Pillar 3 Quarterly Report Q3/2022

BANQUE INTERNATIONALE À LUXEMBOURG

Contents

List of acronyms

A-IRB	Advanced Internal Rating-Based
AT1	Additional Tier 1 capital
BCBS	Basel Committee on Banking Supervision
CCP	Central Counterparty
CCR	Counterparty Credit Risk
CET1	Common Equity Tier One
CCR	Counterparty Credit Risk
CRR	Capital Requirements Regulation
CSR	Corporate Social Responsibility
CVA	Credit Valuation Adjustment
EAD	Exposure At Default
EBA	European Banking Authority
ECL	Expected Credit Loss
ESG	Environmental, Social and Governance
F-IRB	Foundation Internal Rating-Based
HQLA	High Quality Liquid Asset
IAA	Internal Assessment Approach
IMA	Internal Model Approach
IMM	Internal Model Method
IRB	Internal Rating-Based
LCR	Liquidity Coverage Ratio
LR	Leverage Ratio
NSFR	Net Stable Funding Ratio
O-SII	Other Systemically Important Institutions
PAI	Principal Adverse Impact
PD	Probability of Default

Q	Quarter
RWA	Risk-Weighted Assets
SFA	Supervisory Formula Approach
SFDR	The Sustainable Finance Disclosure Regulation
SFT	Securities Financing Transactions

Regulatory tables and templates[1]

Reference	Name	Regulation (EU) No 575/2013 (CRR)	Section of the report
KM1	Key metrics (at consolidated group level)	Points (a) to (g) of Article 447 and point (b) of Article 438	Section 1
OV1	Overview of RWA	Point (d) of Article 438	Section 2.1
LR1	Summary comparison of accounting assets vs the leverage ratio exposure measure	Article 451 (1)(b) of the CRR	Section 2.2
LR2	Leverage ratio common disclosure template	/ (CRR2 provisions)	Section 2.2
CR8	RWA flow statements of credit risk exposures	Point (h) of Article 438	Section 3.1
Template 1	Information on loans and advances subject to legislative and non-legislative moratoria	Articles 6, 10 and 13.	Section 3.2
Template 2	Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria	Articles 6, 10 and 13.	Section 3.2
Template 3	Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis	Articles 6, 10 and 13.	Section 3.2
CCR7	RWA flow statements of CCR exposures under the IMM	Point (h) of Article 438	N/A
MR3	IMA values for trading portfolios	Article 455 (d)	The Bank does not use the IMM approach.

[1] In accordance with EBA/GL/2016/11, version 2, Final report "*Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013*" and the BCBS standards published in March 2017: "*Pillar 3 disclosure requirements – consolidated and enhanced framework*"

Introduction

This document provides additional information on the risk management of Banque Internationale à Luxembourg (BIL Group) referred to below as "BIL" or "the Bank" as of 30 September 2022.

This BIL group Quarterly Pillar 3 report is divided into three sections:
- Key prudential metrics
- Capital management and capital adequacy
- Credit risk management and a breakdown of the Bank's credit risk exposures

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

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

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

1. Key prudential metrics

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

TABLE KM1: KEY METRICS (AT CONSOLIDATED GROUP LEVEL)

	31/03/2022	31/12/2021
	T	T-1
Available capital (amounts)		
Common Equity Tier 1 (CET1)	1,391	1,406
Fully loaded ECL accounting model	1,369	1,391
Tier 1	1,566	1,581
Fully loaded ECL accounting model Tier 1	1,544	1,566
Total capital	1,819	1,828
Fully loaded ECL accounting model total capital	1,797	1,812
Risk-weighted assets (amounts)		
Total risk-weighted assets (RWA)	10,554	10,163
Fully Loaded Total risk-weighted assets (RWA)	10 539	10,153
Risk-based capital ratios as a percentage of RWA		
Common Equity Tier 1 ratio (%)	13.18%	13.84%
Fully loaded ECL accounting model Common Equity Tier 1 (%)	12.99%	13.70%
Tier 1 ratio (%)	14.84%	15.56%
Fully loaded ECL accounting model Tier 1 ratio (%)	14.65%	15.58%
Total capital ratio (%)	17.24%	17.98%
Fully loaded ECL accounting model total capital ratio (%)	17.05%	17.85%
Additional CET1 buffer requirements as a percentage of RWA		
Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%
Countercyclical buffer requirement (%)	0.36%	0.36%
Bank G-SIB and/or D-SIB additional requirements (%)	0.50%	0.50%
Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	3.36%	3.36%
CET1 available after meeting the bank's minimum capital requirements (%)	9.82%	10.88%
Basel III leverage ratio		
Total Basel III leverage ratio exposure measure	37,821	36,707
Fully Loaded Total Basel III leverage ratio exposure measure	37,799	36,691
Basel III leverage ratio (%) (row 2 / row 13)	4.14%	4.31%
Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a / row13)	4.08%	4.27%
Liquidity Coverage Ratio		
Total HQLA	11,662	11,668
Total net cash outflow	8,353	8,352
LCR ratio (%)	140%	140%
Net Stable Funding Ratio		
Total available stable funding	18,997	20,191
Total required stable funding	15,758	15,995
NSFR ratio	120%	126%

2. Own funds and capital adequacy

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

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

The prudential capital requirement breakdown as of 30 September 2022 is presented below:

Capital components	Amount
Minimum requirement for Core CET1 requirement	4.50%
Minimum requirement for conservation buffer	2.50%
Minimum requirement for O-SII buffer	0.50%
Minimum requirement for countercyclical buffer	0.36%
Minimum requirement for Pillar 2 Requirement	1.125%
	8.98%

At the end of Q3 2022, the Bank's CET1 ratio stood at 13.18%, with the total capital ratio at 17.24%, as detailed in the previous section (Table KM1).

2.1. Regulatory capital adequacy (Pillar I)

Risk-Weighted Assets (RWA)

In accordance with Article 138(c)-(f) of Regulation (EU) No 575/2013 (CRR), the following table presents the RWA and regulatory capital requirements broken down by risk type and model approach compared to the previous reporting period, on a quarterly basis.

TABLE EU OV1 – OVERVIEW OF TOTAL RISK EXPOSURE AMOUNTS

(in EUR million)		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		T	T-1	T
1	Credit risk (excluding CCR)	9,431.59	9,064.10	754.53
2	Of which the standardised approach	2,898.41	2,637.99	231.87
3	Of which the Foundation IRB (F-IRB) approach	1,137.04	1,200.33	90.96
4	Of which: slotting approach	2,091.64	2,071.59	167.33
EU 4a	Of which: equities under the simple riskweighted approach	72.92	72.70	5.83
5	Of which the Advanced IRB (A-IRB) approach	2,800.08	2,650.71	224.01
6	Counterparty credit risk - CCR	135.74	112.37	10.86
7	Of which the standardised approach	31.74	36.66	2.54
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	51.89	35.61	4.15
EU 8b	Of which credit valuation adjustment - CVA	9.03	13.62	0.72
9	Of which other CCR	43.08	26.49	3.45
10	Not applicable			
11	Not applicable			
12	Not applicable			
13	Not applicable			
14	Not applicable			
15	Settlement risk	-	-	-
16	Securitisation exposures in the non-trading book (after the cap)	1.51	1.56	0.12
17	Of which SEC-IRBA approach	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA approach	-	-	-
EU 19a	Of which 1250%	-	-	-
20	Position, foreign exchange and commodities risks (Market risk)	30.81	30.50	2.46
21	Of which the standardised approach	30.81	30.50	2.46
22	Of which IMA	-	-	-
EU 22a	Large exposures	-	-	-
23	Operational risk	954.43	954.43	76.35
EU 23a	Of which basic indicator approach	-	-	-
EU 23b	Of which standardised approach	954.43	954.43	76.35
EU 23c	Of which advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	-	-	-
25	Not applicable			
26	Not applicable			
27	Not applicable			
28	Not applicable			
29	**Total**	**10,554.07**	**10,162.96**	**844.33**

The Bank's RWA totaled EUR 10.55 billion as of 30 September 2022, compared to EUR 10.16 billion at 30 June 2022. The overall increase of about EUR 391 million mainly reflects increases in Credit Risk RWA in the same order of magnitude. This increase is notably due to (i) An organic growth in terms of loans and derivatives for EUR +323 M (ii) The mass penalization proceeds by CRM on July 2022 for customer financial reports older than two years leading to an increase of about EUR +41 M.

2.2. Leverage ratio

The Basel 3/CRD 4 Regulation introduced the leverage ratio, whose main objective is to serve as a complementary measure to the risk-based capital requirement. It is defined as the capital measure divided by the exposure measure (total exposure). The capital measure for the leverage ratio is Tier 1 capital, taking into account both the fully phase-in and transitional arrangements[2].

The minimum level of leverage ratio was previously confirmed to be 3%. However, in accordance to the section 5 of ECB's press release on 18 June 2021, only the central bank exposures newly accumulated since the beginning of the pandemic (end-2019) effectively benefit from this leverage ratio relief. A bank which decides to exclude central bank exposures from its total exposure measure needs to recalibrate its 3% leverage ratio requirement, meaning its leverage ratio requirement won't be 3% anymore but a bit higher.

As mentioned in Table KM1 (Section One), BIL group' leverage ratio was 4.14 % as of Q3 2022 (transitional), moderately decreased compared to 4.31 % as of Q2 2022. The variation was attributable particularly to an increase in total leverage ratio exposure (4%) and a slight decrease of the tier 1 equity (1%).

The leverage ratio disclosure templates are (in EUR million):

[2] The capital measure for the leverage ratio is the Tier 1 capital of the risk-based capital framework, as defined in paragraphs 49 to 96 of the Basel III framework, taking account of the transitional arrangements. The Basel Committee is using the transition period to monitor banks' leverage ratio data on a semi-annual basis to assess whether the proposed design and calibration of a minimum Tier 1 leverage ratio of 3% is appropriate over a full credit cycle and for different types of business model.

LR1 – SUMMARY RECONCILIATION OF ACCOUNTING ASSETS AND LEVERAGE RATIO EXPOSURES

(in EUR million)		Applicable amount
1	Total assets as per published financial statements	35,359.36
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	-
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	-
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)	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustment for eligible cash pooling transactions	-
8	Adjustments for derivative financial instruments	650.89
9	Adjustment for securities financing transactions (SFTs)	-1,089.39
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	2,290.18
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-103.61
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	-
12	Other adjustments	691.71
13	**Total exposure measure**	**37,799.14**

LR2 – LEVERAGE RATIO COMMON DISCLOSURE

(in EUR million)		CRR leverage ratio exposures	
		T	T-1
ON-BALANCE SHEET EXPOSURES (EXCLUDING DERIVATIVES AND SFTS)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	34,437.66	33,797.35
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework		
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)		
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)		
5	(General credit risk adjustments to on-balance sheet items)	-92.98	-79.38
6	(Asset amounts deducted in determining Tier 1 capital)	-535.99	-511.65
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**33,808.69**	**33,206.32**
DERIVATIVE EXPOSURES			
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	1,110.31	705.18
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach		
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	398.17	368.28
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach		
EU-9b	Exposure determined under Original Exposure Method		
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)		
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)		
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)		
11	Adjusted effective notional amount of written credit derivatives		
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)		
13	**Total derivatives exposures**	**1,508.49**	**1,073.46**

SECURITIES FINANCING TRANSACTION (SFT) EXPOSURES			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	1,405.38	2,529.63
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-1,267.28	-2,496.13
16	Counterparty credit risk exposure for SFT assets	144.45	31.28
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR		
17	Agent transaction exposures		
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)		
18	**Total securities financing transaction exposures**	**282.55**	**64.79**
OTHER OFF-BALANCE SHEET EXPOSURES			
19	Off-balance sheet exposures at gross notional amount	5,228.79	5,352.97
20	(Adjustments for conversion to credit equivalent amounts)	-2,938.61	-2,922.38
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	-10.63	-9.78
22	**Off-balance sheet exposures**	**2,279.55**	**2,420.81**
EXCLUDED EXPOSURES			
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)		
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet))		
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)		
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)		
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))		
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-80.13	-74.08
EU-22g	(Excluded excess collateral deposited at triparty agents)		
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)		
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)		
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)		
EU-22k	**(Total exempted exposures)**	**-80.13**	**-74.08**
CAPITAL AND TOTAL EXPOSURE MEASURE			
23	Tier 1 capital	1,544	1,566
24	**Total exposure measure**	**37,799.14**	**36,691.30**
LEVERAGE RATIO			
25	Leverage ratio (%)	4.09%	4.27%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	4.09%	4.27%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	4.09%	4.27%
26	Regulatory minimum leverage ratio requirement (%)	3.00%	3.00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)		
EU-26b	of which: to be made up of CET1 capital		
27	Leverage ratio buffer requirement (%)		
EU-27a	Overall leverage ratio requirement (%)	3.00%	3.00%
CHOICE ON TRANSITIONAL ARRANGEMENTS AND RELEVANT EXPOSURES			
EU-27b	Choice on transitional arrangements for the definition of the capital measure		

DISCLOSURE OF MEAN VALUES			
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	44.47	39.66
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	138.10	33.51
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)	37,705.51	36,697.45
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)	37,705.51	36,697.45
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)	4.09%	4.26%
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)	4.09%	4.26%

TABLE LRS: 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:	34,282.52
EU-2	Trading book exposures	39.71
EU-3	Banking book exposures, of which:	34,242.82
EU-4	Covered bonds	417.48
EU-5	Exposures treated as sovereigns	12,273.44
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	1,118.59
EU-7	Institutions	2,445.18
EU-8	Secured by mortgages of immovable properties	8,165.70
EU-9	Retail exposures	3,382.51
EU-10	Corporate	5,257.25
EU-11	Exposures in default	337.72
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	844.94

3. Credit risk

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

3.1. RWA flow statements of credit risk exposures

According to Article 438 (d) of Regulation (EU) No 575/2013 (CRR), the following table provides a flow statement explaining changes in the credit RWA between Q2 2022 and Q3 2022.

AMENDED TABLE EU CR8 – RWA FLOW STATEMENTS OF CREDIT RISK EXPOSURES UNDER THE STANDARD AND IRB APPROACH[3]

	RWA amounts	Capital requirements
Credit Risk RWAs (ADV+STD +TIT with CCR) as at the end of the previous reporting period (30/06/2022)	9,178.03	734.24
Total adjustments from Standardised Approach (with CCR)	**280.96**	**22.48**
Adjustment from Asset size	281.37	22.51
Adjustment from Model updates	-0.50	-0.04
Adjustment from Methodology and policy		-
Banks perimeter in Standard approach		-
Adjustment from Other	0.08	0.01
Total adjustments from IRB – Advanced Approach (with CCR)	**108.70**	**8.70**
Adjustment from Asset size	75.07	6.01
Adjustment from Asset quality	35.53	2.84
Adjustment from Model updates		-
Adjustment from Methodology and policy		-
Adjustment from Acquisitions and disposals		-
Adjustment from Foreign exchange movements		-
Adjustment from Other	-1.90	-0.15
Total adjustments from CVA	**-4.59**	**-0.37**
Total adjustments from Securitisation	**-0.05**	**-0.00**
Total adjustments from FTA new management overlay	**5.42**	**0.43**
RWAs as at the end of the reporting period (30/09/2022)	9,568.47	734.24

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

3.1. Credit quality of loans and advances subject to moratoria on loan repayments applied in the light of the COVID-19 crisis

Template 1: Information on loans and advances subject to legislative and non-legislative moratoria

The following table provides an overview of the credit quality of loans and advances subject to moratoria on loan repayments applied in the light of the COVID-19 crisis, in accordance with EBA/GL/2020/02.

There is no inflow since the beginning of the year 2022 in terms of the Covid loans.

	Gross carrying amount			
	Performing		Non-performing	
	Of which: exposures with forbearance measures	Of which: instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	Of which: exposures with forbearance measures	Of which: unlikely to pay that are not past-due or past-due <= 90 days
Loans and advances subject to moratorium	-	-	-	-
of which: Households	-	-	-	-
of which: Collateralised by residential immovable property	-	-	-	-
of which: Non-financial corporations	-	-	-	-
of which: Small and Medium-sized Enterprises	-	-	-	-
of which: Collateralised by commercial immovable property	-	-	-	-
of which: Collateralised by commercial immovable property	-	-	-	-

	Accumulated impairment, accumulated negative changes in fair value due to credit risk				Gross carrying amount
	Performing		Non-performing		
	Of which: exposures with forbearance measures	Of which: instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	Of which: exposures with forbearance measures	Of which: unlikely to pay that are not past-due or past-due <= 90 days	Inflows to non-performing exposures
Loans and advances subject to moratorium	-	-	-	-	-
of which: Households	-	-	-	-	-
of which: Collateralised by residential immovable property	-	-	-	-	-
of which: Non-financial corporations	-	-	-	-	-
of which: Small and Medium-sized Enterprises	-	-	-	-	-
of which: Collateralised by commercial immovable property	-	-	-	-	-
of which: Collateralised by commercial immovable property	-	-	-	-	-

Template 2: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria

The following table provides an overview of the volume of loans and advances subject to legislative and non-legislative moratoria in accordance with EBA/GL/2020/02 by residual maturity of these moratoria.

	Number of obligors	Gross carrying amount							
					Residual maturity of moratoria				
			Of which: legislative moratoria	Of which: expired	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
Loans and advances for which moratorium was offered	826	418.33							
Loans and advances subject to moratorium (granted)	826	418.33	-	418.33	-	-	-	-	-
of which: Households		132.15	-	132.15	-	-	-	-	-
of which: Collateralised by residential immovable property		103.37	-	103.37	-	-	-	-	-
of which: Non-financial corporations		245.47	-	245.47	-	-	-	-	-
of which: Small and Medium-sized Enterprises		191.02	-	191.02	-	-	-	-	-
of which: Collateralised by commercial immovable property		103.05	-	103.05	-	-	-	-	-

Template 3: Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

The following table provides an overview of the stock of newly originated loans and advances subject to public guarantee schemes introduced in response to COVID-19 crisis.

	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
		of which: forborne	Public gwuarantees received	Inflows to non-performing exposures
Newly originated loans and advances subject to public guarantee schemes	31.61	0.63	30.93	0
of which: Households	0.11			0
of which: Collateralised by residential immovable property	-			0
of which: Non-financial corporations	31.34	0.63	30.66	0
of which: Small and Medium-sized Enterprises	0.67			0
of which: Collateralised by commercial immovable property	-			0

4. Focus on ESG framework

Environmental, Social and Governance (ESG) matters are playing an increasing role in the banking world. Therefore, the Bank has set up a Sustainability program, named "Towards SustainaBILity", based on four pillars: (i) Sustainable governance and strategy, (ii) Responsible and sustainable products and services, (iii) Responsible employer and (iv) Positive impact.
In order to structure the organisation to address ESG challenges and to support the Bank's long-term stability and growth, the Bank defined several ongoing initiatives linked to ESG framework, of which the following are the major achievements for each of our 4 strategic pillars during the last quarter Q3-2022:

PILLAR 1 – Sustainable governance and strategy:

Feedback Model & ESG Objectives
In line with ECB requirements and SFDR regulation, ESG objectives have been defined for employees in order to develop an ESG culture and ensure skills development. They have been validated for most of the bank's departments which will progressively be cascaded down.
In a first step, it has been decided to start with only qualitative targets with the main objective that ESG considerations are progressively embedded throughout the bank's daily operations. At this stage, these are not yet operational, commercial or financial quantitative targets.

PILLAR 2 – Responsible and sustainable products and services:

BIL Green Bond Launch
This Green Bond helps support sustainable housing development in Luxembourg as all the amounts invested will be allocated exclusively to the financing of energy-efficient residential housing in the Grand Duchy.

MIFID II
The ESG amendment to MiFID II and IDD came into force on 2nd of August 2022. The collect of the Invest clients ESG preferences have been started in order to take it into account during our advice and proposal. In this perspective also, the Relationship Managers have been informed and trained on our new obligations and the current ESG offer.

PILLAR 3 – Responsible employer:

Diversity Strategy
Our diversity strategy has been defined with an action plan relying on 7 workstreams reflecting the 7 Women Empowerment Principles: Leadership - Fair Treatment - Health, Safety & Well-being - Training - Corporate Practices - Promotion and Reporting.

PILLAR 4 – Positive impact:

Carbon Footprint
The calculation of our 2021 carbon footprint (scope 1-2-3 : operational and financed emissions) has been done and the results currently under analysis will be disclosed in our 2023's non-financial report.

Risk teams are part of this program and are working on various ESG risk aspects, including:

- The **ECB Climate Risk roadmap** linked to the 2020 ECB Climate Risk Guide is currently evolving in a more mature approach, taking into account the action plan following the Thematic Review on climate-related and environmental risks
- The **Climate Risk Stress Testing framework** will be enhanced in the near future on existing risk modelling with new approaches and enriched capabilities to stress testing ESG risks parameters
- The **Risk Cartography** approach on climate-related and environmental risks will focus into the transmission channel impacts related to ESG risk drivers, considering medium to long-term horizons
- The **ESG Risk Governance** will be ensured in the bank business model and strategy and declined in the 3 Lines of Defence
- The **Economic Capital Assessment** will be developed in 2023 with the integration of ESG factors

5. Conclusion

Considering an economic environment that raises several challenges for the banking sector, the Bank has committed to support the national economy and its businesses and as a key player in Luxembourg. To note that BIL coordinated its efforts with other Luxembourgish banks in terms of "Prêts Garantis par l'Etat" (PGE) in the context of the COVID-19 crisis and that it is doing the same in the current energy crisis situation.

In this context, the current capital and liquidity situation allowed the Bank to navigate successfully through the second part of year 2022 in this international crisis context. The Bank will continue to ensure that it has sufficient financial resources to cover all relevant risks and will be able to maintain continuity of its operations on an ongoing basis, as well as to sustainably execute its business strategy.

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