Market indicator and Flexibility indicator) and scores (e.g., Transition Risk score, Physical Risk score, Adaptive Capacity score and Sustainability score).

This tool will be helpful for our daily business in assessing ESG risks for our borrowers and counterparties, building on a climate-relevant database for non-capital market companies, where SMEs represent almost all business in the EU area.

8.2.4 Credit Risk framework

- Credit risk management (CRM) is currently developing an ESG scorecard: This methodology describes the framework under which CRM assesses the ESG risks of a borrower and a transaction. It is a qualitative methodology used to classify the counterparty's exposures. While not leading to a quantification of financial risk, this methodology contributes to ESG risks management by allowing a better understanding of the ESG performance of the Bank's credit portfolio. The materiality of ESG factors to credit risks is assessed at sector- counterparty/borrower- and transaction-level (i.e., three dimensions assessment). The objective of the ESG assessment is to capture all ESG considerations that have a material impact on the credit quality and can affect the Bank's credit decision
- Credit Data Science (CDS) (Basel framework) has developed a qualitative questionnaire for PD: The new PD mid corporate and new PD Corporate (under development) models will integrate a new qualitative questionnaire. This new questionnaire is already built and contains an ESG theme, which is composed of sub-sections: Environmental factors: Waste, Pollution and Environmental impact, Greenhouse Gas Emissions – Climate transition risk, Social factors: Social factors assess whether a company manages topics like equality, diversity, gender diversity and work-life balance (existing charter), respects labour standards, health, safety working conditions and implements internal guidelines to protect and respect personal data and Governance factors: Structure and oversight, Governance principles, Code and values, Transparency, Board network.

8.2.5. Carbon Footprint exercise

The calculation of financed emissions is mainly used to assess transition risk exposure. In 2022, BIL calculated the emissions of its bank investment and loans portfolio based on its exposure held in 2021. The calculation covered only a part of the balance-sheet for an amount of about EUR 20 billion.
The following asset classes were included in the GHG calculation:
- Private Equity & Business Loans
- Listed Instruments
- Real Estate Loans
- Motor Vehicle Loans

The calculation method is based on the GHG protocol standard, the most widely used standard in the world for accounting for greenhouse gas emissions and proposed by the Partnership for Carbon Accounting Financials (PCAF).

Total carbon footprint is 402,504 tCO2e distributed as follows:
- 279,269 tCO2 for the credit portfolio (scope: BIL Luxembourg, BIL Switzerland, BIL Lease)
- 123,235 tCO2 for the Bank investment portfolio (scope: BIL Luxembourg and CIB, BIL Switzerland, BIL Reinsurance, BIL Pension Funds, BIL Participations)

Results by Portfolio and Sub-Portfolio

Asset Class	Analysed Amount (EUR Mill)	Financed Emissions (tCO2e)	Carbon Intensity (tCO2e/EUR Mill. invested)
Bank Investment Portfolio			
BIL Luxembourg	7,172.9	64,819	9.0
BIL Participations	243.4	40,331	165.7
BIL CIB	204.2	8,971	43.9
BIL Pension Funds	167.7	4,667	27.8
BIL Reinsurance	46.5	2,281	49.0
BIL Switzerland	129.9	2,166	16.7
Credit Portfolio			
BIL Luxembourg	11,985.0	270,950	22.6
BIL Lease	166.8	8,292	49.7
BIL Switzerland	49.8	28	0.6

It is important to mention that these figures are based on 2021 exposures. BIL has considered a first version of the Carbon Footprint for 2022 in the Template 1: Banking book-Climate Change transition risk: Credit quality of exposures by sector, emissions, and residual maturity. The data within this template are based on a mapping with external provider data (CDP). In line with the current regulatory requirements, BIL will develop its capabilities to improve the accuracy of the future estimates, particularly on its data quality and scope enhancement and is currently working on a second version for 2022 regarding the Carbon Footprint assessment that is expected to be available in the second semester of 2023.

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

The starting point of integrating environmental factors and risks was the Global Risk Cartography realised in January 2022. When considering environmental factors and risks, BIL globally addresses following scopes:

- BIL client portfolio
- BIL bank portfolio
- BIL lending portfolio
- BIL own operations

BIL Customer portfolio

In response to SFDR regulation, BIL manages sustainability risks in the bank's investment decision and advice processes. BIL has defined its Sustainability Risk Policy https://www.bil.com/Documents/documentation-legale/SustainabilityRiskPolicy.pdf) applicable to: i) the discretionary portfolio management and in-house fund management investment decision making process, ii) the provision of investment advice and iii) the provision of insurance advice. This is the first step in BIL's journey towards sound investing. Sustainability risks are considered essentially through exclusion and ESG integration.

BIL's exclusion policy aims at minimizing ESG related risks arising from exposure to certain sectors or activities that run a high reputational risk and unsustainable business models.

ESG integration at BIL, means that our investment products and services apply ESG nonfinancial factors as part of their analysis to identify material risks and growth opportunities.

BIL Bank portfolio

As for the client portfolio, BIL has integrated ESG factor considerations in its Bank portfolio investment guidelines, thus is aligned with public communication around BIL SFDR on Sustainable and Responsible Investment Framework. BIL deems investing in companies and sovereign that respects ESG principles. BIL Investment Portfolio Guidelines hence limit controversies around potential divergences between eligible investments for clients and our self.

BIL Lending portfolio

2022 was a pivotal year for BIL's loan portfolio. Indeed, one of the priorities during the year was to better understand, identify and assess all the risks to, and the impact of, our business and loan portfolio. The Global Risk Cartography highlighted the most material credit risks to BIL:

- Transition Risk is considered as the risk category with the greatest impact on the bank in terms of medium intensity, with a potential time horizon of risk identified that does not exceed five years (except for legal risks that can be foreseen over a longer horizon), while physical risk impacts are deemed low in most of the evaluations;
- Transition Risk – Technology Risk: in such cases where the bank is financing manufacturing or FinTech/IT companies or any other business subject to technology risk, such companies might not be capable of transitioning to newer and more energy-efficient technologies. This will negatively affect the competitiveness of these companies and hence their sales turnover. Profits will be expected to drop as a result and their level of solvency might be at risk. The impact is on the bank's Credit Risk, and more specifically on Counterparty Risk/Solvency Risk;
- Transition Risk – Market Sentiment: both increased cost of raw materials and inputs and changes in choices of consumers and business clients could lead to a decrease in the value of several assets in the bank's debt securities investment portfolio, reflecting a widening in credit spreads. This is especially true in the following sectors: automotive manufacturers, leasing companies and other sectors (e.g., banking companies that have not made sufficient progress in their investment transition);

- Physical Risk – Acute Physical Risk: acute physical events, such as floods or tornadoes, as already witnessed in recent years in Luxembourg, may potentially affect the bank's exposures. Loss of assets and business could have financial repercussions on clients and counterparties, and their repayment capacities.

These observations were confirmed in the Climate Risk Stress Test carried out by the ECB in 2022. In order to take into account the impact of environmental factors and risks on our business environment and model, different tools have been used:

- Carbon Footprint: the calculation of financed emissions is mainly used to assess transition risk exposure. Details of this calculation can also be found in BIL's 2022 non-financial report. This exercise contributed to providing a better understanding and awareness of the bank's most substantial GHG emissions. The results allow the bank to focus on carbon intensive sectors with a forward-looking view, to contemplate future reduction targets and the implementation of a climate strategy
- UN PRB Impact analysis: in 2022, BIL carried out the so-called "Impact identification" exercise, which consists in identifying the areas with the most significant potential impact by focusing initially on its credit portfolio. The most relevant and potential positive impact area associated with BIL's credit portfolio in Luxembourg identified were Housing (Availability, accessibility, affordability & quality). The most relevant and potential negative impact areas associated with BIL's credit portfolio in Luxembourg identified were Climate stability, Resource intensity & Waste. The most significant impact areas have not been prioritized at this stage to pursue our performance measurement and our target setting strategy. This choice is currently underway and will be made as well as the performance assessment phase during the year 2023 in accordance with the UNPRB 4-year implementation journey. Full information is available in the appendix to the UNEP FI Principles for Responsible Banking report

These tools and analysis set the base for a future climate strategy, business targets and engagement strategy that will be discussed in 2023.

BIL Own operations

BIL measured its operational Carbon footprint; including scope 1,2, and 3. This analysis sets the base for environmental impact targets that will be discussed in 2023.

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

BIL Customer portfolio

BIL exclusion list is based on the following oversight:

- Thermal coal represents the most carbon intensive and the least efficient way to produce power from fossil fuels. Furthermore, it also generates a high level of other polluting emissions. As part of the transition towards a low carbon economy, we exclude companies that derive more than 10% of their revenues from coal extraction and/or power generation from coal
- Oil sand is a non-renewable energy source with strong impact on environment (one of the strongest emitters of greenhouse gas emissions), biodiversity and health. The development of this non-conventional energy is not consistent to the low carbon transition and good management of climate risks, reason for us to exclude all companies that derive more than 5% of their revenues from oil sands extraction
- When the companies are directly involved in the business of controversial weapons (development, testing, maintenance, and sale) because of their indiscriminate effects and the disproportionate harm they cause (anti-personnel landmines, cluster bombs, depleted uranium weapons, chemical weapons, biological weapons, and white phosphorous weapons). This principle is applicable for any involvement, regardless of the sales/revenues derived from it, except for 5% sales/revenues threshold for white phosphorous weapons to acknowledge the fact that phosphorous is a dual use substance
- Controversial behaviour: for the products and services managed directly by BIL, without third-party intervention, we also exclude companies that violate the United Nations Global Compact Principles covering human rights, labour rights, environment and corruption & bribery considerations
- We do not invest in countries that have serious violations with regard to political stability or where the governance structure is deemed as unsustainable.

In addition, BIL follows applicable sanctions of the UN, EU, or the Office of Foreign Assets Control (OFAC) to which it is subject and follows any mandatory restrictions deriving therefrom. The exclusion policy is applied based on available information. The exclusion-list is prepared using information from external data providers on periodic review, and although a qualitative review is performed, BIL could not be responsible for the accuracy of this data.

Additional internal analyses are done on a regular basis on the controversial behaviour aspects. The results of these analysis are presented to the Investment Office's Portfolio Construction Committee, who recommends, in case of material changes of the company's ability to comply to our exclusion requirements, the presentation of the case to the Executive Committee or to the Internal Control Committee and in the future to the ESG Strategy Committee, who takes the final decision.

BIL Bank portfolio

Following limits drive the exclusion policy applied to BIL's Bank portfolio:

- When the companies are involved in the business of controversial weapons because of their indiscriminate effects and the disproportionate harm they cause (anti-personnel mines, cluster weapons, depleted uranium, nuclear weapons, white phosphorus, and biological & chemical weapons)
- When the companies derived more than 10% of their revenues from thermal coal extraction and/or power generation
- When the companies are involved in the business of oil sands extraction
- When companies violated the UN Global Compact Principles covering human rights, labour rights, environment, and corruption and bribery considerations.

In addition, BIL deems as unsustainable investing in government bonds (federal & local) of countries where a collapse of the governance structure took place. BIL follows applicable sanctions of the UN, EU, or the Office of Foreign Assets Control (OFAC) to which it is subject and follows any mandatory restrictions deriving therefrom. An integral part of our engagement will be to revisit exclusion criteria in accordance with innovation and societal trends. The exclusion policy is applied based on available information. The exclusion-list is prepared using information from external data providers on periodic review. If the application of this standard triggers divestments, portfolio managers shall disinvest within this transition period taking into account the portfolio impacts based on market conditions, liquidity and investment portfolio guidelines.

The Green, Social and Sustainable markets are developing tremendously all over the world and particularly in the Eurozone. After several private initiatives to harmonize these markets, the European regulator has come with a Taxonomy and the European Banking Authority (EBA) papers to bring clear harmonization. Several issuers and investment banks have integrated the ESG topic in their business strategy.

In a foreseeable future, issuers will give privileged allocations to investors, which have Green, Social and Sustainable criteria in their Investment Guidelines or at least a strategy.

The Green, Social and Sustainable bond market is developing at a fast pace. Indeed, the market has witnessed a three-digit growth between 2014 and 2017. Since then, market growth has stabilized at a still impressive 79% in 2019.

Therefore, we consider that the target minimum share of Green, Social or Sustainable bonds in the portfolio must be higher than or at least equal to 30% of the total portfolio size.

However, since this market is still in a developing phase, this minimum share will be built in a step-up mode according to the following calendar:

Year-end	Minimum share	Maximum share
2021	10%	100%
2023	20%	100%
2025	30%	100%

These figures and the target minimum share could be revised in the coming years according to the evolution of the Green, Social and Sustainable bond markets.

An integral part of our engagement will be to revisit exclusion criteria in accordance to innovation and societal trends.

BIL Lending portfolio

Credit Risk Management (CRM) has developed a credit risk appetite by economic sector based on ESG factors along with the Sector Vulnerability Index (SVI). In June 2022, the Bank implemented a Credit Risk Appetite Statement, including quantitative limits per key economic sector. The Credit Risk Appetite includes Environmental, Social and Governance (ESG) factors based on the Sustainable Accounting Standard Board (SASB)'s Materiality Map. SASB is a market recognised standard for ESG assessment (www.sasb.org). The SASB Materiality Map identifies likely material sustainability issues on an industry-by-industry basis (including the real estate sector). The map serves as a snapshot of likely material sustainability issues, which covers the transition and physical risks. Based on the set of criteria that SASB considers when evaluating the performance of each sustainability topic, the Executive Committee sets the credit strategy and defines proposals for the lending limits/credit risk appetite for each given sector taking into consideration SVI and ESG factors. The direction matrix is the basis for the Executive Committee 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. We want to give all BIL clients the choice to be supported through their transition.

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.

Own operations

To address its operational carbon footprint, BIL has set targets reduction targets on electricity consumption (-10%) and gas consumption (-15%). It also launched awareness initiatives to address GHG such as introducing MaaS, "Mobility as a Service", a mobility package with a combination of complementary initiatives.

Since the introduction of a CO2 cap in March 2021 for company cars, CO2 emissions have dropped drastically. The average CO2 emissions of total orders in 2022 was 42g CO2/km.

Indeed, most of the newly ordered cars are now hybrid or electric cars (81% in 2022). In parallel, BIL increased the number of electric chargers at BIL headquarters for electric vehicles driven by our employees. BIL's carbon footprint measures set the base for target setting in 2024.

8.3.1.3 Current investment activities and (future) investment targets towards environmental objectives and EU-Taxonomy aligned activities

In August 2022, BIL Management Board defined its ESG business ambition. The Bank's ambition is to become a transition facilitator for its customers. The bank will assist and support its customers in the transition of their business models or activities, thus strengthening our position as their partner.

BIL currently has two products specifically designed for sustainable finance:

- Climate loans (at a reduced rate and zero rate): loans subsidised by the Luxembourg government to promote energy renovations (currently under review);
- Photovoltaic loans: a dedicated product at a preferential rate focused on the financing of solar panel installations (especially for retail clients). 44 projects were subscribed in 2022 for a total amount of EUR 2.3 million.

However, most of BIL's sustainable financing comes through more traditional products such as mortgages and consumer loans for individuals, and investment loans for corporate and institutional clients. Unfortunately, we do not yet have sufficient data granularity to be able to identify the financing of energy retrofit work, for example. BIL is trying to improve the quality of its non-financial data so that it can correct this in the future.

Work has already begun for electric mobility, which BIL supports through the special terms that it offers for hybrid/electric vehicles, via the following two types of finance:

- Climate loans (at a reduced rate and zero rate): loans subsidised by the Luxembourg government to promote energy renovations (currently under review);
- Photovoltaic loans: a dedicated product at a preferential rate focused on the financing of solar panel installations (especially for retail clients). 44 projects were subscribed in 2022 for a total amount of EUR 2.3 million.

However, most of BIL's sustainable financing comes through more traditional products such as mortgages and consumer loans for individuals, and investment loans for corporate and institutional clients. Unfortunately, we do not yet have sufficient data granularity to be able to identify the financing of energy retrofit work, for example. BIL is trying to improve the quality of its non-financial data so that it can correct this in the future.

Work has already begun for electric mobility, which BIL supports through the special terms that it offers for hybrid/electric vehicles, via the following two types of finance:

- Consumer loans: 119 contracts were concluded in 2022 for a total of EUR 3.8 million
- Leasing: 318 contracts were concluded in 2022 for a total of EUR 17.8 million (+28% vs 2021)

BIL will continue to expand its sustainable financing offer in terms of products and services.
Through its tailor-made financing solutions, BIL Corporate Finance has already put in place several Sustainability-Linked

Loans, where a portion of the interest rate is linked to the borrower's ability to meet specific pre-defined sustainability targets.

Priorities for 2023 and future years are the following:
- Develop our advisers' knowledge of ESG, energy transition and government grant matters
- Identify the ESG data needed, and set up a process for collecting, entering, archiving, and using it
- Review our range of sustainable finance products and services
- Include more ESG aspects in our loan issuance process and pricing policy
- Turn our ESG strategy into concrete, measurable targets

Transition risks will be addressed through a dedicated engagement strategy with specific engagement targets to be set on high emitting clients:
- To raise clients' awareness of the need to be part of a transition
- To discuss whether they have a transition plan, and consider its credibility and progress
- To identify their investment opportunities and funding needs

In terms of sustainable investments, BIL will continue to develop its offering. On top of its BIL Invest Patrimonial funds (Article 8), BIL has requested CSSF approval for the two additional BIL Invest Funds (BIL Invest Equities Europe and BIL Invest Bonds EUR Corporate Investment Grade) expected in 2023. In addition, in 2023 BIL is planning to launch an ESG discretionary portfolio mandate for wealth management clients.

In April 2022, BIL was the first Bank in Luxembourg to set up a Green Bond Framework dedicated to the issuance of green bonds. BIL has implemented its Green Bond Framework with a clear commitment to supporting the growth of the sustainable finance market. A total of eight green transactions amounting to EUR 92 million equivalent were issued in 2022, mostly in the form of private placements.

The BIL Green Bond Framework has been designed with the intention of reflecting the current best market practice and alignment with the 2021 ICMA Green Bond Principles as confirmed by a second-party opinion released by Sustainalytics. The net proceeds will be allocated exclusively to finance or refinance new or existing loans financing green buildings in Luxembourg with the aim of strengthening BIL's sustainable strategy and having a positive impact on the local economy and communities.

The BIL Green Bond Framework is available on our website, for more details please refer here:
- Green-Bond-Framework (https://www.bil.com/Documents/EMTN/Green-Bond-Framework.pdf)
- Second-Party-Opinion (https://www.bil.com/Documents/EMTN/Second-Party-Opinion.pdf)
- Sustainable Residential Building Selection Report (https://www.bil.com/Documents/EMTN/BIL_GreenBond_Methodology.pdf)

It is foreseen to set business targets in 2024, including share of green financing and investments in the Bank's global assets.

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.

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,

8.4.1.6 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

Regarding in its strategy and sustainability to maintain the resilience of its 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 will 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 would on a later stage be integrated in our strategy and decision-making process. The objective is to ensure that the data that is being collected is robust enough to be integrated in our strategy at a later stage, not only with a forward-looking perspective but also with a historical view. This exercise will also support us to have 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 2023, 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, as well as setting clear targets for certain KPIs.

8.3.1.7 Lines of reporting and frequency of reporting relating to environmental risk

The relevant departments of the Bank are currently working on a specific ESG Dashboard for the Board of Directors, notably related to the climate part, for the second semester of 2023 (Q4 2023). The analysis for this dashboard will focus notably on the recommendations embedded in the following document: "Steering the Ship: Creating Board-Level Climate Dashboards for Banks, A joint paper by the Global Association of Risk Professionals (GARP) and United Nations Environment Programme Finance Initiative (UNEP FI), July 2022)".

The report will be structured as following:

(i) Balance Sheet Management Information with dedicated parts related to Climate Risk Management, Portfolio Alignment, Regulatory view, Disclosure and Audit matters and,
(ii) Climate Risk related to own operations.

To realise this dashboard, the relevant Bank teams involved in this exercise will make an inventory of all pertinent indicators, the data needed (based on different sources: Internal sources, customer, public data, etc.) and IT capacities through the new Core Banking System. One key disclosure of this dashboard will be the assessment / the strategy review translated by the evolution/projections of these indicators

8.3.1.8 Alignment of the remuneration policy with institution's environmental risk-related objectives

BIL's Remuneration 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. ESG considerations are embedded throughout the organisation and all employees are sensitized and encouraged to uphold BIL's sustainability initiatives. In particular, the appropriate ESG criteria and metrics are linked to the remuneration framework of all people managers and specific functions. The remuneration charter may be adapted, as necessary, as the ESG universe evolves towards a more detailed approach. Details to be found in https://www.bil.com/Documents/documentation-legale/RemunerationCharter-en.pdf.

8.3.1.9 Integration of short-, medium- and long-term effects of environmental factors and risks in the risk framework

BIL has incorporated climate-related and environmental risks as drivers of existing risk categories into their risk management framework, with a view to managing, monitoring, and mitigating these over a sufficiently long-term horizon. In addition, BIL is expected to identify and quantify these risks within the Bank's overall process of ensuring capital adequacy.

The Bank considered several steps towards ESG integration in the credit granting and monitoring process as part of the governance framework. The Risk Management Department is responsible of reviewing the management approach through periodic reviews of the credit and risk policies, procedures, and risk appetite. It is responsible of maintaining the policies and procedures and metrics aligned with the Bank's strategy and regulatory requirements. BIL enhanced its policies and procedures by adding the necessity of collecting ESG information at origination and included ESG factors as part of the monitoring elements.

Moreover, 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 Environmental, Social and Governance (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.

8.3.1.10 Definitions, methodologies and international standards on which the environmental risk management framework is based

BIL has developed a credit risk appetite by economic sector based on ESG factors along with the Sector Vulnerability Index. It includes Environmental, Social and Governance (ESG) factors based on the Sustainable Accounting Standard Board (SASB)'s Materiality Map.

8.3.1.11 Implementation of tools for identification, measurement and management of environmental risks

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 Environmental, Social and Governance (ESG) factors based on the Sustainable Accounting Standard Board (SASB)'s Materiality Map.

In addition, BIL is in the process of implementing an ESG borrower assessment for transactions above a certain threshold. It is a qualitative methodology used to classify the counterparty's exposures. This methodology contributes to ESG risks management by allowing a better understanding of the ESG performance of the Bank's credit portfolio. The materiality of ESG factors to credit risks is assessed at sector-counterparty/borrower- and transaction-level (i.e., three dimensions assessment). The objective of the ESG assessment is to capture all ESG considerations that have a material impact on the credit quality and can affect the Bank's credit decision. The assessment's result is a final score which will be used alongside the credit score of the borrower.

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

The Bank's Management sets the credit strategy and defines the lending limits/credit risk appetite for each given industry taking into consideration Sector Vulnerability Index and ESG factors. Once the strategy/direction for each economic sector is defined, lending limits are set based on an internal metric. These limits are reviewed and adjusted annually to meet the Bank's overall strategy, more specifically the lending portfolio target. A monthly report is prepared by the displaying the exposures and total granted limits. This report is sent to Executive Committee members, Front Office, and Credit Risk Management. This report will be also integrated in the reports presented to the Management Board, the BRC and the BoD on a quarterly basis.

The Risk Appetite Framework could not be effective without an escalation/monitoring process in case of breach included in the overall governance framework. Like other elements of the risk strategy, risk appetite includes management arrangements for limit breaches, including an escalation policy in the event of continuing breach. A monitoring on the granted limits is done on a continuous basis and each end of month.

With reference to the Bank's Global Risk Charter, BIL follows a traffic light approach, based on triggers and limits. Each traffic light is connected to clear and precise measures regarding the escalation of the problem. When a corrective action is decided, a proper communication to the different stakeholders involved and a follow-up of the corrective action taken must be done.

8.3.2 Qualitative information on social risk

8.3.2.1 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 (Luxembourg Banks Association) 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, we know that that our monitoring duties could be even more formalized. We are willing to commit to best practices and contribute to reflections on the market. We do feel that the Human Right considerations remain difficult to control on the overall supply chain and seem somehow abstract. We are open to learn about how to improve our implementations on that aspect and are curious about evolutions on that topic.

8.3.3 Qualitative information on Governance risk

The 2022 Sustainability Report presents BIL group's sustainable development strategy, business model, governance, risks and opportunities, performance, and future outlook with regard to sustainable development.

To ensure a thorough and comprehensive understanding of the group's overall performance, the report has been prepared in accordance with Global Reporting Initiative (GRI) Standards (Core Option) and refers to BIL's activities at group level, unless stated otherwise. In addition, the reporting for the United Nations Principles for Responsible Banking (UN PRB), of which BIL became a signatory in 2021, can be found in the Appendices section of the non-financial report. BIL publishes its sustainability reports on an annual basis; reports from previous years can be found at bil.com (https://www.bil.com/sustainability/reports.html). The Sustainability Team is responsible for the drafting of this report, which is then reviewed by a transversal reading committee and validated by BIL's Executive Committee.

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 previous assessment made by South Pole in 2021 (with the outcomes of this assessment presented in section 8.3.5 of this report) and the 2022 CDP report on the GHG scopes 1/2/3.

	Sector/subsector	EU area						Non-EU area					
		Tota Gross carrying amount (thousand euro) l	Gross interest income (thousand euro)	Gross fee and commission income (thousand euro)	GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)			Gross carrying amount (thousand euro)	Gross interest income (thousand euro)	Gross fee and commission income (thousand euro)	GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)		
						Of which Scope 1 financed emissions	Of which Scope 2 financed emissions					Of which Scope 1 financed emissions	Of which Scope 2 financed emissions
		010	020	030	040	050	060	070	080	090	100	110	120
1	Exposures towards sectors that highly contribute to climate change*	6,337,525.79	88,271.97	23,354.34	1,862,069.74	432,680.88	83,649.01	408,914.66	5,390.58	781.92	282,607.53	103,321.63	24,139.18
2	A - Agriculture, forestry and fishing	128,812.00	1,969.00	674.00	58,303.07	5,638.05	2,481.04	0.04	3.92	1.64	0.61	0.14	0.09
3	B - Mining and quarrying	2,757.91	45.57	24.66	85,832.19	13,519.89	5,658.13	0.02	1.96	0.82	0.30	0.07	0.04
4	B.05 - Mining of coal and lignite	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	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
6	B.07 - Mining of metal ores	1,239.05	23.15	13.01	15,846.23	5,193.79	1,259.95	0.00	0.00	0.00	0.00	0.00	0.00
7	B.08 - Other mining and quarrying	1463.68	17.69	5.56	20,731.32	4,781.78	3,001.78	0.02	1.96	0.82	0.30	0.07	0.04
8	B.09 - Mining support service activities	55.18	4.73	6.09	49,254.64	3,544.32	1,396.40	0.00	0.00	0.00	0.00	0.00	0.00
9	C - Manufacturing	600,037.75	5,926.91	2,563.27	1,277,947.78	177,318.52	52,983.91	175,504.27	1,929.95	287.46	185,867.52	34,215.98	17,970.05
10	C.10 - Manufacture of food products	77,269.86	452.20	124.99	18,552.68	2,131.10	1,601.06	25,086.91	510.14	3.79	6,023.43	691.90	519.81
11	C.11 - Manufacture of beverages	12,193.25	167.44	89.57	21,077.10	1,188.14	2,383.91	77.01	1.17	5.96	133.11	7.50	15.06
12	C.12 - Manufacture of tobacco products	6,127.73	82.31	48.13	1,444.28	667.75	138.91	0.00	0.00	0.00	0.00	0.00	0.00
13	C.13 - Manufacture of textiles	7,857.34	127.85	91.28	887.83	221.46	296.45	0.00	0.00	0.00	0.00	0.00	0.00
14	C.14 - Manufacture of wearing apparel	1,097.80	21.13	5.58	5,401.32	107.85	602.78	0.00	0.00	0.00	0.00	0.00	0.00
15	C.15 - Manufacture of leather and related products	166.28	2.01	1.72	5,401.32	107.85	602.78	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	34,327.46	350.09	44.66	154.66	51.40	37.32	0.00	0.00	0.00	0.00	0.00	0.00
17	C.17 - Manufacture of pulp, paper and paperboard	7.51	0.16	2.43	11,240.57	5,622.10	2,252.75	0.65	7.46	2.36	970.66	485.49	194.53
18	C.18 - Printing and service activities related to printing	14,526.69	304.76	50.64	11,240.57	5,622.10	2,252.75	0.00	0.00	0.00	0.00	0.00	0.00
19	C.19 - Manufacture of coke oven products	110.08	0.71	16.60	578,090.29	144,554.01	7,998.77	15.55	0.10	2.35	81,676.71	20,423.62	1,130.12
20	C.20 - Production of chemicals	27,575.46	120.44	52.86	11,669.20	4,302.23	3,996.05	25,005.84	82.26	0.28	10,581.81	3,901.32	3,623.68
21	C.21 - Manufacture of pharmaceutical preparations	605.89	11.80	5.78	559.99	79.40	96.11	60,925.45	644.80	94.58	56,310.13	7,983.67	9,664.64
22	C.22 - Manufacture of rubber products	79,937.71	999.50	262.21	17,509.93	718.50	928.40	0.47	0.67	34.13	0.10	0.00	0.01
23	C.23 - Manufacture of other non-metallic mineral products	27,835.12	218.03	50.94	15,280.09	270.92	4,878.85	0.00	0.00	0.00	0.00	0.00	0.00
24	C.24 - Manufacture of basic metals	43,200.20	544.07	496.03	15,280.09	270.92	4,878.85	11.65	5.73	2.51	4.12	0.07	1.32
25	C.25 - Manufacture of fabricated metal products, except machinery and equipment	28,146.79	431.26	161.15	15,280.09	270.92	4,878.85	2,915.28	41.44	0.05	1,582.62	28.06	505.32
26	C.26 - Manufacture of computer, electronic and optical products	5,311.49	73.35	41.22	15,280.09	270.92	4,878.85	0.00	0.00	0.00	0.00	0.00	0.00
27	C.27 - Manufacture of electrical equipment	17,638.43	207.10	18.65	79,693.00	198.70	663.53	61,241.73	630.83	133.77	27,669.91	689.90	2,303.81
28	C.28 - Manufacture of machinery and equipment n.e.c.	70,298.02	899.06	459.74	293,758.22	1,215.00	3,725.43	217.70	1.70	0.09	909.70	3.76	11.54
29	C.29 - Manufacture of motor vehicles, trailers and semi-trailers	98,322.31	174.14	143.16	116,135.98	4,293.57	4,138.15	0.00	0.00	0.00	0.00	0.00	0.00
30	C.30 - Manufacture of other transport equipment	12,910.28	151.58	42.23	12,903.23	1,660.37	535.06	4.34	3.19	3.52	4.34	0.56	0.18

ESG Risk Framework

Sector/subsector	EU area						Non-EU area					
	Tota Gross carrying amount (thousand euro) I	Gross interest income (thousand euro)	Gross fee and commission income (thousand euro)	GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)			Gross carrying amount (thousand euro)	Gross interest income (thousand euro)	Gross fee and commission income (thousand euro)	GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)		
					Of which Scope 1 financed emissions	Of which Scope 2 financed emissions					Of which Scope 1 financed emissions	Of which Scope 2 financed emissions
	010	020	030	040	050	060	070	080	090	100	110	120
31 C.31 - Manufacture of furniture	1,844.59	27.75	45.02	12,903.23	1,660.37	535.06	0.00	0.00	0.00	0.00	0.00	0.00
32 C.32 - Other manufacturing	25,162.93	495.68	252.13	12,903.23	1,660.37	535.06	1.70	0.47	4.09	0.87	0.11	0.04
33 C.33 - Repair and installation of machinery and equipment	7,564.53	64.52	56.53	5,300.78	172.56	148.19	0.00	0.00	0.00	0.00	0.00	0.00
34 D - Electricity, gas, steam and air conditioning supply	165,615.74	1,045.56	195.92	294,605.11	218,874.64	6,434.32	19,554.65	356.20	17.05	34,784.74	25,843.06	759.72
35 D35.1 - Electric power generation, transmission and distribution	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
36 D35.11 - Production of electricity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
37 D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	165,615.74	1,045.56	195.92	294,605.11	218,874.64	6,434.32	19,554.65	356.20	17.05	34,784.74	25,843.06	759.72
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
39 E - Water supply; sewerage, waste management and remediation activities	4,750.00	0.00	87.47	7,431.82	5,404.60	609.19	37,821.44	299.06	26.09	59,175.17	43,033.63	4,850.66
40 F - Construction	1,428,737.41	24,691.79	8,416.05	30,286.97	3,843.86	778.86	16,127.23	95.23	55.47	209.12	32.70	7.77
41 F.41 - Construction of buildings	1,132,392.10	20,338.34	6,072.35	14,060.29	2,254.31	543.76	15,777.90	90.38	49.94	195.91	31.41	7.58
42 F.42 - Civil engineering	81,817.56	956.27	711.80	8,113.34	794.78	117.55	0.00	0.00	0.00	0.00	0.00	0.00
43 F.43 - Specialised construction activities	214,527.75	3,397.19	1,631.90	8,113.34	794.78	117.55	349.32	4.84	5.52	13.21	1.29	0.19
44 G - Wholesale and retail trade; repair of motor vehicles and motorcycles	571,499.22	8,236.76	4,654.73	56,053.17	2,196.41	4,333.89	8,874.46	304.17	167.65	870.41	34.11	67.30
45 H - Transportation and storage	505,616.32	2,195.73	959.76	4,277.46	726.17	806.09	309.22	10.63	2.71	150.12	18.13	36.15
46 H.49 - Land transport and transport via pipelines	143,710.72	964.05	471.62	767.51	92.70	184.79	0.00	0.00	0.00	0.00	0.00	0.00
47 H.50 - Water transport	1,042.33	22.52	24.51	767.51	92.70	184.79	203.48	9.01	1.00	149.83	18.10	36.07
48 H.51 - Air transport	277,701.74	495.83	296.42	767.51	92.70	184.79	105.74	1.63	1.71	0.29	0.04	0.07
49 H.52 - Warehousing and support activities for transportation	79,689.06	645.35	138.43	1,207.41	355.38	66.92	0.00	0.00	0.00	0.00	0.00	0.00
50 H.53 - Postal and courier activities	3,472.48	67.99	28.77	767.51	92.70	184.79	0.00	0.00	0.00	0.00	0.00	0.00
51 I - Accommodation and food service activities	467,573.97	6,741.85	1,665.13	22,721.18	2,905.91	2,290.12	1,112.36	60.85	22.44	54.05	6.91	5.45
52 L - Real estate activities	2,462,125.48	37,418.80	4,113.34	24,610.99	2,252.82	7,273.45	149,610.97	2,328.61	200.60	1,495.49	136.89	441.97
53 Exposures towards sectors other than those that highly contribute to climate change*	**21,545,207.13**	**121,896.26**	**68,715.04**				**5,155,975.55**	**10,702.29**	**6,405.61**			
54 K - Financial and insurance activities	9,103,411.65	47,794.67	31,128.47				3,126,752.81	7,829.40	3,580.19			
55 Exposures to other sectors (NACE codes J, M - S)	12,441,795.48	74,101.60	37,586.57				2,029,222.73	2,872.90	2,825.43			
56 TOTAL	**27,882,732.92**	**210,168.23**	**92,069.38**				**5,564,890.20**	**16,092.87**	**7,187.53**			
57 Coverage of portfolio with use of proxies (according to PCAF) (in %)				100%						100%		

ESG Risk Framework

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.

It is specifically the case for Luxembourgish exposures as Luxembourg has no official EPC register, we use national statistics as we did for the 2022 ECB Climate Risk Stress Testing (approach available upon request) and map proportionally to the Bank portfolio.

Remark: Due to the lack of sound database (including the feature of the collateral taking by possession), It is important to mention that the different banks operating in Luxembourg, the ABBL ("Association des Banques et Banquiers Luxembourgeois") and the Luxembourgish minister of Energy are currently working on solutions to have public/common database for Real estate ESG features. Works on this matter are on-going.

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r
		Total gross carrying amount (thousand euro)																	
			Level of energy efficiency (EP score in kWh/m² of collateral)						Without EP score in kWh/m² of collateral		Level of energy efficiency (EPC label of collateral)							Without EPC label of collateral	
	Counterparty sector		0; <= 100	> 100; <= 200	> 200; <= 300	> 300; <= 400	> 400; <= 500	> 500		Of which level of energy efficiency (EP score in kWh/m² of collateral) estimated	A	B	C	D	E	F	G		Of which level of energy efficiency (EPC label of collateral) estimated
1	Total EU area	5,903,999	118,071.4	805,320.8	1,105,621	697,684.8	719,250.42	2,458,051	0	0	49,161.01	68,910.42	805,320.8	1,105,621	697,684.8	719,250.4	2,458,051	0	0
2	Of which Loans collateralised by commercial immovable property	440,869	4,676.527	53,992.64	87,153.47	72,273.61	49,316.108	173,456.7	0	0	2,550.833	2,125.694	53,992.64	87,153.47	72,273.61	49,316.11	173,456.7	0	0
3	Of which Loans collateralised by residential immovable property	5,463,130	113,394.9	751,328.2	1,018,467	625,411.2	669,934.32	2,284,594	0	0	46,610.18	66,784.73	751,328.2	1,018,467	625,411.2	669,934.3	2,284,594	0	0
4	Of which Collateral obtained by taking possession: residential and commercial immovable properties	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5	Of which Level of energy efficiency (EP score in kWh/m² and EPC label of collateral) estimated	5,903,999	118,071.4	805,320.8	1,105,621	697,684.8	719,250.42	2,458,051	0	0	49,161.01	68,910.42	805,320.8	1,105,621	697,684.8	719,250.4	2,458,051	0	0
6	Total non-EU area	15,675.00	322.5347	2,151.443	2,925.142	1,807.987	1,919.1042	6,547.789	0	0	132.9691	189.5656	2,151.443	2,925.142	1,807.987	1,919.104	6,547.789	0	0
7	Of which Loans collateralised by commercial immovable property	276.00	2.927676	33.80135	54.56123	45.2459	30.873674	108.5902	0	0	1.596914	1.330762	33.80135	54.56123	45.2459	30.87367	108.5902	0	0
8	Of which Loans collateralised by residential immovable property	15,398.00	319.607	2,117.642	2,870.581	1,762.741	1,888.2305	6,439.199	0	0	131.3722	188.2348	2,117.642	2,870.581	1,762.741	1,888.23	6,439.199	0	0
9	Of which Collateral obtained by taking possession: residential and commercial immovable properties	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10	Of which Level of energy efficiency (EP score in kWh/m² and EPC label of collateral) estimated	15,675	322.5347	2,151.443	2,925.142	1,807.987	1,919.1042	6,547.789	0	0	132.9691	189.5656	2,151.443	2,925.142	1,807.987	1,919.104	6,547.789	0	0

Template 3: Banking book – Climate change transition risk: Alignment metrics

Based on the IEA Net-Zero Emissions by 2050 Roadmap -Annex A Tables for Scenario Projections, we present a first view of the alignment GHG roadmap:

	a	b	c	d	e	f	g
	Sector	**NACE Sectors**	**Portfolio gross carrying amount (Thousand EUR)**	**Current GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)**	**Year of reference for the IEA intermediary step**	**Percentage reduction by 2023 to reach the IEA NZE2050 roadmap target*:**	**Target (year of reference + 3 years)**
1	Power	A first mapping has been done between NACE code and the sectors mentioned in column a	207,648	369,374	2030	19%	Please refer to the remark below
2	Fossil fuel combustion		3,248	149,744	2030	28%	
3	Automotive		97,108	114,701	2030	26%	
4	Maritime transport		40,974	30,179	2030	12%	
5	Cement, clinker and lime production		4,198	193,669	2030	19%	
6	Iron and steel, coke, and metal ore production		111,607	51,801	2030	24%	
7	Chemicals		52,581	22,251	2030	7%	

*The percentages must be interpreted as if, in average, BIL is following the IEA trajectory. This will be reviewed further end 2023-2024.

This assessment will be refined in the pace of 2023.

Global remark:

On the 06.3.2023, the BIL Executive Committee acknowledged the need of setting more tangible targets and progressively define a decarbonation trajectory, while gaining maturity in portfolio analysis and forward-looking approaches. Meanwhile, BIL will reflect on intermediate targets and actions:

- Establishing an advanced GHG monitoring for our financed emissions and a clear understanding of how our business decisions affect them positively or negatively
- Start engaging with clients in order to start assessing their transition targets detect business opportunities
- Establish business targets, i.e., commit to providing a specified amount of finance to industries or companies that are transitioning to a low-carbon economy. These metrics will help assess how well the bank is doing in supporting the transition to a net-zero economy and transforming the transition into a business opportunity.

In line with the ECB recommendations, we aim to finalize an ESG dashboard, including these aspects and giving the opportunity to include them in the year-end budget discussions. Gradually we will be able to understand the impact of all these actions on the overall transition trajectory and in particular on our financed emissions and the commit to a defined transition trajectory (2024-2025).

Template 4: Banking book - Climate change transition risk: Exposures to top 20 carbon-intensive firms

The template is realised taking into account the 2022 CDP report on the GHG scopes 1/2/3 and the CDP Carbon Majors Database (Dataset 1.0 Methodology and Results).

	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	33,447,623	0.369	0	1	1

*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

1. Identification of the main exposures by countries with the top 10 covering about 92% of the total exposures:

Country	Gross carrying amount	Percentage of the total exposure	TOP 10 Exposures per Country (percentage over the total except Supra-National and Supra-European)
LU	16,867,608,236.67	50.56%	91.77%
FR	3,537,795,357.03	10.60%	
CH	2,712,034,361.29	8.13%	
DE	2,448,318,441.22	7.34%	
BE	2,169,158,293.87	6.50%	
ES	944,369,786.22	2.83%	
CA	904,581,087.86	2.71%	
Supra-National	572,135,704.63	1.72%	
Supra-European	382,466,382.30	1.15%	
US	365,358,592.39	1.10%	
CN	340,842,981.36	1.02%	
QA	324,237,371.89	0.97%	

2. Based on this top 10 country exposures and referencing the data sources provided by GFDRR – Think Hazard!, we have this matrix to assess the country level of Physical Risk:

	SOURCE THINK HAZARD: HAZARD LEVEL							
Country	River flood	Urban flood	Coastal flood	Earthquake	Water scarcity	Extreme heat	Landslide	Wildfire
LU	HIGH	MEDIUM		MEDIUM	MEDIUM	LOW	MEDIUM	HIGH
FR	HIGH	HIGH	HIGH	MEDIUM	MEDIUM	MEDIUM	HIGH	HIGH
CH	HIGH	HIGH		MEDIUM	LOW	LOW	HIGH	MEDIUM
DE	HIGH	HIGH	HIGH	MEDIUM	MEDIUM	MEDIUM	MEDIUM	HIGH
BE	HIGH	MEDIUM	HIGH	MEDIUM	MEDIUM	LOW	LOW	HIGH
ES	HIGH	HIGH	HIGH	MEDIUM	MEDIUM	MEDIUM	HIGH	HIGH
CA	HIGH	HIGH	HIGH	HIGH	VERY LOW	MEDIUM	HIGH	HIGH
Supra-National								
Supra-European								
US	HIGH	HIGH	HIGH	HIGH	HIGH	HIGH	HIGH	HIGH
CN	HIGH	HIGH	HIGH	HIGH	HIGH	HIGH	HIGH	HIGH
QA	LOW	LOW	HIGH	VERY LOW	HIGH	HIGH	VERY LOW	VERY LOW

ESG Risk Framework

3. With this level of information and keeping a conservative view since the geographical coverage is only done by country, we fulfil the following table maximining the global risk, to have a first high-level view of the exposures impacted by Physical Risk. To note that in 2023 the next step will be a more granular assessment on the geographical location of the counterparty and/or the collateral, and a discrimination among the economic sectors and their sensitivity to the different type of physical risk (Acute and Chronic).

	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 (Thousand 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	Stock of provision		
			<= 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	128,812	24,708	24,189	56,665	23,250		No distinction at this stage		128,812	32,203	180	425	103	180
2	B - Mining and quarrying	2,758	1,617	88	753	299				2,758	662	15	17	0,1	15
3	C - Manufacturing	775,542	575,328	89,199	68,575	42,440				775,542	50,410	8,066	6,359	543	2,257
4	D - Electricity, gas, steam and air conditioning supply	185,170	36,948	49,821	90,909	7,492				185,170	33,331	30,146	25,572	370	24,350
5	E - Water supply; sewerage, waste management and remediation activities	42,571	38,190	127	292	3,963				42,571	170	0	664	4	0
6	F - Construction	1,444,865	944,256	161,076	232,116	107,417				1,444,865	187,832	6,502	18,783	3,612	6,502
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	580,374	334,207	47,887	107,030	91,250				580,374	81,252	12,304	12,710	1,103	9,982
8	H - Transportation and storage	505,926	80,564	101,500	26,981	296,881				505,926	30,356	8,348	5,717	101	4,452
9	L - Real estate activities	2,611,736	1,242,341	434,589	787,828	146,978				2,611,736	391,760	67,644	60,331	11,230	30,296

Templates 6-9 related to Art 8 of the EU Taxonomy Regulation

The Bank is currently working on the design and deployment of the GAR and BTAR ratios in order to assess the activities eligible according to the Art 8 of the EU Taxonomy with expected views in the second semester of 2023 and 2024. A first view is given in the 2022 Non-Financial Report disclosed in the BIL website: "Article 8 of the Taxonomy Regulation requires undertakings covered by the Non-Financial Reporting Directive ("NFRD") to publish information on how and to what extent their activities are associated with economic activities that qualify as environmentally sustainable under the Taxonomy Regulation."

Please find below this table also presented in the Non-Financial Report:

BIL Disclosures relative to the Delegated Act on Article 8 disclosures under Taxonomy Regulation

Article 8 of the Taxonomy Regulation requires undertakings covered by the Non-Financial Reporting Directive ("NFRD") to publish information on how and to what extent their activities are associated with economic activities that qualify as environmentally sustainable under the Taxonomy Regulation. Hereunder the required information:

			Taxonomy eligible	**Taxonomy non-eligible**	**% coverage (over total assets)**
Article 10	2(a)	TOTAL ASSETS	5,271,050,311	27,144,602,514	83.7%
		of which trading portfolio and on demand inter-bank loans in total assets	0	441,721,968	1.4%
	2(b)	Total exposure to central governments, central banks and supranational issuers		4,156,957,180	12.8%
		Total exposure to derivatives		840,231,612	2.6%
		Total exposure to non-NFRD companies		14,691,447,016	45.3%
Article 10	2(d)	ANNEX XI DISCLOSURES			
		Contextual information in support of the quantitative indicators including the scope of assets and activities covered by the KPIs, information on data sources and limitation	The figures are based on the FINREP report as of Q4 2022. The eligibility was defined by mapping the NACE code of the different assets to the source EU taxonomy NACE alternate classification mapping. The Non-NFRD companies were defined by excluding all counterparties complying with the NFRD definition based on our internal segmentation.		
		Description of the compliance with Regulation (EU) 2020/852 in the financial undertaking's business strategy, product design processes and engagement with clients and counterparties			
		Additional or complementary information in support of the financial undertaking's strategies and the weight of the financing of Taxonomy-aligned economic activities in their overall activity.			

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 is expected.

In 2022, 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.

In this context, 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.

In 2022, 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 2022. 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 a robust profitability as presented in the table below:

Risk Appetite Framework	2021	2022	Internal Limit
CET1 ratio	14.24%	14.03%	11.30%
Total Capital ratio	18.29%	18.04%	15.30%
Leverage ratio	4.94%	4.71%	3.50%
AFR/ECAP	134%	124%	105%
LCR	142%	153%	110%
NSFR	127%	124%	104%
ROE	6.9%	7.0%	2.5%

The Pillar III report was presented and approved by BIL's Management Bodies as follows:

- The Management Board gave its approval on 19 April 2023.
- The Board of Directors approved the said report on 27 April 2023.

The Board of Directors

Jing Li
Chair

Charles Q. Li
Director

Peng Li
Vice-Chair

Maurice Lam
Director

Marcel Leyers
Director and CEO

Claude Steffen
Director, Staff Representative

Pierrot Rasqué
Director

Ashley Glover
Director, Staff Representative

Vincent Thurmes
Director

Michel Scharff
Director, Staff Representative

Chris Van Aeken
Director

Marc Terzer
Director, Staff Representative

The Management Board

Marcel Leyers
Chair of the Management Board and Chief Executive Officer

Jeffrey Dentzer
Member of the Management Board

Bernard Mommens
Member of the Management Board

Karin Scholtes
Member of the Management Board

Nico Picard
Member of the Management Board

Hedi Ben Mahmoud
Member of the Management Board

Appendix 2: Valuation framework

As such, the Market and Liquidity Risk Management team checks the source of prices, verifies market prices and oversees the input of valuations used in Fermat IFRS.

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

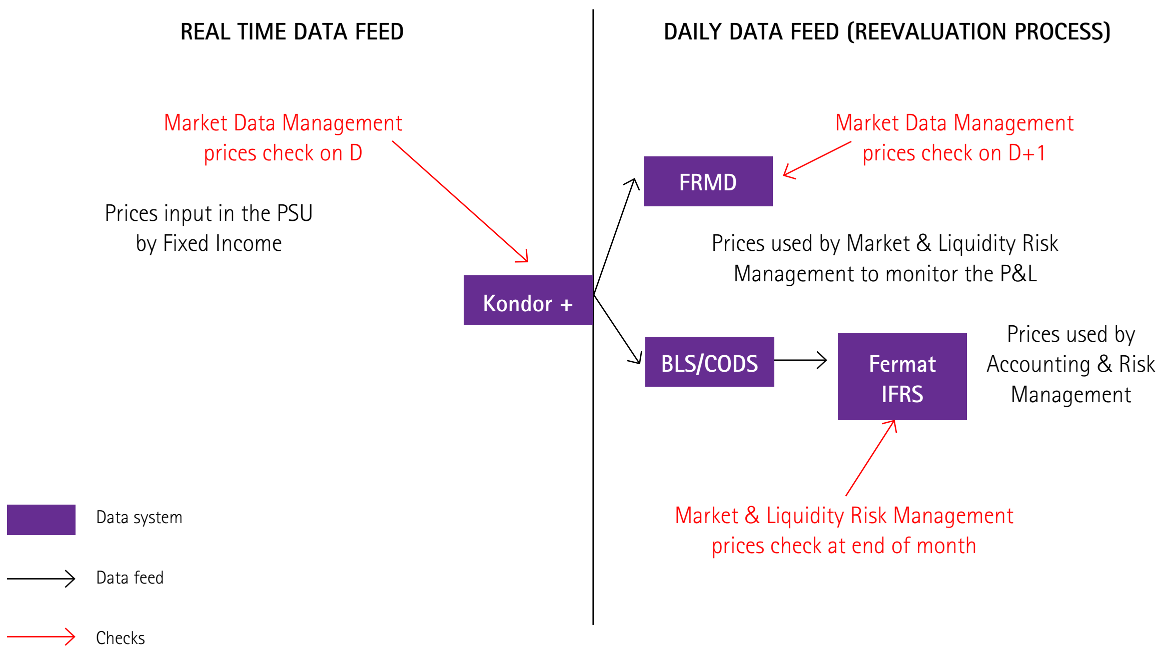
The trading portfolio comprises the following positions:
- Bonds;
- Bond futures;
- IRS.

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 Fermat IFRS 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 Fermat IFRS 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:

$$PV = \sum_{i=0}^{m} CFRi \cdot e^{-r*t} + \sum_{j=0}^{n} CFPj \cdot e^{-r*t_j}$$

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.

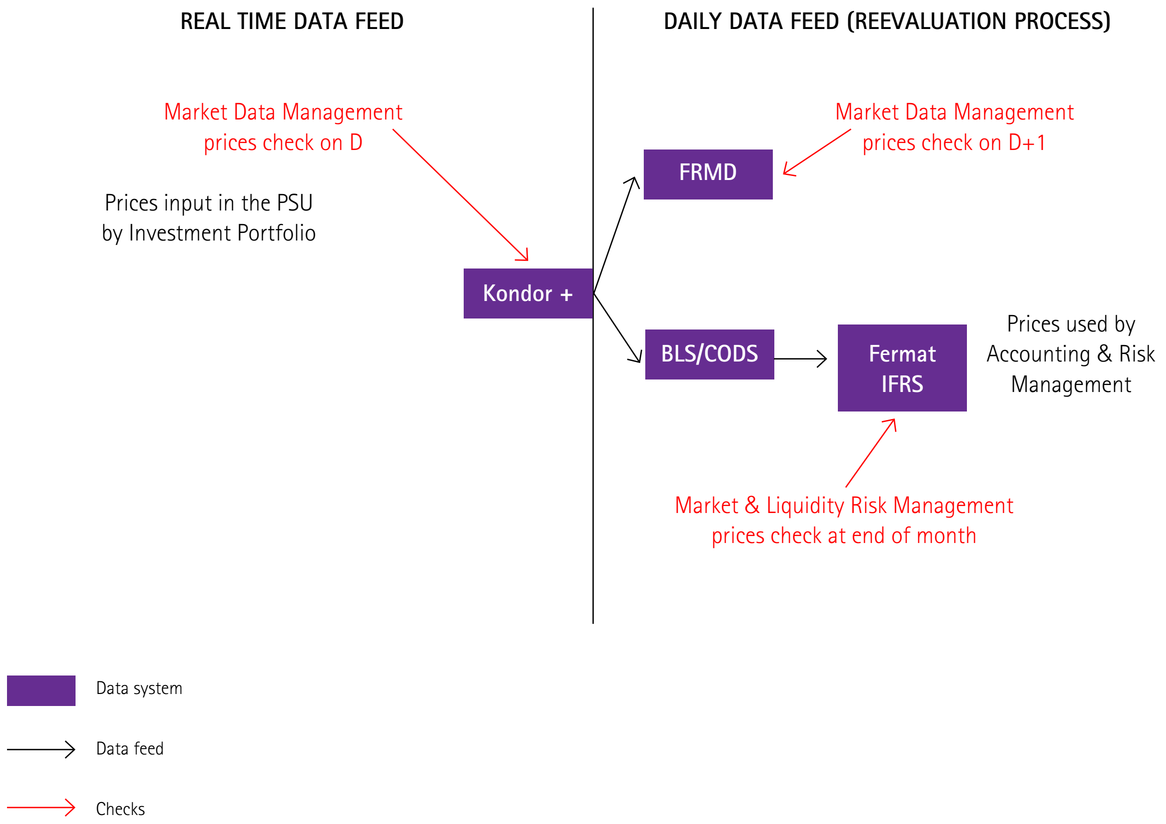
Valuation of investment portfolio positions

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 Fermat IFRS 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 Fermat IFRS 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 Fermat IFRS 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 Fermat IFRS (+/-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 ex- pressed 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 en- tered in Fermat IFRS using the Fermat-Prod application (reporting of a file that includes references to the corresponding positions and valuations).

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 Fermat IFRS.

Valuation of structured products issued by the Bank

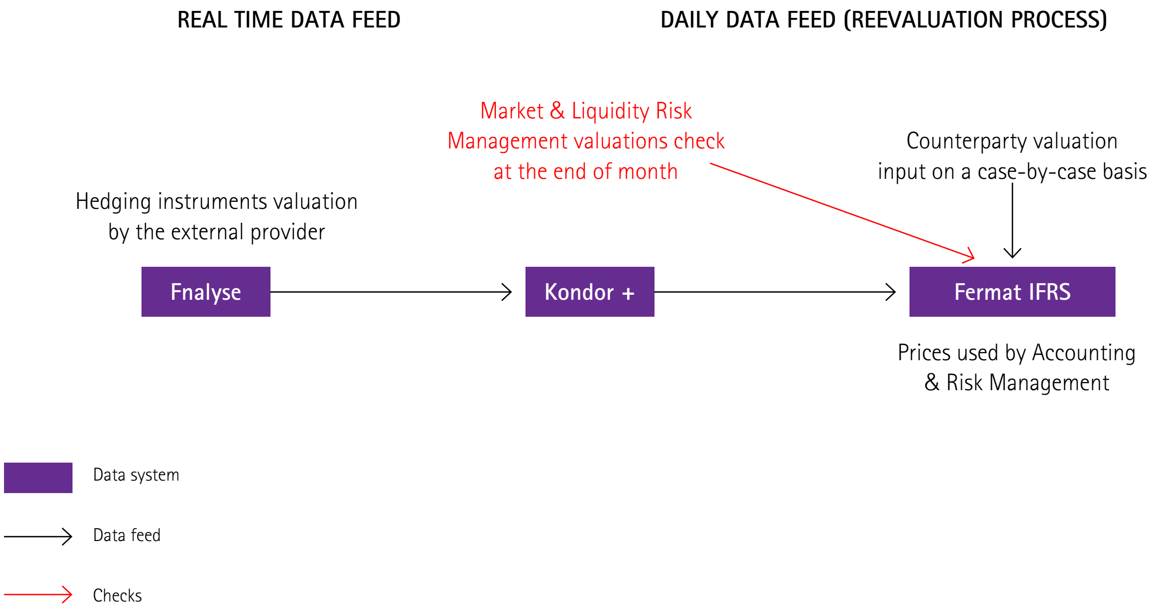
Valuation of swapped structured issues

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 & Equi- ties 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 Fermat IFRS using the FermatProd application. 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 Fermat IFRS 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 Fermat IFRS using the Fermat- Prod application.

Investment warrants

These warrants are fully hedged with an external counterparty. There is therefore a comparison price arising from collateral management.

The Market & Liquidity Risk Management team compares this price with that produced by the AVA module in BLS.

The same team carries out the necessary investigations if a difference arises and reports the AVA prices in Fermat IFRS using the Fermat-Prod application.

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 Fermat IFRS. 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:														
AD	ANDORRA	0.00	4.32	-	-	-	4.32	0.00	-	-	0.00	0.06	0.00%	0.00%
AR	ARGENTINA	-	1.86	-	-	-	1.86	0.05	-	-	0.05	0.69	0.01%	0.00%
AU	AUSTRALIA	41.93	0.87	-	-	-	42.80	0.37	-	-	0.37	4.61	0.05%	0.00%
AT	AUSTRIA	60.01	41.85	-	-	-	101.87	5.63	-	-	5.63	70.38	0.81%	0.00%
BS	BAHAMAS	0.00	3.55	-	-	-	3.55	0.02	-	-	0.02	0.20	0.00%	0.00%
BH	BAHRAIN	-	1.95	-	-	-	1.95	0.01	-	-	0.01	0.12	0.00%	0.00%
BB	BARBADOS	-	0.02	-	-	-	0.02	-	-	-	-	-	0.00%	0.00%
BE	BELGIUM	52.03	583.79	-	-	18.38	654.20	16.89	-	0.15	17.04	213.02	2.45%	0.00%
BZ	BELIZE	-	6.88	-	-	-	6.88	0.01	-	-	0.01	0.14	0.00%	0.00%
BM	BERMUDA	0.02	-	-	-	-	0.02	0.00	-	-	0.00	0.02	0.00%	0.00%
BQ	BONAIRE, ST EUSTATIUS ET SABA	-	-	-	-	-	-	-	-	-	-	-	0.00%	0.00%
BR	BRAZIL	0.00	0.13	-	-	-	0.13	0.02	-	-	0.02	0.23	0.00%	0.00%
BN	BRUNEI DARUSSALAM	0.01	-	-	-	-	0.01	0.00	-	-	0.00	0.01	0.00%	0.00%
BG	BULGARIA	-	0.03	-	-	-	0.03	0.00	-	-	0.00	0.00	0.00%	1.00%
KH	CAMBODIA	-	0.15	-	-	-	0.15	0.00	-	-	0.00	0.00	0.00%	0.00%
CA	CANADA	170.64	2.21	-	-	-	172.85	1.47	-	-	1.47	18.42	0.21%	0.00%
KY	CAYMAN ISLANDS	28.87	4.13	-	-	-	33.00	2.64	-	-	2.64	33.02	0.38%	0.00%
CL	CHILE	-	0.09	-	-	-	0.09	0.00	-	-	0.00	0.01	0.00%	0.00%
CN	CHINA	44.85	6.74	-	-	-	51.59	3.70	-	-	3.70	46.30	0.53%	0.00%
CD	CONGO, DEMOCRATIC REPUBLIC	-	-	-	-	-	-	-	-	-	-	-	0.00%	0.00%
CK	COOK ISLAND	-	0.00	-	-	-	0.00	0.00	-	-	0.00	0.00	0.00%	0.00%
HR	CROATIA	-	0.18	-	-	-	0.18	0.00	-	-	0.00	0.00	0.00%	0.00%
CW	CURACAO	-	0.21	-	-	-	0.21	-	-	-	-	-	0.00%	0.00%
CY	CYPRUS	0.24	37.42	-	-	-	37.66	3.77	-	-	3.77	47.19	0.54%	0.00%
CZ	CZECH REPUBLIC	0.16	2.18	-	-	-	2.34	0.00	-	-	0.00	0.05	0.00%	1.50%
DK	DENMARK	0.40	6.05	-	-	-	6.45	0.11	-	-	0.11	1.34	0.02%	2.00%
DM	DOMINICA	-	0.00	-	-	-	0.00	0.00	-	-	0.00	0.00	0.00%	0.00%
EG	EGYPT	-	0.23	-	-	-	0.23	0.00	-	-	0.00	0.01	0.00%	0.00%
EE	ESTONIA	-	2.17	-	-	-	2.17	0.02	-	-	0.02	0.23	0.00%	0.00%
FI	FINLAND	1.09	11.68	-	-	-	12.77	0.93	-	-	0.93	11.68	0.13%	0.00%
FR	FRANCE (including DOM-TOM)	411.44	1,328.42	-	-	47.35	1,787.21	72.09	-	0.38	72.46	905.80	10.43%	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			
BREAKDOWN BY COUNTRY:														
PF	French Polynesia	-	0.02	-	-	-	0.02	-	-	-	-	-	0.00%	0.00%
GE	GEORGIA	-	1.81	-	-	-	1.81	0.01	-	-	0.01	0.18	0.00%	0.00%
DE	GERMANY	55.95	448.09	-	-	24.47	528.52	20.88	-	0.20	21.07	263.42	3.03%	0.00%
GH	GHANA	-	0.00	-	-	-	0.00	0.00	-	-	0.00	0.00	0.00%	0.00%
GI	GIBRALTAR	4.53	7.98	-	-	-	12.51	0.38	-	-	0.38	4.76	0.05%	0.00%
GR	GREECE	-	5.72	-	-	-	5.72	0.02	-	-	0.02	0.29	0.00%	0.00%
GG	GUERNESEY	0.06	3.76	-	-	-	3.81	0.09	-	-	0.09	1.15	0.01%	0.00%
HK	HONG KONG	85.14	74.85	-	-	-	159.99	9.81	-	-	9.81	122.57	1.41%	0.00%
HU	HUNGARY	1.12	0.75	-	-	-	1.86	0.02	-	-	0.02	0.23	0.00%	0.00%
IS	ICELAND	-	0.09	-	-	-	0.09	0.00	-	-	0.00	0.01	0.00%	2.00%
IN	INDIA	-	0.04	-	-	-	0.04	0.00	-	-	0.00	0.00	0.00%	0.00%
ID	INDONESIA	-	0.02	-	-	-	0.02	0.00	-	-	0.00	0.00	0.00%	0.00%
IE	IRELAND	-	0.80	-	-	-	0.80	0.01	-	-	0.01	0.09	0.00%	0.00%
IM	ISLE OF MAN	-	0.00	-	-	-	0.00	0.00	-	-	0.00	0.00	0.00%	0.00%
IL	ISRAEL	-	12.04	-	-	-	12.04	0.02	-	-	0.02	0.21	0.00%	0.00%
IT	ITALY	5.48	20.30	-	-	-	25.79	0.63	-	-	0.63	7.90	0.09%	0.00%
JP	JAPAN	19.00	0.28	-	-	-	19.27	0.30	-	-	0.30	3.81	0.04%	0.00%
JE	JERSEY	14.46	0.16	-	-	-	14.61	1.16	-	-	1.16	14.46	0.17%	0.00%
KZ	KAZAKSTAN	-	0.03	-	-	-	0.03	0.00	-	-	0.00	0.00	0.00%	0.00%
KE	KENYA	-	0.17	-	-	-	0.17	0.01	-	-	0.01	0.07	0.00%	0.00%
KW	KUWAIT	-	0.14	-	-	-	0.14	0.00	-	-	0.00	0.00	0.00%	0.00%
LV	LATVIA	-	0.14	-	-	-	0.14	0.00	-	-	0.00	0.01	0.00%	0.00%
LB	LEBANON	-	2.08	-	-	-	2.08	0.01	-	-	0.01	0.10	0.00%	0.00%
LI	LIECHTENSTEIN	-	7.04	-	-	-	7.04	0.06	-	-	0.06	0.73	0.01%	0.00%
LT	LITHUANIA	-	0.01	-	-	-	0.01	0.00	-	-	0.00	0.00	0.00%	0.00%
LU	LUXEMBOURG	1,271.09	13,785.31	-	-	71.62	15,128.02	482.57	-	0.57	483.15	6,039.34	69.57%	0.50%
MO	MACAU	-	0.00	-	-	-	0.00	0.00	-	-	0.00	0.00	0.00%	0.00%
MG	MADAGASCAR	-	0.01	-	-	-	0.01	0.00	-	-	0.00	0.01	0.00%	0.00%
MY	MALAYSIA	-	1.17	-	-	-	1.17	0.01	-	-	0.01	0.08	0.00%	0.00%
MT	MALTA	4.99	18.90	-	-	-	23.89	0.63	-	-	0.63	7.91	0.09%	0.00%
MH	MARSHALL ISLANDS	-	3.04	-	-	-	3.04	0.04	-	-	0.04	0.45	0.01%	0.00%
MU	MAURITIUS	-	5.95	-	-	-	5.95	0.02	-	-	0.02	0.23	0.00%	0.00%
MX	MEXICO	-	0.01	-	-	-	0.01	0.00	-	-	0.00	0.00	0.00%	0.00%
MD	MOLDOVA, REPUBLIC OF	-	0.01	-	-	-	0.01	0.00	-	-	0.00	0.00	0.00%	0.00%
MC	MONACO	-	132.07	-	-	-	132.07	2.85	-	-	2.85	35.62	0.41%	0.00%
ME	MONTENEGRO	-	0.03	-	-	-	0.03	-	-	-	-	-	0.00%	0.00%
MA	MOROCCO	0.03	1.91	-	-	-	1.94	0.00	-	-	0.00	0.04	0.00%	0.00%
NL	NETHERLANDS	47.65	116.49	-	-	-	164.13	4.17	-	-	4.17	52.14	0.60%	0.00%
NZ	NEW ZEALAND	26.31	0.42	-	-	-	26.73	0.22	-	-	0.22	2.76	0.03%	0.00%
NI	NICARAGUA	-	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			
BREAKDOWN BY COUNTRY:														
NG	NIGERIA	-	0.02	-	-	-	0.02	0.00	-	-	0.00	0.00	0.00%	0.00%
NO	NORWAY	1.05	33.15	-	-	-	34.20	0.66	-	-	0.66	8.30	0.10%	2.00%
OTHER	OTHER	2.22	0.07	-	-	-	2.29	0.09	-	-	0.09	1.08	0.01%	0.00%
PA	PANAMA	-	18.28	-	-	-	18.28	0.15	-	-	0.15	1.89	0.02%	0.00%
PY	PARAGUAY	-	0.04	-	-	-	0.04	0.00	-	-	0.00	0.00	0.00%	0.00%
PE	PERU	-	0.02	-	-	-	0.02	0.00	-	-	0.00	0.00	0.00%	0.00%
PH	PHILIPPINES	-	0.02	-	-	-	0.02	0.00	-	-	0.00	0.00	0.00%	0.00%
PL	POLAND	0.34	35.92	-	-	-	36.26	0.61	-	-	0.61	7.63	0.09%	0.00%
PT	PORTUGAL	0.01	26.06	-	-	-	26.07	0.28	-	-	0.28	3.55	0.04%	0.00%
QA	QATAR	208.61	80.49	-	-	-	289.10	9.69	-	-	9.69	121.09	1.39%	0.00%
RO	ROMANIA	-	0.08	-	-	-	0.08	0.00	-	-	0.00	0.01	0.00%	0.50%
RU	RUSSIAN FEDERATION	-	15.37	-	-	-	15.37	0.41	-	-	0.41	5.15	0.06%	0.00%
KN	SAINT KITTS AND NEVIS	-	0.01	-	-	-	0.01	0.00	-	-	0.00	0.01	0.00%	0.00%
VC	SAINT VINCENT AND THE GRENADINES	-	0.01	-	-	-	0.01	0.00	-	-	0.00	0.01	0.00%	0.00%
BL	Saint-Barthelemy	-	0.04	-	-	-	0.04	0.00	-	-	0.00	0.00	0.00%	0.00%
WS	SAMOA	-	0.00	-	-	-	0.00	0.00	-	-	0.00	0.00	0.00%	0.00%
SM	SAN MARINO	-	0.01	-	-	-	0.01	-	-	-	-	-	0.00%	0.00%
SA	SAUDI ARABIA	-	3.63	-	-	-	3.63	0.00	-	-	0.00	0.05	0.00%	0.00%
RS	SERBIA	-	0.01	-	-	-	0.01	0.00	-	-	0.00	0.00	0.00%	0.00%
SC	SEYCHELLES	-	17.39	-	-	-	17.39	1.27	-	-	1.27	15.88	0.18%	0.00%
SG	SINGAPORE	40.85	30.18	-	-	-	71.03	5.03	-	-	5.03	62.88	0.72%	0.00%
SK	SLOVAKIA	-	0.04	-	-	-	0.04	0.00	-	-	0.00	0.00	0.00%	1.00%
SI	SLOVENIA	-	0.03	-	-	-	0.03	0.00	-	-	0.00	0.00	0.00%	0.00%
ZA	SOUTH AFRICA	-	0.73	-	-	-	0.73	0.00	-	-	0.00	0.02	0.00%	0.00%
ES	SPAIN	59.57	86.47	-	-	27.05	173.09	2.45	-	0.26	2.71	33.83	0.39%	1.00%
SR	SURINAME	-	0.00	-	-	-	0.00	0.00	-	-	0.00	0.00	0.00%	0.00%
SE	SWEDEN	0.10	30.20	-	-	-	30.29	0.37	-	-	0.37	4.61	0.05%	1.00%
CH	SWITZERLAND	37.63	321.93	-	-	-	359.56	12.05	-	-	12.05	150.62	1.74%	0.00%
TW	TAIWAN	-	0.57	-	-	-	0.57	-	-	-	-	-	0.00%	0.00%
TH	THAILAND	0.33	5.95	-	-	-	6.29	0.01	-	-	0.01	0.14	0.00%	0.00%
TN	TUNISIA	0.05	0.00	-	-	-	0.06	0.00	-	-	0.00	0.05	0.00%	0.00%
TR	TURKEY	-	14.94	-	-	-	14.94	0.59	-	-	0.59	7.36	0.08%	0.00%
UA	UKRAINE	-	1.21	-	-	-	1.21	0.03	-	-	0.03	0.37	0.00%	0.00%
AE	UNITED ARAB EMIRATES	1.73	50.61	-	-	-	52.35	1.45	-	-	1.45	18.15	0.21%	0.00%
GB	UNITED KINGDOM(not norm.isd/Man)	218.46	120.72	-	-	-	339.19	9.26	-	-	9.26	115.72	1.33%	0.00%
US	UNITED STATES	105.49	27.25	-	-	-	132.73	6.14	-	-	6.14	76.71	0.88%	0.00%
UY	URUGUAY	-	0.29	-	-	-	0.29	0.00	-	-	0.00	0.01	0.00%	0.00%
VE	VENEZUELA	-	0.03	-	-	-	0.03	-	-	-	-	-	0.00%	0.00%
VN	VIET NAM	-	0.01	-	-	-	0.01	0.00	-	-	0.00	0.00	0.00%	0.00%
VG	VIRGIN ISLANDS, BRITISH	90.82	115.92	-	-	-	206.74	10.70	-	-	10.70	133.74	1.54%	0.00%
	TOTAL	**3,114.77**	**17,736.43**	**-**	**-**	**188.87**	**21,040.07**	**692.93**	**-**	**1.55**	**694.48**	**8,681.00**	**100.00%**	

Minimum Requirement for own funds and Eligible Liabilities (MREL)

TEMPLATE EU TLAC1 - COMPOSITION - MREL AND, WHERE APPLICABLE, G-SII REQUIREMENT FOR OWN FUNDS AND ELIGIBLE LIABILITIES

		a	b	c
(in EUR)		Minimum requirement for own funds and eligible liabilities (MREL)	G-SII requirement for own funds and eligible liabilities (TLAC)	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)	1,463		
2	Additional Tier 1 capital (AT1)	175		
3	Empty set in the EU			
4	Empty set in the EU			
5	Empty set in the EU			
6	Tier 2 capital (T2)	243		
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	1,881		
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		
EU-12a	Eligible liabilities instruments issued by other entities within the resolution group that are subordinated to excluded liabilities (not grandfathered)	0		
EU-12b	Eligible liabilities instruments that are subordinated to excluded liabilities, issued prior to 27 June 2019 (subordinated grandfathered)	23		
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	0		
13	Eligible liabilities that are not subordinated to excluded liabilities (not grandfathered pre cap)	2,273		
EU-13a	Eligible liabilities that are not subordinated to excluded liabilities issued prior to 27 June 2019 (pre-cap)	211		
14	Amount of non subordinated instruments eligible, where applicable after application of Article 72b (3) CRR	2,994		
15	Empty set in the EU			
16	Empty set in the EU			
17	Eligible liabilities items before adjustments	2,994		
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	4,875		
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	4,875		
EU-22a	*Of which own funds and subordinated*	*1,881*		
RISK-WEIGHTED EXPOSURE AMOUNT AND LEVERAGE EXPOSURE MEASURE OF THE RESOLUTION GROUP				
23	Total risk exposure amount	10,426		
24	Total exposure measure	34,856		

Minimum Requirement for own funds and Eligible Liabilities (MREL)

TEMPLATE EU TLAC1 - COMPOSITION - MREL AND, WHERE APPLICABLE, G-SII REQUIREMENT FOR OWN FUNDS AND ELIGIBLE LIABILITIES

		a	b	c
(in EUR)		**Minimum requirement for own funds and eligible liabilities (MREL)**	**G-SII requirement for own funds and eligible liabilities (TLAC)**	**Memo item: Amounts eligible for the purposes of MREL, but not TLAC**
RATIO OF OWN FUNDS AND ELIGIBLE LIABILITIES				
25	Own funds and eligible liabilities (as a percentage of total risk exposure amount)	46.76%		
EU-25a	*Of which own funds and subordinated*	*18.04%*		
26	Own funds and eligible liabilities (as a percentage of total exposure measure)	13.99%		
EU-26a	*Of which own funds and subordinated*	*5.40%*		
27	CET1 (as a percentage of TREA) available after meeting the resolution group's requirements	7.18%		
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

(In EUR)		Insolvency ranking										
		1 (most junior)	**2**	**3**	**5**	**6**	**7**	**8**	**9**	**10**	**12**	**Sum of 1 to n**
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 six times 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	
2	Liabilities and own funds	1,463	175	243	721	17,027	6,578	23	4,545	46	766	31,586
3	of which excluded liabilities	0	0	0	0	1,174		23	4,545	46	766	6,554
4	Liabilities and own funds less excluded liabilities	1,463	175	243	721	15,852	6,578	0	0	0	0	25,032
5	Subset of row 4 that are own funds and liabilities potentially eligible for meeting MREL	1,463			511	2,483						4,875
6	of which residual maturity ≥ 1 year < 2 years				96	833						930
7	of which residual maturity ≥ 2 year < 5 years		175		301	1,238						1,715
8	of which residual maturity ≥ 5 years < 10 years			243	50	333						627
9	of which residual maturity ≥ 10 years, but excluding perpetual securities				63	79						141
10	of which perpetual securities	1,463										1,463

TEMPLATE EU TLAC3B: CREDITOR RANKING – RESOLUTION ENTITY

(In EUR)		Insolvency ranking					Sum of 1 to n
		1 (most junior)	2	3	5	6	
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	1,463	175	243	511	2,483	4,875
6	*of which residual maturity ≥ 1 year < 2 years*				*96*	*833*	*930*
7	*of which residual maturity ≥ 2 year < 5 years*		*175*		*301*	*1,238*	*1,715*
8	*of which residual maturity ≥ 5 years < 10 years*			*243*	*50*	*333*	*627*
9	*of which residual maturity ≥ 10 years, but excluding perpetual securities*				*63*	*79*	*141*
10	*of which perpetual securities*	*1,463*					*1,463*

Appendix

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
(In EUR)			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			
005	Cash balances at central banks and other demand deposits	4,323,048,987.20	4,322,497,586.20	551,401.00	0.00	0.00	0.00	-105,341.00	-55,806.00	-49,535.00	0.00	0.00	0.00	0.00	0.00	0.00
010	Loans and advances	17,311,463,115.08	14,231,077,525.12	3,080,385,589.96	568,426,474.73	913,088.00	567,513,386.74	-80,958,001.44	-48,297,724.95	-32,660,276.50	-217,241,266.88	-449.00	-217,240,817.88	0.00	13,086,323,467.98	308,184,227.00
020	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	0.00	0.00
030	General governments	21,274,135.00	8,610,700.00	12,663,435.00	0.00	0.00	0.00	-1,407.00	-422.00	-985.00	0.00	0.00	0.00	0.00	0.00	0.00
040	Credit institutions	1,099,777,283.76	1,099,738,042.57	39,241.19	5,772.00	0.00	5,772.00	-1,030,204.90	-1,028,745.05	-1,459.85	-852.00	0.00	-852.00	0.00	12,351,101.86	0.00
050	Other financial corporations	2,320,270,802.00	2,153,973,682.00	166,297,120.00	117,656,257.00	0.00	117,656,257.00	-13,292,578.00	-11,288,444.00	-2,004,134.00	-79,110,085.00	-23.00	-79,110,062.00	0.00	1,276,542,466.00	31,971,383.00
060	Non-financial corporations	5,602,669,068.34	4,674,506,751.57	928,162,316.77	309,342,242.40	913,088.00	308,429,154.40	-59,260,092.95	-33,488,831.31	-25,771,261.65	-108,040,301.00	-426.00	-108,039,875.00	0.00	4,337,588,224.75	184,137,503.00
070	Of which: SMEs	1,739,531,511.36	1,266,929,068.36	472,602,443.00	142,040,365.00	0.00	142,040,365.00	-24,603,316.00	-10,388,733.00	-14,214,583.00	-77,819,841.00	0.00	-77,819,841.00	0.00	1,551,392,695.36	53,693,018.00
080	Households	8,267,471,825.98	6,294,248,348.98	1,973,223,477.00	141,422,203.33	0.00	141,422,203.34	-7,373,718.59	-2,491,282.59	-4,882,436.00	-30,090,028.88	0.00	-30,090,028.88	0.00	7,459,841,675.37	92,075,341.00
090	Debt Securities	8,520,692,517.73	8,475,102,188.73	45,590,329.00	0.00	0.00	0.00	-9,413,759.53	-8,950,355.53	-463,404.00	0.00	0.00	0.00	0.00	0.00	0.00
100	Central banks	131,991,375.04	131,991,375.04	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
110	General governments	4,649,786,906.00	4,619,492,271.00	30,294,635.00	0.00	0.00	0.00	-3,389,031.00	-3,245,762.00	-143,269.00	0.00	0.00	0.00	0.00	0.00	0.00
120	Credit institutions	2,351,553,784.31	2,313,859,438.31	37,694,346.00	0.00	0.00	0.00	-2,784,171.71	-2,784,171.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
130	Other financial corporations	479,985,639.00	479,985,639.00	0.00	0.00	0.00	0.00	-1,434,783.00	-1,434,783.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
140	Non-financial corporations	907,374,813.38	892,079,119.38	15,295,694.00	0.00	0.00	0.00	-1,805,773.82	-1,485,638.82	-320,135.00	0.00	0.00	0.00	0.00	0.00	0.00
150	Off-balance sheet exposures	4,649,963,109.58	4,208,617,818.58	441,345,291.00	53,516,656.00	11,018.00	53,505,638.00	10,226,458.33	7,995,140.34	2,231,317.98	3,017,487.00	0.00	3,017,487.00		0.00	0.00
160	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	0.00
170	General governments	124,739,029.00	89,213,735.00	35,845,294.00	1,041,976.00	0.00	1,041,976.00	183,850.00	128,918.00	54,932.00	78,986.00	0.00	78,986.00		0.00	0.00
180	Credit institutions	171,746,590.00	168,739,827.00	3,006,763.00	128,343.00	0.00	128,343.00	41,978.00	38,753.00	3,225.00	3,693.00	0.00	3,693.00		0.00	0.00
190	Other financial corporations	768,077,467.55	717,599,671.55	50,477,796.00	21,352.00	0.00	21,352.00	2,393,696.00	2,303,867.00	89,829.00	0.00	0.00	0.00		0.00	0.00
200	Non-financial corporations	1,443,366,175.00	1,285,580,284.00	157,785,891.00	42,146,282.00	11,018.00	42,135,264.00	6,099,842.48	4,738,933.48	1,360,909.00	2,099,349.00	0.00	2,099,349.00		0.00	0.00
210	Households	2,141,713,848.03	1,947,484,301.03	194,229,547.00	10,178,703.00	0.00	10,178,703.00	1,507,091.85	784,668.86	722,422.98	835,459.00	0.00	835,459.00		0.00	0.00
220	**TOTAL**	**34,805,167,729.59**	**31,237,295,118.63**	**3,567,872,610.96**	**621,943,130.73**	**924,106.00**	**621,019,024.74**	**-80,250,643.64**	**-49,308,746.14**	**-30,941,897.52**	**-214,223,779.88**	**-449.00**	**-214,223,330.88**	**0.00**	**13,086,323,467.98**	**308,184,227.00**

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	27,427,617.00	0.00
030	Residential immovable property	4,575,540.00	0.00
040	Commercial Immovable property	14,576,455.00	0.00
050	Movable property (auto, shipping, etc.)	0.00	0.00
060	Equity and debt instruments	707,591.00	0.00
070	Other collateral	7,568,031.00	0.00
080	**TOTAL**	**27,427,617.00**	**0.00**

Advanced Internal Ratings Based approach (A-IRB) – Backtesting 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	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 – SME with own estimates of LGD or conversion factors	0.00 to <0.15	0	0	0.00%	0.00%	0.00%	0.20%
	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%	0.21%
	0.15 to <0.25	0	0	0.00%	0.23%	0.00%	0.00%
	0.25 to <0.50	72	2	2.78%	0.43%	0.38%	0.31%
	0.50 to <0.75	101	3	2.97%	0.63%	0.64%	2.36%
	0.75 to <2.50	397	28	7.05%	2.01%	1.97%	2.55%
	0.75 to <1.75	118	5	4.24%	1.36%	1.41%	1.34%
	1.75 to <2.5	279	23	8.24%	2.24%	2.24%	3.34%
	2.50 to <10.00	414	44	10.63%	4.30%	4.51%	4.47%
	2.5 to <5	304	31	10.20%	3.20%	3.42%	3.31%
	5 to <10	110	13	11.82%	7.03%	7.23%	5.70%
	10.00 to <100.00	132	15	11.36%	18.78%	18.40%	8.45%
	10 to <20	70	6	8.57%	12.37%	12.57%	8.94%
	20 to <30	50	6	12.00%	21.37%	21.28%	10.60%
	30.00 to <100.00	12	3	25.00%	39.96%	40.23%	8.96%
	100.00 (Default)	51	0	0.00%	99.79%	100.00%	0.00%

A-IRB							
Exposure class	PD range	Number of obligors at the end of the 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 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	0	0	0.00%	0.00%	0.00%	0.00%
	0.25 to <0.50	0	0	0.00%	0.48%	0.48%	0.41%
	0.50 to <0.75	7	0	0.00%	0.66%	0.66%	1.22%
	0.75 to <2.50	25	0	0.00%	1.90%	1.79%	0.88%
	0.75 to <1.75	10	0	0.00%	1.30%	1.30%	1.07%
	1.75 to <2.5	15	0	0.00%	2.02%	2.02%	0.00%
	2.50 to <10.00	35	0	0.00%	3.51%	4.02%	1.48%
	2.5 to <5	23	0	0.00%	2.70%	2.74%	1.48%
	5 to <10	12	0	0.00%	5.92%	6.19%	1.59%
	10.00 to <100.00	4	0	0.00%	10.41%	12.97%	1.84%
	10 to <20	2	0	0.00%	10.36%	11.21%	1.59%
	20 to <30	2	0	0.00%	20.00%	20.00%	1.72%
	30.00 to <100.00	0	0	0.00%	0.00%	0.00%	2.49%
	100.00 (Default)	1	0	0.00%	100.00%	100.00%	0.00%

A-IRB							
Exposure class	PD range	Number of obligors at the end of the 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 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	0	0	0.00%	0.23%	0.00%	0.00%
	0.25 to <0.50	22	0	0.00%	0.38%	0.38%	0.00%
	0.50 to <0.75	35	0	0.00%	0.60%	0.61%	3.23%
	0.75 to <2.50	131	0	0.00%	2.12%	2.13%	1.03%
	0.75 to <1.75	39	0	0.00%	1.62%	1.62%	0.60%
	1.75 to <2.5	92	0	0.00%	2.36%	2.36%	1.35%
	2.50 to <10.00	167	0	0.00%	4.26%	4.33%	2.06%
	2.5 to <5	149	0	0.00%	3.94%	3.96%	0.77%
	5 to <10	18	0	0.00%	9.40%	9.44%	4.30%
	10.00 to <100.00	105	3	2.86%	20.86%	21.02%	9.11%
	10 to <20	55	1	1.82%	11.78%	11.83%	5.29%
	20 to <30	37	2	5.41%	22.64%	22.64%	7.71%
	30.00 to <100.00	13	0	0.00%	40.54%	40.57%	16.17%
	100.00 (Default)	25	0	0.00%	100.00%	100.00%	0.00%

A-IRB							
Exposure class	PD range	Number of obligors at the end of the 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%	0.06%	0.06%	0.00%
	0.00 to <0.10	15	0	0.00%	0.06%	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%	0.23%	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%	0.62%	0.64%	3.57%
	0.75 to <2.50	1,959	21	1.07%	2.15%	2.00%	1.16%
	0.75 to <1.75	1,033	13	1.26%	1.61%	1.63%	1.14%
	1.75 to <2.5	926	8	0.86%	2.35%	2.36%	1.11%
	2.50 to <10.00	1,470	28	1.91%	5.06%	4.91%	2.53%
	2.5 to <5	811	15	1.85%	4.04%	4.12%	2.02%
	5 to <10	659	13	1.97%	9.47%	9.46%	2.83%
	10.00 to <100.00	836	57	6.85%	21.69%	18.13%	10.70%
	10 to <20	459	21	4.58%	13.34%	12.35%	6.59%
	20 to <30	244	18	7.41%	22.97%	23.18%	10.90%
	30.00 to <100.00	133	18	13.85%	40.10%	40.25%	18.54%
	100.00 (Default)	618	0	0.00%	100.00%	100.00%	0.00%

A-IRB							
Exposure class	**PD range**	**Number of obligors at the end of the 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	34,490	184	0.53%	0.09%	0.07%	0.47%
	0.00 to <0.10	22,263	143	0.64%	0.06%	0.05%	0.61%
	0.10 to <0.15	12,227	41	0.34%	0.12%	0.11%	0.22%
	0.15 to <0.25	0	0	0.00%	0.23%	0.00%	0.00%
	0.25 to <0.50	13,286	103	0.78%	0.34%	0.30%	0.47%
	0.50 to <0.75	10,343	131	1.27%	0.64%	0.65%	1.16%
	0.75 to <2.50	4,652	129	2.77%	2.02%	2.01%	1.51%
	0.75 to <1.75	1,006	12	1.19%	1.63%	1.63%	0.83%
	1.75 to <2.5	3,646	117	3.21%	2.09%	2.11%	1.68%
	2.50 to <10.00	6,753	319	4.73%	4.67%	4.29%	3.33%
	2.5 to <5	5,510	211	3.84%	4.58%	3.96%	2.93%
	5 to <10	1,243	108	8.72%	5.72%	5.72%	4.99%
	10.00 to <100.00	1,825	371	20.57%	19.19%	14.50%	13.49%
	10 to <20	1,362	228	16.89%	11.62%	11.69%	10.85%
	20 to <30	445	137	31.42%	23.39%	24.67%	19.90%
	30.00 to <100.00	18	6	33.33%	39.72%	39.72%	24.19%
	100.00 (Default)	2,755	0	0.00%	100.00%	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 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%	0.00%	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	0	0	0.00%	0.00%	0.00%	0.00%
	0.25 to <0.50	0	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	2	0	0.00%	0.84%	0.84%	0.00%
	0.75 to <1.75	2	0	0.00%	0.84%	0.84%	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%	7.43%	7.43%	0.00%
	2.5 to <5	1	0	0.00%	0.00%	0.00%	0.00%
	5 to <10	0	0	0.00%	7.43%	7.43%	0.00%
	10.00 to <100.00	0	0	0.00%	0.00%	0.00%	0.00%
	10 to <20	0	0	0.00%	0.00%	0.00%	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%	100.00%	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 which: number of obligors which defaulted during the year				
a	**b**	**c**	**d**	**e**	**f**	**g**	**h**
Corporates – Other without own estimates of LGD or conversion factors	0.00 to <0.15	56	0	0.00%	0.08%	0.08%	0.00%
	0.00 to <0.10	39	0	0.00%	0.04%	0.04%	0.00%
	0.10 to <0.15	17	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	30	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	44	2	4.55%	0.86%	0.86%	1.06%
	0.75 to <1.75	44	2	4.55%	0.86%	0.86%	1.06%
	1.75 to <2.5	0	0	0.00%	0.00%	0.00%	0.00%
	2.50 to <10.00	19	0	0.00%	4.10%	4.24%	0.00%
	2.5 to <5	17	0	0.00%	4.10%	4.24%	0.00%
	5 to <10	2	0	0.00%	0.00%	0.00%	0.00%
	10.00 to <100.00	11	0	0.00%	0.14%	13.98%	0.00%
	10 to <20	10	0	0.00%	0.14%	13.98%	0.00%
	20 to <30	0	0	0.00%	0.00%	0.00%	0.00%
	30.00 to <100.00	1	0	0.00%	0.00%	0.00%	0.00%
	100.00 (Default)	6	0	0.00%	86.18%	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 which: number of obligors which defaulted during 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	0.00 to <0.15	5,437	9	0.17%	0.00%	0.09%	0.21%
	0.00 to <0.10	2,590	3	0.12%	0.00%	0.06%	0.15%
	0.10 to <0.15	2,847	6	0.21%	0.00%	0.12%	0.27%
	0.15 to <0.25	0	0	0.00%	0.23%	0.00%	0.00%
	0.25 to <0.50	3,298	10	0.30%	0.38%	0.34%	0.27%
	0.50 to <0.75	5,175	13	0.25%	0.60%	0.65%	0.53%
	0.75 to <2.50	1,873	12	0.64%	2.12%	1.96%	1.09%
	0.75 to <1.75	659	4	0.61%	1.62%	1.63%	0.68%
	1.75 to <2.5	1,214	8	0.66%	2.36%	2.12%	1.24%
	2.50 to <10.00	2,355	28	1.19%	4.26%	4.76%	2.45%
	2.5 to <5	1,757	16	0.91%	3.94%	4.36%	2.12%
	5 to <10	598	12	2.01%	9.40%	5.72%	3.22%
	10.00 to <100.00	560	28	5.00%	20.86%	15.82%	8.62%
	10 to <20	384	11	2.86%	11.78%	11.77%	6.21%
	20 to <30	167	15	8.98%	22.64%	24.40%	12.23%
	30.00 to <100.00	9	2	22.22%	40.54%	39.72%	21.65%
	100.00 (Default)	269	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	Of which number of obligors which defaulted in the year	Observed average default rate (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e		g	h
Central governments and central banks with own estimates of LGD and/or conversion factors	0. 0.00 to <0.005	AAA+	0	0	0	0	0
	1. 0.005 to <0.015	AAA	0	0	0	0	0
	2. 0.015 to <0.025	AA+	0	0	0	0	0
	3. 0.025 to <0.035	AA	0	0	0	0	0
	4. 0.035 to <0.045	AA-	0	0	0	0	0
	5. 0.045 to <0.055	A+	0	0	0	0	0
	6. 0.055 to <0.065	A	0	0	0	0	0
	7. 0.065 to <0.125	A-	0	0	0	0	0
	8. 0.125 to <0.260	BBB+	0	0	0	0	0
	9. 0.260 to <0.525	BBB	0	0	0	0	0
	10. 0.525 to <0.795	BBB-	0	0	0	0	0
	11. 0.795 to <1.015	BB+	0	0	0	0	0
	12. 1.015 to <1.915	BB	0	0	0	0	0
	13. 1.915 to <3.315	BB-	0	0	0	0	0
	14. 3.315 to <6.510	B+	0	0	0	0	0
	15. 6.510 to <11.455	B	0	0	0	0	0
	16. 11.455 to <22.355	B-	0	0	0	0	0
	17. 22.355 to <99.975	CCC	0	0	0	0	0
	18. 99.975 to <100.050	D	0	0	0	0	0

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**		**g**	**h**
Institutions with own estimates of LGD or conversion factors	0. 0.00 to <0.005	AAA+	0	0	0	0	0
	1. 0.005 to <0.015	AAA	0	0	0	0	0
	2. 0.015 to <0.025	AA+	0	0	0	0	0
	3. 0.025 to <0.035	AA	0	0	0	0	0
	4. 0.035 to <0.045	AA-	0	0	0	0	0
	5. 0.045 to <0.055	A+	0	0	0	0	0
	6. 0.055 to <0.065	A	0	0	0	0	0
	7. 0.065 to <0.125	A-	0	0	0	0	0
	8. 0.125 to <0.260	BBB+	0	0	0	0	0
	9. 0.260 to <0.525	BBB	0	0	0	0	0
	10. 0.525 to <0.795	BBB-	0	0	0	0	0
	11. 0.795 to <1.015	BB+	0	0	0	0	0
	12. 1.015 to <1.915	BB	0	0	0	0	0
	13. 1.915 to <3.315	BB-	0	0	0	0	0
	14. 3.315 to <6.510	B+	0	0	0	0	0
	15. 6.510 to <11.455	B	0	0	0	0	0
	16. 11.455 to <22.355	B-	0	0	0	0	0
	17. 22.355 to <99.975	CCC	0	0	0	0	0
	18. 99.975 to <100.050	D	0	0	0	0	0

A-IRB							
Exposure class	**PD range**	**External rating equivalent**	**Number of obligors at the end of the previous year**	**Of which number of obligors which defaulted in the year**	**Observed average default rate (%)**	**Average PD (%)**	**Average historical annual default rate (%)**
a	**b**	**c**	**d**	**e**		**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%	0.21%
	8. 0.125 to <0.260	BBB+	10	0	0.00%	0.18%	0.00%
	9. 0.260 to <0.525	BBB	72	0	0.00%	0.34%	0.00%
	10. 0.525 to <0.795	BBB-	101	0	0.00%	0.71%	0.87%
	11. 0.795 to <1.015	BB+	0	0	0.00%	0.00%	0.00%
	12. 1.015 to <1.915	BB	118	0	0.00%	1.15%	0.48%
	13. 1.915 to <3.315	BB-	462	8	1.73%	2.68%	1.80%
	14. 3.315 to <6.510	B+	172	1	0.58%	3.95%	2.52%
	15. 6.510 to <11.455	B	97	1	1.03%	9.07%	3.39%
	16. 11.455 to <22.355	B-	53	6	11.32%	13.84%	7.63%
	17. 22.355 to <99.975	CCC	41	3	7.32%	30.87%	6.40%
	18. 99.975 to <100.050	D	51	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		g	h
Corporates – Specialised Lending with own estimates of LGD or conversion factors	0. 0.00 to <0.005	AAA+	0	0	0	0	0
	1. 0.005 to <0.015	AAA	0	0	0	0	0
	2. 0.015 to <0.025	AA+	0	0	0	0	0
	3. 0.025 to <0.035	AA	0	0	0	0	0
	4. 0.035 to <0.045	AA-	0	0	0	0	0
	5. 0.045 to <0.055	A+	0	0	0	0	0
	6. 0.055 to <0.065	A	0	0	0	0	0
	7. 0.065 to <0.125	A-	0	0	0	0	0
	8. 0.125 to <0.260	BBB+	0	0	0	0	0
	9. 0.260 to <0.525	BBB	0	0	0	0	0
	10. 0.525 to <0.795	BBB-	0	0	0	0	0
	11. 0.795 to <1.015	BB+	0	0	0	0	0
	12. 1.015 to <1.915	BB	0	0	0	0	0
	13. 1.915 to <3.315	BB-	0	0	0	0	0
	14. 3.315 to <6.510	B+	0	0	0	0	0
	15. 6.510 to <11.455	B	0	0	0	0	0
	16. 11.455 to <22.355	B-	0	0	0	0	0
	17. 22.355 to <99.975	CCC	0	0	0	0	0
	18. 99.975 to <100.050	D	0	0	0	0	0

A-IRB							
Exposure class	PD range	External rating equivalent	Number of obligors at the end of the previous year	Of which number of obligors which defaulted in the year	Observed average default rate (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e		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%	0.00%	0.06%
	9. 0.260 to <0.525	BBB	0	0	0.00%	0.34%	0.00%
	10. 0.525 to <0.795	BBB-	7	0	0.00%	0.71%	1.22%
	11. 0.795 to <1.015	BB+	0	0	0.00%	0.00%	0.97%
	12. 1.015 to <1.915	BB	10	0	0.00%	1.15%	0.85%
	13. 1.915 to <3.315	BB-	38	0	0.00%	2.68%	0.79%
	14. 3.315 to <6.510	B+	5	0	0.00%	3.95%	1.12%
	15. 6.510 to <11.455	B	8	0	0.00%	9.07%	6.74%
	16. 11.455 to <22.355	B-	3	0	0.00%	13.84%	0.00%
	17. 22.355 to <99.975	CCC	0	0	0.00%	0.00%	2.21%
	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	Of which number of obligors which defaulted in the year	Observed average default rate (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e		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+	3	0	0.00%	0.18%	0.00%
	9. 0.260 to <0.525	BBB	22	0	0.00%	0.34%	0.00%
	10. 0.525 to <0.795	BBB-	35	0	0.00%	0.71%	2.02%
	11. 0.795 to <1.015	BB+	0	0	0.00%	0.00%	0.00%
	12. 1.015 to <1.915	BB	39	0	0.00%	1.15%	0.55%
	13. 1.915 to <3.315	BB-	92	0	0.00%	2.68%	1.25%
	14. 3.315 to <6.510	B+	149	0	0.00%	3.95%	1.67%
	15. 6.510 to <11.455	B	63	1	1.59%	9.07%	2.89%
	16. 11.455 to <22.355	B-	10	0	0.00%	13.84%	8.99%
	17. 22.355 to <99.975	CCC	50	2	4.00%	30.87%	11.20%
	18. 99.975 to <100.050	D	25	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		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-	12	0	0.00%	0.04%	0.00%
	5. 0.045 to <0.055	A+	0	0	0.00%	0.00%	0.00%
	6. 0.055 to <0.065	A	2470	3	0.12%	0.06%	0.14%
	7. 0.065 to <0.125	A-	2955	6	0.20%	0.07%	0.26%
	8. 0.125 to <0.260	BBB+	468	1	0.21%	0.18%	0.43%
	9. 0.260 to <0.525	BBB	3298	10	0.30%	0.34%	0.27%
	10. 0.525 to <0.795	BBB-	5175	13	0.25%	0.71%	0.52%
	11. 0.795 to <1.015	BB+	0	0	0.00%	0.00%	0.00%
	12. 1.015 to <1.915	BB	659	4	0.61%	1.15%	0.65%
	13. 1.915 to <3.315	BB-	1216	7	0.58%	2.68%	1.22%
	14. 3.315 to <6.510	B+	2353	27	1.15%	3.95%	2.41%
	15. 6.510 to <11.455	B	115	3	2.61%	9.07%	6.26%
	16. 11.455 to <22.355	B-	269	7	2.60%	13.84%	6.15%
	17. 22.355 to <99.975	CCC	176	17	9.66%	30.87%	12.90%
	18. 99.975 to <100.050	D	269	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		g	h
Retail - Qualifying revolving - with own estimates of LGD or conversion factors	0. 0.00 to <0.005	AAA+	0	0	0	0	0
	1. 0.005 to <0.015	AAA	0	0	0	0	0
	2. 0.015 to <0.025	AA+	0	0	0	0	0
	3. 0.025 to <0.035	AA	0	0	0	0	0
	4. 0.035 to <0.045	AA-	0	0	0	0	0
	5. 0.045 to <0.055	A+	0	0	0	0	0
	6. 0.055 to <0.065	A	0	0	0	0	0
	7. 0.065 to <0.125	A-	0	0	0	0	0
	8. 0.125 to <0.260	BBB+	0	0	0	0	0
	9. 0.260 to <0.525	BBB	0	0	0	0	0
	10. 0.525 to <0.795	BBB-	0	0	0	0	0
	11. 0.795 to <1.015	BB+	0	0	0	0	0
	12. 1.015 to <1.915	BB	0	0	0	0	0
	13. 1.915 to <3.315	BB-	0	0	0	0	0
	14. 3.315 to <6.510	B+	0	0	0	0	0
	15. 6.510 to <11.455	B	0	0	0	0	0
	16. 11.455 to <22.355	B-	0	0	0	0	0
	17. 22.355 to <99.975	CCC	0	0	0	0	0
	18. 99.975 to <100.050	D	0	0	0	0	0

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		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	20	0	0.00%	0.06%	0.00%
	7. 0.065 to <0.125	A-	0	0	0.00%	0.00%	0.00%
	8. 0.125 to <0.260	BBB+	350	2	0.57%	0.18%	0.37%
	9. 0.260 to <0.525	BBB	127	0	0.00%	0.34%	0.00%
	10. 0.525 to <0.795	BBB-	1031	39	3.79%	0.71%	2.83%
	11. 0.795 to <1.015	BB+	0	0	0.00%	0.00%	1.39%
	12. 1.015 to <1.915	BB	820	12	1.46%	1.15%	1.27%
	13. 1.915 to <3.315	BB-	823	3	0.36%	2.68%	1.00%
	14. 3.315 to <6.510	B+	1265	20	1.58%	3.95%	2.29%
	15. 6.510 to <11.455	B	459	22	4.79%	9.07%	6.37%
	16. 11.455 to <22.355	B-	95	4	4.21%	13.84%	5.37%
	17. 22.355 to <99.975	CCC	195	41	21.13%	30.87%	14.71%
	18. 99.975 to <100.050	D	582	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		g	h
Retail - Other non-SME - with own estimates of LGD or conversion factors	0. 0.00 to <0.005	AAA+	-	0	0.00%	0.00%	0.00%
	1. 0.005 to <0.015	AAA	-	0	0.00%	0.00%	0.00%
	2. 0.015 to <0.025	AA+	-	0	0.00%	0.00%	0.00%
	3. 0.025 to <0.035	AA	-	0	0.00%	0.00%	0.00%
	4. 0.035 to <0.045	AA-	8,026	15	0.19%	0.04%	0.11%
	5. 0.045 to <0.055	A+	-	0	0.00%	0.00%	0.00%
	6. 0.055 to <0.065	A	12,794	19	0.15%	0.06%	0.08%
	7. 0.065 to <0.125	A-	13,670	150	1.10%	0.07%	0.93%
	8. 0.125 to <0.260	BBB+	1,402	3	0.21%	0.18%	0.27%
	9. 0.260 to <0.525	BBB	13,286	103	0.78%	0.34%	0.46%
	10. 0.525 to <0.795	BBB-	10,343	132	1.28%	0.71%	1.15%
	11. 0.795 to <1.015	BB+	-	0	0.00%	0.00%	0.00%
	12. 1.015 to <1.915	BB	1,006	12	1.19%	1.15%	0.82%
	13. 1.915 to <3.315	BB-	4,718	165	3.50%	2.68%	2.02%
	14. 3.315 to <6.510	B+	5,681	271	4.78%	3.95%	3.32%
	15. 6.510 to <11.455	B	635	114	18.01%	9.07%	11.99%
	16. 11.455 to <22.355	B-	727	113	15.76%	13.84%	10.00%
	17. 22.355 to <99.975	CCC	463	143	31.50%	30.87%	20.21%
	18. 99.975 to <100.050	D	2,755	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**		**g**	**h**
Central governments and central banks without own estimates of LGD or conversion factors	0. 0.00 to <0.005	AAA+	0	0	0	0	0
	1. 0.005 to <0.015	AAA	0	0	0	0	0
	2. 0.015 to <0.025	AA+	0	0	0	0	0
	3. 0.025 to <0.035	AA	0	0	0	0	0
	4. 0.035 to <0.045	AA-	0	0	0	0	0
	5. 0.045 to <0.055	A+	0	0	0	0	0
	6. 0.055 to <0.065	A	0	0	0	0	0
	7. 0.065 to <0.125	A-	0	0	0	0	0
	8. 0.125 to <0.260	BBB+	0	0	0	0	0
	9. 0.260 to <0.525	BBB	0	0	0	0	0
	10. 0.525 to <0.795	BBB-	0	0	0	0	0
	11. 0.795 to <1.015	BB+	0	0	0	0	0
	12. 1.015 to <1.915	BB	0	0	0	0	0
	13. 1.915 to <3.315	BB-	0	0	0	0	0
	14. 3.315 to <6.510	B+	0	0	0	0	0
	15. 6.510 to <11.455	B	0	0	0	0	0
	16. 11.455 to <22.355	B-	0	0	0	0	0
	17. 22.355 to <99.975	CCC	0	0	0	0	0
	18. 99.975 to <100.050	D	0	0	0	0	0

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		g	h
Institutions without own estimates of LGD or conversion factors	0. 0.00 to <0.005	AAA+	0	0	0	0	0
	1. 0.005 to <0.015	AAA	0	0	0	0	0
	2. 0.015 to <0.025	AA+	0	0	0	0	0
	3. 0.025 to <0.035	AA	0	0	0	0	0.46%
	4. 0.035 to <0.045	AA-	2	0	0	0	0
	5. 0.045 to <0.055	A+	2	0	0	0	0
	6. 0.055 to <0.065	A	15	0	0	0	0
	7. 0.065 to <0.125	A-	60	0	0	0	0
	8. 0.125 to <0.260	BBB+	12	0	0	0	0
	9. 0.260 to <0.525	BBB	4	0	0	0	0
	10. 0.525 to <0.795	BBB-	0	0	0	0	0
	11. 0.795 to <1.015	BB+	5	0	0	0	0
	12. 1.015 to <1.915	BB	4	0	0	0	0
	13. 1.915 to <3.315	BB-	2	0	0	0	0
	14. 3.315 to <6.510	B+	0	0	0	0	0
	15. 6.510 to <11.455	B	0	0	0	0	0
	16. 11.455 to <22.355	B-	0	0	0	0	0
	17. 22.355 to <99.975	CCC	42	0	0	0	0
	18. 99.975 to <100.050	D	0	0	0	0	0

F-IRB							
Exposure class	PD range	External rating equivalent	Number of obligors at the end of the previous year	Of which number of obligors which defaulted in the year	Observed average default rate (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e		g	h
Corporates - SME 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	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%	0.00%	0.00%
	9. 0.260 to <0.525	BBB	0	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+	2	0	0.00%	0.88%	0.00%
	12. 1.015 to <1.915	BB	0	0	0.00%	0.00%	0.00%
	13. 1.915 to <3.315	BB-	0	0	0.00%	0.00%	0.00%
	14. 3.315 to <6.510	B+	1	0	0.00%	0.00%	0.00%
	15. 6.510 to <11.455	B	0	0	0.00%	9.07%	0.00%
	16. 11.455 to <22.355	B-	0	0	0.00%	0.00%	0.00%
	17. 22.355 to <99.975	CCC	0	0	0.00%	0.00%	0.00%
	18. 99.975 to <100.050	D	1	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		g	h
Corporates – Specialised Lending without own estimates of LGD or conversion factors	0. 0.00 to <0.005	AAA+	0	0	0	0	0
	1. 0.005 to <0.015	AAA	0	0	0	0	0
	2. 0.015 to <0.025	AA+	0	0	0	0	0
	3. 0.025 to <0.035	AA	0	0	0	0	0
	4. 0.035 to <0.045	AA-	0	0	0	0	0
	5. 0.045 to <0.055	A+	0	0	0	0	0
	6. 0.055 to <0.065	A	0	0	0	0	0
	7. 0.065 to <0.125	A-	0	0	0	0	0
	8. 0.125 to <0.260	BBB+	0	0	0	0	0
	9. 0.260 to <0.525	BBB	0	0	0	0	0
	10. 0.525 to <0.795	BBB-	0	0	0	0	0
	11. 0.795 to <1.015	BB+	0	0	0	0	0
	12. 1.015 to <1.915	BB	0	0	0	0	0
	13. 1.915 to <3.315	BB-	0	0	0	0	0
	14. 3.315 to <6.510	B+	0	0	0	0	0
	15. 6.510 to <11.455	B	0	0	0	0	0
	16. 11.455 to <22.355	B-	0	0	0	0	0
	17. 22.355 to <99.975	CCC	0	0	0	0	0
	18. 99.975 to <100.050	D	0	0	0	0	0

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**		**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	6	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+	13	0	0.00%	0.05%	0.00%
	6. 0.055 to <0.065	A	2	0	0.00%	0.00%	0.00%
	7. 0.065 to <0.125	A-	22	0	0.00%	0.00%	0.00%
	8. 0.125 to <0.260	BBB+	17	0	0.00%	0.18%	0.00%
	9. 0.260 to <0.525	BBB	30	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+	42	2	4.76%	0.88%	0.53%
	12. 1.015 to <1.915	BB	2	0	0.00%	0.00%	0.93%
	13. 1.915 to <3.315	BB-	0	0	0.00%	0.00%	0.00%
	14. 3.315 to <6.510	B+	17	0	0.00%	3.95%	0.00%
	15. 6.510 to <11.455	B	2	0	0.00%	0.00%	0.00%
	16. 11.455 to <22.355	B-	10	0	0.00%	13.84%	0.00%
	17. 22.355 to <99.975	CCC	1	0	0.00%	0.00%	0.00%
	18. 99.975 to <100.050	D	6	0	0.00%	100.00%	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

			Credit risk Mitigation techniques											Credit risk Mitigation methods in the calculation of RWEAs	
			Funded credit Protection (FCP)									Unfunded credit Protection (UFCP)			
		Total exposures	Part of exposures covered by Financial Collaterals (%)	Part of exposures covered by Other eligible collaterals (%)				Part of exposures covered by Other funded credit protection (%)						RWEA without substitution effects (reduction effects only)	RWEA with substitution effects (both reduction and sustitution effects)
					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%		-
2	Institutions	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		-
3	Corporates	4,033.32	2.41%	69.98%	69.98%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.000%	0.00%	2,513.61	2,520.80
3.1	Of which Corporates – SMEs	1,296.48	2.17%	48.11%	48.11%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.000%	0.00%	240.90	248.09
3.2	Of which Corporates – Specialised lending	2,520.93	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.000%	0.00%	2,198.70	2,198.70
3.3	Of which Corporates – Other	215.92	0.24%	21.86%	21.86%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.000%	0.00%	74.01	74.01
4	Retail	12,012.10	43.42%	191.18%	191.18%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.000%	0.00%	2,407.68	2,407.68
4.1	Of which Retail – Immovable property SMEs	198.54	2.38%	95.32%	95.32%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.000%	0.00%	83.04	83.04
4.2	Of which Retail – Immovable property non-SMEs	8,042.37	1.35%	95.86%	95.86%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.000%	0.00%	1,487.09	1,487.09
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%	0.000%	0.00%	-	-
4.4	Of which Retail – Other SMEs	328.30	6.38%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.000%	0.00%	81.60	81.60
4.5	Of which Retail – Other non-SMEs	3,442.89	33.30%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.000%	0.00%	755.95	755.95
5	TOTAL	16,045.42	8.16%	53.41%	53.41%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.000%	0.00%	4,921.29	4,928.48

			Credit risk Mitigation techniques											Credit risk Mitigation methods in the calculation of RWEAs	
			Funded credit Protection (FCP)									Unfunded credit Protection (UFCP)			
		Total exposures	Part of exposures covered by Financial Collaterals (%)	Part of exposures covered by Other eligible collaterals (%)				Part of exposures covered by Other funded credit protection (%)						RWEA without substitution effects (reduction effects only)	RWEA with substitution effects (both reduction and sustitution effects)
					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%		-
2	Institutions	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		-
3	Corporates	1,518.55	2.00%	46.61%	46.61%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1,135.86	1,140.21
3.1	Of which Corporates – SMEs	208.90	0.00%	46.26%	46.26%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	205.56	205.56
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%		-
3.3	Of which Corporates – Other	1,309.65	2.00%	0.35%	0.35%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	930.30	934.65
4	TOTAL	1,518.55	1.73%	6.67%	6.67%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1,135.86	1,140.21

Securitisation Exposure

TEMPLATE EU-SEC1 - SECURITISATION EXPOSURES IN THE NON-TRADING BOOK

A-IRB	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												188.87	0	0	188.87
2 Retail (total)												102.94	0	0	102.94
3 residential mortgage												16.55	0	0	16.55
4 credit card												5.8	0	0	5.8
5 other retail exposures												80.59	0	0	80.59
6 re-securitisation												0	0	0	0
7 Wholesale (total)												85.93	0	0	85.93
8 loans to corporates												0	0	0	0
9 commercial mortgage												0	0	0	0
10 lease and receivables												85.93	0	0	85.93
11 other wholesale												0	0	0	0
12 re-securitisation												0	0	0	0

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	188.87						188.87				19.41				1.55		
2 Traditional) securitisation	188.87						188.87				19.41				1.55		
3 securitisation	188.87						188.87				19.41				1.55		
4 Retail underlying	102.94						102.94				10.82				0.87		
5 Of which STS	102.94						102.94				10.82				0.87		
6 Wholesale	85.93						85.93				8.59				0.69		
7 Of which STS	85.93						85.93				8.59				0.69		
8 Re-securitisation																	
9 Synthetic securitisation																	
10 securitisation																	
11 Retail underlying																	
12 Wholesale																	
13 Re-securitisation																	

Market Risk

Liquidity Coverage Ratio

QUALITATIVE INFORMATION ON LCR, TABLE EU LIQB, WHICH COMPLEMENTS THE LCR QUANTITATIVE DISCLOSURE TEMPLATE ABOVE:

Concentration of funding and liquidity sources	Please refer to the dedicated section in "4.3.2. Concentration of funding and liquidity source".
Gross derivative exposures	Derivative assets, gross of variation margin received: • EUR 666M (fully margined); • EUR 19,5M (partially margined); • EUR 5.1M (Un-margined Netting sets (NS)). Derivative liabilities, gross of variation margin posted: • EUR 256.7M (partially margined); • EUR 1.7M (Un-margined Netting sets (NS)).
Currency mismatch in the LCR	The only relevant currency is USD. The consolidated LCR USD ratio is about 195%. Please note that it is 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

INFORMATION ON REMUNERATION OF IDENTIFIED STAFF 31/12/2022

	Senior Management	Other Identified Staff
Members (Headcount)	**44**	**58**
Total fixed remuneration remuneration (in EUR)	**11,421,730**	**10,599,264**
Of which: fixed in cash	11,421,730	10,599,264
Of which: fixed in shares and share- linked instruments	0	0
Of which: fixed in other types instruments	0	0
Total variable remuneration (in EUR)	**7,449,040**	**5,536,015**
Of which: variable in cash	3,304,926	2,862,748
Of which: variable in shares and share-linked instruments	0	0
Of which: variable in other types instruments	4,144,114	2,673,267
Total amount of variable remuneration awarded in year N which has been deferred (in EUR)	**3,794,429**	**2,330,591**
Of which: deferred variable in cash in year N	1,271,925	685,352
Of which: deferred variable in shares and share-linked instruments in year N	0	0
Of which: deferred variable in other types of instruments in year N	2,522,504	1,645,240
ADDITIONAL INFORMATION REGARDING THE AMOUNT OF TOTAL VARIABLE REMUNERATION		
Article 450 h(iii)CRR – total amount of outstanding deferred variable remuneration awarded in previous periods and not in year N (in EUR)	7,876,175	
Total amount of explicit ex post performance adjustment applied in year N for previously awarded remuneration (in EUR)	0	0
Number of beneficiaries of guaranteed variable remuneration (new sign-on payments)	2	1
Total amount of guaranteed variable remuneration (new sign-on payments) (in EUR)	169,391	28,000
Number of beneficiaries of severance payments	1	0
Total amount of severance payments paid in year N (in EUR)	90,000	0
Article 450 h(v) – Highest severance payment to a single person (in EUR)	0	0
Number of beneficiaries of contributions to discretionary pension benefits in year N	0	0
Total amount of contributions to discretionary pension benefits (in EUR) in year N	0	0
Total amount of variable remuneration awarded for multi-year periods under programmes which are not revolved annually (in EUR)	1,250,579	959,888

In 2022, 2 Identified Staff member has received a total remuneration between 1 million and 1,5 millions Euro. In 2022, 1 Identified Staff member has received a total remuneration between 1,5 millions and 2 millions Euro.

INFORMATION ON REMUNERATION FOR ALL STAFF

Business areas:	Senior Management	Investment banking	Retail banking	Asset management	Corporate functions	Independent control functions	All other
Number of members (Headcount)	44	0	613	402	769	222	23
Total remuneration (in EUR)	18,870,770	0	47,419,641	55,322,186	70,944,787	22,581,753	1,708,694.27

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
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
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[1]

The content of the EBA qualitative tables are included in this report:

Templates	Reference	Name	CRR articles	Frequency
1	EU OVC	ICAAP information	Points (a) and (c) of Article 438	Annual
2	EU OVA	Institution risk management approach	Article 435 (1)	Annual
3	EU OVB	Disclosure on governance arrangements	Article 435 (2)	Annual
4	EU LIA	Explanations of differences between accounting and regulatory exposure amounts	Point (b) of Article 436	Annual
5	EU LIB	Other qualitative information on the scope of application	Points (f), (g) and (h) of Article 436	Annual
6	EU CCA	Main features of regulatory own funds instruments and eligible liabilities instruments	Points (b) and (c) of Article 437	Annual
7	EU LRA	Free format text boxes for disclosure on qualitative items	Points (d) and (e) of Article 451(1)	Annual
8	EU LIQA	Liquidity risk management	Articles 435(1) and 451a(4)	Annual
9	EU LIQB	On qualitative information on LCR, which complements template EU LIQ1	Article 451a(2)	Quarterly / Semi-annual / Annual
10	EU CRA	General qualitative information about credit risk	Points (a), (b), (d) and (f) of Article 435(1)	Annual
11	EU CRB	Additional disclosure related to the credit quality of assets	Points (a) and (b) of Article 442	Annual
12	EU CRC	Qualitative disclosure requirements related to CRM techniques	Points (a) to (e) of Article 453	Annual
13	EU CRD	Qualitative disclosure requirements related to standardised model	Points (a) to (d) of Article 444	Annual
14	EU CRE	Qualitative disclosure requirements related to IRB approach	Points (a) to (f) of Article 452	Annual
15	EU CCRA	Qualitative disclosure related to CCR	Points (a) to (d) and last paragraph of Article 439	Annual
16	EU SECA	Qualitative disclosure requirements related to securitisation exposures	Points (a) to (i) of Article 449	Annual
17	EU MRA	Qualitative disclosure requirements related to market risk	Points (a) to (d) of Article 435 (1)	Annual
18	EU MRB	Qualitative disclosure requirements for institutions using the internal Market Risk Models	Points (a), (b), (c), (f) of Article 455	Not applicable for the Bank
19	EU ORA	Qualitative information on operational risk	Articles 435(1), 446 and 454	Annual
20	EU REMA	Remuneration policy	Points (a), (b), (c), (d), (e), (f), (j) and (k) of Article 450(1) and Article 450(2)	Annual
21	Table 1	Qualitative information on Environmental risk	Article 449a	Semi- annual / Annual
22	Table 2	Qualitative information on Social risk	Article 449a	Semi- annual / Annual
23	Table 3	Qualitative information on Governance risk	Article 449a	Semi- annual / Annual
24	EU AE4	Accompanying narrative information	Article 443	Annual
25	EU IRRBBA	Qualitative information on interest rate risks of non-trading book activities	Article 448	Semi- annual / Annual

[1] In accordance with the EBA publications of which: EBA/GL/2016/11, version 2, and EBA/ITS/2020/04.

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	Not applicable for the Bank
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	Not applicable for the Bank
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	Not applicable for the Bank
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 riskweighted 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
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	Template 1	Banking book- Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity	Article 449a	Semi- annual / Annual
61	Template 2	Banking book - Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral	Article 449a	Semi- annual / Annual
62	Template 3	Banking book - Climate change transition risk: Alignment metrics	Article 449a	Semi- annual / Annual
63	Template 4	Banking book - Climate change transition risk: Exposures to top 20 carbon-intensive firms	Article 449a	Semi- annual / Annual
64	Template 5	Banking book - Climate change physical risk: Exposures subject to physical risk	Article 449a	Semi- annual / Annual
65	Template 6	Summary of GAR KPIs	Article 449a	Semi- annual / Annual
66	Template 7	Mitigating actions: Assets for the calculation of GAR	Article 449a	Semi- annual / Annual
67	Template 8	GAR (%)	Article 449a	Semi- annual / Annual
68	Template 9	Mitigating actions: BTAR	Article 449a	Semi- annual / Annual
69	EU AE1	Encumbered and unencumbered assets	Article 443	Annual
70	EU AE2	Collateral received and own debt securities issued	Article 443	Annual

71	EU AE3	Sources of encumbrance	Article 443	Annual
72	EU IRRBB1	Interest rate risks of non-trading book activities	Article 448	Annual
73	EU KM2	Key metrics - MREL and, where applicable, G-SII requirement for own funds and eligible liabilities	-	Annual
74	EU TLAC1	Composition - MREL and, where applicable, G-SII requirement for own funds and eligible liabilities	-	Annual
75	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
76	EU TLAC2	Creditor ranking - Entity that is not a resolution entity	-	Not applicable for the Bank
77	EU TLAC3	Creditor ranking - resolution entity	-	Annual

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