Pillar 3 Quarterly Report Q1/2023

BIL 1856

BANQUE INTERNATIONALE À LUXEMBOURG

Contents

List of acronyms

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

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
EU KM1	Overview of risk weighted exposure amounts	Points (a) to (g) of Article 447 and point (b) of Article 438	Section 1
EU OV1	Overview of risk weighted exposure amounts	Point (d) of Article 438	Section 2.1
EU LIQ1	Quantitative information of LCR	Article 451a(2)	Section 3.1
EU CR8	RWEA flow statements of credit risk exposures under the IRB approach	Point (h) of Article 438	Section 4
EU CCR7	RWEA flow statements of CCR exposures under the IMM	Point (h) of Article 438	N/A - The Bank does not use the IMM approach.
EU MR2-B	RWA flow statements of market risk exposures under the IMA	Point (h) of Article 438	N/A - The Bank uses the
standardized approach.	IMA values for trading portfolios	Article 455 (d)	N/A. The Bank uses the standardized 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 31 March 2023.

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

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

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

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

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

1. Key prudential metrics

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

TABLE KM1: KEY METRICS (AT CONSOLIDATED GROUP LEVEL)

	a	b
(in EUR million)	**31/03/2023**	**31/12/2022**
Available own funds (amounts)		
Common Equity Tier 1 (CET1) capital	1,448	1,462
Tier 1 capital	1,623	1,637
Total capital	1,966	1,881
Risk-weighted exposure amounts		
Total risk exposure amount	10,732	10,425
Capital ratios (as a percentage of risk-weighted exposure amount)		
Common Equity Tier 1 ratio (%)	13.49%	14.03%
Tier 1 ratio (%)	15.12%	15.71%
Total capital ratio (%)	18.32%	18.04%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)		
Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.25%	2.00%
of which: to be made up of CET1 capital (percentage points)	1.27%	1.13%
of which: to be made up of Tier 1 capital (percentage points)	1.69%	1.50%
Total SREP own funds requirements (%)	10.25%	10.00%
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)		
Capital conservation buffer (%)	2.50%	2.50%
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%	0.00%
Institution specific countercyclical capital buffer (%)	0.41%	0.36%
Systemic risk buffer (%)	0.00%	0.00%
Global Systemically Important Institution buffer (%)	0.00%	0.00%
Other Systemically Important Institution buffer (%)	0.50%	0.50%
Combined buffer requirement (%)	3.41%	3.36%
Overall capital requirements (%)	13.66%	13.36%
CET1 available after meeting the total SREP own funds requirements (%)	8.07%	8.04%
Leverage ratio		
Total exposure measure	34,319	34,755
Leverage ratio (%)	4.73%	4.71%
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)		
Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%
of which: to be made up of CET1 capital (percentage points)	0.00%	0.00%
Total SREP leverage ratio requirements (%)	3.00%	3.00%
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)		
Leverage ratio buffer requirement (%)	0.00%	0.00%
Overall leverage ratio requirement (%)	3.00%	3.00%

Liquidity Coverage Ratio		
Total high-quality liquid assets (HQLA) (Weighted value -average)	10,482	10,770
Cash outflows - Total weighted value	8,035	7,618
Cash inflows - Total weighted value	616	586
Total net cash outflows (adjusted value)	7,418	7,032
Liquidity coverage ratio (%)	141.3%	153.2%
Net Stable Funding Ratio		
Total available stable funding	18,384	18,550
Total required stable funding	15,118	14,983
NSFR ratio (%)	121.6%	123.8%

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 31 March 2023 is presented below:

Capital components	Amount
Minimum requirement for Core CET1 requirement	4.50%
Minimum requirement for conservation buffer	2.50%
Minimum requirement for O-SII buffer	0.50%
Minimum requirement for countercyclical buffer	0.41%
Minimum requirement for Pillar 2 Requirement	1.26%
	9.17%

At the end of Q1 2023, the Bank's CET1 ratio stood at 13.49%, with the total capital ratio at 18.32%, as detailed in the previous section (Table KM1).

2.1. Regulatory capital adequacy (Pillar I)

Risk-Weighted Assets (RWA)

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

TABLE EU OV1 – OVERVIEW OF TOTAL RISK EXPOSURE AMOUNTS

(in EUR million)		Total risk exposure amounts (TREA)		Total own funds requirements
		a	b	c
		31/03/2023	31/12/2022	31/03/2023
1	Credit risk (excluding CCR)	9,579.23	9,290.48	766.34
2	Of which the standardised approach	2,816.90	2,742.01	225.35
3	Of which the Foundation IRB (F-IRB) approach	1,244.22	1,154.97	99.54
4	Of which slotting approach	2,166.98	2,198.70	173.36
EU 4a	Of which equities under the simple risk weighted approach	0.01	0.22	0.00
5	Of which the Advanced IRB (A-IRB) approach	2,886.21	2,729.78	230.90
6	Counterparty credit risk - CCR	104.93	97.82	8.39
7	Of which the standardised approach	48.32	19.36	3.87
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	44.32	48.89	3.55
EU 8b	Of which credit valuation adjustment - CVA	11.15	5.04	0.89
9	Of which other CCR	1.13	24.53	0.09
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)	26.21	19.41	2.10
17	Of which SEC-IRBA approach	-	-	-
18	Of which SEC-ERBA (including IAA)	26.21	19.41	2.10
19	Of which SEC-SA approach	-	-	-
EU 19a	Of which 1250% / deduction	-	-	-
20	Position, foreign exchange and commodities risks (Market risk)	21.40	17.26	1.71
21	Of which the standardised approach	21.40	17.26	1.71
22	Of which IMA	-	-	-
EU 22a	Large exposures	-	-	-
23	Operational risk	1,000.54	1,000.54	80.04
EU 23a	Of which basic indicator approach	-	-	-
EU 23b	Of which standardised approach	1,000.54	1,000.54	80.04
EU 23c	Of which advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	-	-	-
25	Not applicable	-	-	-
26	Not applicable	-	-	-
27	Not applicable	-	-	-
28	Not applicable	-	-	-
29	**Total**	**10,732.30**	**10,425.51**	**858.58**

The Bank's RWA totalled EUR 10.73 billion as of 31 March 2023, compared to EUR 10.42 billion as of 31 December 2022. The overall increase of about EUR 306 million mainly due to the increase of Credit Risk RWA in the same order of magnitude. The increase is observed on BIL Luxembourg and Switzerland entities:

- BIL Luxembourg: An increase of the RWA by about EUR 226 million is observed, mainly explained by the combined effects of net new production and mass penalization of Fixed Term Advances and Roll over Term Advances exposures
- BIL Switzerland: The Credit Risk RWA increased by EUR +73 million, notably linked to the Lombard loan exposures

3. Liquidity Risk

3.1. Liquidity Coverage Ratio

TEMPLATE EU LIQ1 – QUANTITATIVE INFORMATION OF LCR (BASED ON THE ANNUAL AVERAGE OF LCR)

		a	b	c	d	e	f	g	h
Scope of consolidation (consolidated)									
Currency and units (EUR million)		Total unweighted value				Total weighted value			
Quarter ending on (DD Month YYY)		30 June 2022	30 September 2022	31 December 2022	31 March 2023	30 June 2022	30 September 2022	31 December 2022	31 March 2023
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)					10,518.64	11,128.30	11,413.09	11,463.52
CASH-OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	9,687.29	9,695.46	9,655.62	9,577.53	975.28	966.30	955.09	929.71
3	Stable deposits	3,991.04	4,071.71	4,125.01	4,156.85	199.55	203.59	206.25	207.84
4	Less stable deposits	5,548.72	5,437.99	5,310.21	5,114.87	775.73	762.72	748.84	721.87
5	Unsecured wholesale funding	8,649.15	9,168.88	9,284.51	9,265.63	6,197.04	6,763.03	6,881.65	6,888.30
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
7	Non-operational deposits (all counterparties)	8,566.01	9,047.34	9,130.51	9,058.13	6,113.89	6,641.49	6,727.65	6,680.81
8	Unsecured debt	83.15	121.54	154.00	207.50	83.15	121.54	154.00	207.50
9	Secured wholesale funding					23.00	30.73	39.14	53.75
10	Additional requirements	3,397.77	3,407.75	3,382.45	3,388.60	620.18	673.60	726.60	770.67
11	Outflows related to derivative exposures and other collateral requirements	218.80	254.27	287.37	324.32	218.80	254.27	287.37	324.32
12	Outflows related to loss of funding on debt products	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
13	Credit and liquidity facilities	3,178.96	3,153.48	3,095.07	3,064.29	401.37	419.33	439.23	446.35
14	Other contractual funding obligations	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
15	Other contingent funding obligations	1,167.33	1,164.17	1,146.58	1,119.80	11.67	11.64	11.47	11.20
16	TOTAL CASH OUTFLOWS					7,827.17	8,445.31	8,613.95	8,653.63
CASH-INFLOWS									
17	Secured lending (eg reverse repos)	2.227535505	10.51105813	70.32889414	153.9120791	1.113444307	2.421151616	10.17227874	21.45525771
18	Inflows from fully performing exposures	486.23	504.17	546.79	554.69	342.47	345.10	375.85	381.25
19	Other cash inflows	1,174.89	1,014.76	966.13	921.67	259.88	232.50	226.37	218.33

EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					0	0	0	0
EU-19b	(Excess inflows from a related specialised credit institution)					0	0	0	0
20	TOTAL CASH INFLOWS	1,663.34	1,529.44	1,583.25	1,630.26	603.46	580.03	612.40	621.04
EU-20a	Fully exempt inflows	0	0	0	0	0	0	0	0
EU-20b	Inflows Subject to 90% Cap	0	0	0	0	0	0	0	0
EU-20c	Inflows Subject to 75% Cap	1,663.34	1,529.44	1,583.25	1,630.26	603.46	580.03	612.40	621.04
						TOTAL ADJUSTED VALUE	TOTAL ADJUSTED VALUE	TOTAL ADJUSTED VALUE	TOTAL ADJUSTED VALUE
21	LIQUIDITY BUFFER					10,518.64	11,128.30	11,413.09	11,463.52
22	TOTAL NET CASH OUTFLOWS					7,223.71	7,865.28	8,001.55	8,032.58
23	LIQUIDITY COVERAGE RATIO (%)					146.26%	141.63%	142.77%	142.88%

23Q1:
The consolidated LCR has decreased from 153% at the end of December 2022 to 141% at the end of March 2023 (-12%).

This strong decrease of ratio during the first quarter is mainly due to:
- the decrease of non-financial sight deposits (mainly retail) mitigated by the increase of term deposits
- the TLTRO repayment
- new or roll-over of ATF over 30 days
- the shift and maturing of repos non HQLA within the 30 days bucket

3.2. Net Stable Funding Ratio

The NSFR amounts to 121% from 123% in December 2022. The decrease of the indicator is explained notably by the repayment of the TLTRO (EUR 188 million)

4. Credit risk

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

4.1 RWA flow statements of credit risk exposures

According to Article 438 (h) of Regulation (EU) No 575/2013 (CRR), the following table provides a flow statement explaining changes in the credit RWA between Q4 2022 and Q1 2023.

AMENDED TABLE EU CR8 – RWA FLOW STATEMENTS OF CREDIT RISK EXPOSURES UNDER THE STANDARD AND IRB APPROACH[1]

	a	b
(in EUR million)	**RWA amounts**	**Capital requirements**
Credit Risk RWAs (ADV+STD +TIT with CCR) as at the end of the previous reporting period (31/12/2022)	9,407.71	752.62
Total adjustments from Standardised Approach (with CCR)	**74.89**	**5.99**
Adjustment from Asset size	75.70	6.06
Adjustment from Asset quality	-0.36	-0.03
Adjustment from Model updates		-
Adjustment from Methodology and policy		-
Adjustment from Other	-0.45	-0.04
Total adjustments from IRB – Advanced Approach (with CCR)	**223.19**	**17.85**
Adjustment from Asset size	199.55	15.96
Adjustment from Asset quality	23.36	1.87
Adjustment from Model updates		-
Adjustment from Methodology and policy		-
Adjustment from Acquisitions and disposals		-
Adjustment from Foreign exchange movements		-
Adjustment from Other	0.27	0.02
Total adjustments from CVA	**6.11**	**0.49**
Total adjustments from Securitisation	**6.79**	**0.54**
Total adjustments from FTA new management overlay	**-8.33**	**-0.67**
RWAs as at the end of the reporting period (31/03/2023)	9,710.36	734.24

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

5. Focus on ESG framework

5.1 Pillar Strategy and Governance

5.1.1 New ESG Governance and Program

In the last two years, BIL has been working on a concrete ESG roadmap. The support of a dedicated ESG team and the engagement of the Bank's key stakeholders in the Towards Sustainability Program enabled the roll-out of the first short and medium-term actions, regulatory projects, and ambitions. Moving along a maturity ladder, and considering the past years lessons learned, the upcoming strategy and the regulatory ESG challenges, an evolution of the program governance and structure was validated by the Executive Committee in January 2023.

Key objectives of the Program will be to centralize, monitor, and deliver all ESG Bank initiatives while raising awareness around sustainability, while it has been enriched with an ESG Strategic definition axe supported by the new ESG Strategic Steering Committee.

The scope of the Program will be organized around 3 main axes:

- ESG Strategy and Governance: this will imply ESG target setting, strategy discussions around the embedment of the ESG features within the Bank strategy (with initial focus on climate) and client engagement approaches
- ESG within our products and services: as financial intermediary, BIL plays a crucial role in transforming corporate models, by integrating ESG consideration in the financial instruments and solutions offered to our clients, and therefore contribute towards the transition through the investment offer and the financed projects Our objective is two-fold: to identify material ESG risks to which our customers are exposed as well as identifying growth opportunities in line with our business ambition to become 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 as well as the more "traditional" CSR initiatives (donations and community support, social and environmental impact)

The ESG Risk Roadmap elements have been integrated in the Program's management and will continue to represent a strong ground for the overall Program. To improve global coherence and facilitate synergies, important topics such as Data, Training, Disclosure and Project Management will be addressed on a transverse level. The same applies for Risk initiatives, which will require a global approach.

In terms of Governance, the new ESG Strategic Steering Committee is covering all ESG projects. The main objective is to further engage the business side of the Bank to drive its transformation, not only from a regulatory perspective, but also from a commercial and strategic approach. This explains the fact that the Bank decided to complement its governance with this top-level decision-making committee composed of seven permanent members, all participating to the Executive Committee, and the Group Head of Sustainability:

- The Head of Strategy and Financial Markets (Exco member)
- The Head of Risk Management (Exco member)
- The Head of Wealth Management (Exco member)
- The Head of Luxembourg Market and CIB (Exco member)
- The Head of People, Culture and Communication (Exco member)
- The Chief Financial Officer (Exco member)
- The Chief Compliance Officer (Exco permanent invitee)

The ESG Strategic Steering Committee is meeting every six weeks to manage all ESG initiatives. To note that 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 will be regularly informed about the ESG implementation.

5.1.2 Regulatory Board Training

On February 2023, an ESG regulatory training was given to the Board members. All ESG regulations, which focus on investments, risk and reporting for financial sector were presented, with an update on BIL realisations and challenges. The Board has expressed great interest about the topics and has supported the initiatives and measures taken by BIL.

5.1.3 ESG Targets

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*".

Once this high-level intention was defined, BIL worked on translating its ambition into tangible targets, as part of the overall strategy of the Bank.
Globally, 13 targets were discussed at the Executive Committee level in March 2023 and presented to the Board in April, to

set the pace and encourage the integration of non-financial considerations into the Bank's strategy.
The targets address:
- Our impacts as financial intermediary
- Our impacts through our own business operations
- Social and Governance targets

Our impacts as financial intermediary
BIL can be a transition facilitator through its lending and investment offering. Not only can the bank focus on the share of sustainable investments it would like to reach, but it must also engage with its counterparties, support their transition to a net-zero economy, and assist them to build their physical resilience, in accordance with the Paris Agreement. Banks are expected to reach net zero targets by 2050, with intermediary targets by 2030.

Our impacts through our own business operations
This essentially covers the Greenhouse Gas (GHG) emissions of the Bank's operational footprint (Scope 1,2 and 3).

Social and Governance targets
Finally, although environmental aspects are at the heart of current discussions, social and governance aspects need to be addressed for completeness.
The next step, under the sponsorship of the Executive Committee members identified, will be to refine these objectives and set quantitative targets, by ensuring that they are included in the year-end budget discussions, considering the measures to achieve them and the cost/income ratio to expect, as well as setting up a global ESG Dashboard to monitor their progress.

5.1.4 Non-Financial Reporting

The focus in 23Q1 was on the completion of the Bank's 2022 Non-financial Report, that was published beginning of May 2023. 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). In addition, BIL worked on finalising the reporting for the United Nations Principles for Responsible Banking (UN PRB), of which BIL became a signatory in 2021. In parallel, BIL worked on the development of its stakeholder engagement plan to be deployed in Q2, to define its materiality matrix which will set the framework for the 2023 non-financial reporting.

5.1.5 Pillar 3 ESG Reporting

On January 2022 the EBA published its final draft Implementing Technical Standards (ITS) on prudential disclosures on ESG risks, introducing a new set of tables for qualitative disclosures on ESG risks, templates with quantitative disclosures on climate change for transition and physical risks, templates with quantitative information and KPIs on climate change mitigating measures.
The scope of disclosure is extensive, covering not only ESG-related risks and vulnerabilities, but also qualitative information on the environmental carbon reduction strategies and targets.
BIL disclosed the required information on best effort basis, integrating internal available data with estimate data obtained by external providers, explaining the methodology used in the narrative accompanying the different templates.
The Report was realized with the collective effort of many departments, of which Risk, Finance and Sustainability teams.

5.2 Pillar products and services

5.2.1 ESG Lending

- Green financing offer for Individuals: establishment of a partnership with a heat pump and photovoltaic installer in Luxembourg, and showcasing of our entire green financing offer for individuals in a new section dedicated to sustainable financing on BIL website
- Green financing offer for Corporates: start of client engagement with the organization of a conference / round table for selected corporate clients on decarbonization, co-animated by a consulting firm expert in energy efficiency for April 2023
- The analysis on the collection process of Energy Performance Certificates (EPCs) is currently ongoing, to be further validated among all internal stakeholders
- An ESG assessment for new transactions has been deployed, to classify the Bank's counterparty exposures. The objective is to capture all ESG considerations that have a material impact on the credit quality and can affect the Bank's credit decision
- The Credit risk appetite by economic sectors, which is based on ESG factors along with the Sector Vulnerability Index (SVI), is under annual review

5.2.2 ESG Investment

- Investment Advisory training: 20 employees, mainly from Wealth Management Advisory Team, have received 90 minutes training with a ESG regulatory focus. The training was concentrated on the EU Taxonomy, SFDR and MiFID II requirements, and additionally it provided some practical information
- Principal Adverse Impact (PAI) statement: works are ongoing with a publication date foreseen for end of June 2023
- SFDR: Finalisation of the remaining implementation efforts for Level 1 is currently ongoing, with the review of internal policies to be validated as a next step
- MIFID: BIL works on an improvement of its sustainability preference questionnaires.
- PAI Reporting: After relying on an external provider for the calculation of PAI at entity level for the year 2022 (under finalisation for 30th June publication), starting from 2023 and for the coming years, the reporting will be internalized
- Sustainable Investment framework: definition of a proprietary framework will enable to enlarge sustainable offer with regards to MiFID requirements. The Kick-off of the project is scheduled in April
- Green bonds: Impact Reporting to be validated at ALM Committee/Green Bond Committee inf May 2023
- Art 8 Funds: the CSSF approved 2 additional funds (BIL Invest Corporate Bonds Europe & Equity Europe) and the LuxFlag labelling process has initiated. BIL now has six article 8 funds
- Art 9 Funds: the assessment for the launch of a thematic fund will be presented to next ESG Steering Committee on May 2023
- Serenio ESG: the contract is still under review and the launch is foreseen for April/May 2023

5.3 Pillar ESG at Corporate Level

- BIL has signed in March 2023 Women in Finance Charter
- 2023 Carbon footprint exercise: tender was concluded with the selection of two external providers covering the operational GHG emissions and financed emissions
- Monthly "My CO2 workshops" started in March 2023, allowing employees to measure their individual carbon footprint

5.3.1 Risk assessment

- The 2023 ESG Risk Cartography is in course of building and will be based on the assessment of different ESG scenarios. This risk exercise involves risk departments, business lines and control functions among BIL entities at Group level, to ensure that all bank activities exposed to ESG risks will be covered, and aiming to identify both controls and actions that could mitigate them
- To have a first view on the potential impacts of the ESG drivers, BIL is developing a first quantitative assessment for all areas of material risk. The focus is on the Climate & Environmental side, stress testing NGFS scenarios and linking ESG factors to the classical risks (Credit risk, Market risk and Liquidity risk)

5.3.2 Data

- After a request for proposal issued in January 2023 among different ESG Data provider, a supplier has been selected and the contract has been signed on group level. An architecture design will be put in place to be integrated on BIL landscape ESG Data
- Sustainable Investment Framework: ESG Data will be a support to define sustainable criteria to apply on the sustainable framework creation

6. 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, coordinated its efforts with other Luxembourgish banks.

In this context, the current capital and liquidity situation allowed the Bank to navigate successfully through the first part of year 2023. The Bank will continue to ensure that it has sufficient financial resources to cover all relevant risks and will be able to maintain continuity of its operations on an ongoing basis, as well as to sustainably execute its business strategy.

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