

The background of the cover is a photograph of a modern, multi-story building with a stone and glass facade. The building features the BIL logo on its upper right corner. A large, semi-transparent purple shape is overlaid on the left and bottom portions of the image. The text 'Pillar 3 Quarterly Report Q1/2024' is written in white on the purple overlay.

Pillar 3
Quarterly Report
Q1/2024





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List of acronyms

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

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 2024.

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

- Key prudential metrics;
- Capital management and capital adequacy;
- Liquidity risk management;
- Credit risk management and a breakdown of the Bank's credit risk exposures;
- Environmental, Social and Governance (ESG) risk.

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

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

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

Regulatory tables and templates¹

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

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

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
		T ²	T-1
Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital	1,650	1,649
2	Tier 1 capital	1,825	1,824
3	Total capital	2,151	2,158
Risk-weighted exposure amounts			
4	Total risk exposure amount	11,694	11,451
Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	14.11%	14.41%
6	Tier 1 ratio (%)	15.61%	15.93%
7	Total capital ratio (%)	18.40%	18.85%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)			
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.50%	2.25%
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.41%	1.27%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	1.88%	1.69%
EU 7d	Total SREP own funds requirements (%)	10.50%	10.25%
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)			
8	Capital conservation buffer (%)	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%	0.00%
9	Institution specific countercyclical capital buffer (%)	0.55%	0.49%
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 (%)	3.55%	3.49%
EU 11a	Overall capital requirements (%)	14.05%	13.74%
12	CET1 available after meeting the total SREP own funds requirements (%)	8.2%	8.64%
Leverage ratio			
13	Total exposure measure	32,891	32,005
14	Leverage ratio (%)	5.5%	5.7%
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%	3.00%

		a	b
		T ²	T-1
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)			
EU 14d	Leverage ratio buffer requirement (%)	0.00%	0.00%
EU 14e	Overall leverage ratio requirement (%)	3.00%	3.00%
Liquidity Coverage Ratio³			
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	10,417	10,127
EU 16a	Cash outflows - Total weighted value	6,674	6,462
EU 16b	Cash inflows - Total weighted value	617	640
16	Total net cash outflows (adjusted value)	6,057	5,822
17	Liquidity coverage ratio (%)	172%	174%
Net Stable Funding Ratio			
18	Total available stable funding	18,132	18,019
19	Total required stable funding	14,941	14,558
20	NSFR ratio (%)	121%	124%

² T=31.03.2024, T-1=31.12.2023

³ Due to the specific requirements linked to this table, the LCR figures are the average of the last 12 months. Nevertheless, in term of end of quarter (24Q1), the consolidated LCR decreased slightly to 172% at the end of March 2024 from 174% at the end of December 2023.

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 2024 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	0.55%
Minimum requirement for Pillar 2 Requirement	1.41%
	9.46%

At the end of Q1-2024, the Bank's CET1 ratio stood at 14.11%, with the total capital ratio at 18.40%, as detailed in the previous section (Table KM1). The Bank's CET1 ratio decreased from 14.41% as at Q4 2023:

- CET1 Capital remained stable between the two quarters at EUR 1,650 billion;
- RWA increased from EUR 11,451 billion to EUR 11,695 billion (EUR 244 million), primarily driven by an increase in Credit Risk RWA from EUR 10,261 billion to EUR 10,487 billion (EUR 226 million). This is mainly explained by the organic growth of the balance sheet (+2.7% during Q1-2024).

2.1. Regulatory capital adequacy (Pillar I)

RISK-WEIGHTED ASSETS

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

Table EU OV1 – Overview of total risk exposure amounts

		Total Risk Exposure Amounts (TREA)		Total own funds requirements
		a	b	c
		T	T-1	T
1	Credit risk (excluding CCR)	10,343.70	10,105.53	827.50
2	Of which the standardised approach	3,178.70	2,892.48	254.30
3	Of which the Foundation IRB (F-IRB) approach	896.43	980.29	71.71
4	Of which slotting approach	2,003.16	2,010.43	160.25
EU 4a	Of which equities under the simple risk weighted approach	7.76	0.13	0.62
5	Of which the Advanced IRB (A-IRB) approach	3,734.35	3,686.50	298.75
6	Counterparty credit risk - CCR	114.80	117.35	9.18
7	Of which the standardised approach	12.62	11.79	1.01
8	Of which internal model method (IMM)	0.00	0.00	0.00
EU 8a	Of which exposures to a CCP	8.42	7.96	0.67
EU 8b	Of which credit valuation adjustment - CVA	23.89	11.79	1.91
9	Of which other CCR	69.87	85.81	5.59
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)	52.68	50.16	4.21
17	Of which SEC-IRBA approach	0.00	0.00	0.00
18	Of which SEC-ERBA (including IAA)	52.68	50.16	4.21
19	Of which SEC-SA approach	0.00	0.00	0.00
EU 19a	Of which 1250% / deduction	0.00	0.00	0.00
20	Position, foreign exchange and commodities risks (Market risk)	29.99	24.47	2.40
21	Of which the standardised approach	29.99	24.47	2.40
22	Of which IMA	0.00	0.00	0.00
EU 22a	Large exposures	0.00	0.00	0.00
23	Operational risk	1,153.60	1,153.60	92.29
EU 23a	Of which basic indicator approach	0.00	0.00	0.00
EU 23b	Of which standardised approach	1,153.60	1,153.60	92.29
EU 23c	Of which advanced measurement approach	0.00	0.00	0.00
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	0.00	0.00	0.00
25	Not applicable	0.00	0.00	0.00
26	Not applicable	0.00	0.00	0.00
27	Not applicable	0.00	0.00	0.00
28	Not applicable	0.00	0.00	0.00
29	Total	11,694.78	11,451.12	935.58

3. Liquidity Risk

3.1. Liquidity Coverage Ratio

Template EU LQ1 – Quantitative information of LCR (based on the annual average of LCR)

Scope of consolidation: (solo/consolidated)

	a	b	c	d	e	f	g	h	
	Total unweighted value (average)				Total weighted value (average)				
EU 1a	T	T-1	T-2	T-3	T	T-1	T-2	T-3	
EU 1b	12	12	12	12	12	12	12	12	
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)				10,431.0	10,731.9	11,203.7	11,463.5	
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	9,149.6	9,239.1	9,389.6	9,484.3	790.8	824.0	866.9	901.7
3	Stable deposits	3,774.5	3,874.0	3,975.3	4,083.7	188.7	193.7	198.8	204.2
4	Less stable deposits	4,261.7	4,454.8	4,719.6	4,931.4	602.1	630.3	668.1	697.5
5	Unsecured wholesale funding	7,566.8	7,968.8	8,319.2	8,991.8	5,326.2	5,669.8	6,024.9	6,639.9
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7	Non-operational deposits (all counterparties)	7,336.5	7,714.6	8,067.8	8,751.3	5,095.9	5,415.6	5,773.5	6,399.5
8	Unsecured debt	230.3	254.2	251.4	240.5	230.3	254.2	251.4	240.5
9	Secured wholesale funding					10.9	15.9	23.5	31.2
10	Additional requirements	3,709.3	3,656.7	3,534.2	3,424.1	874.2	869.4	843.7	794.6
11	Outflows related to derivative exposures and other collateral requirements	344.6	350.0	349.5	347.8	344.6	350.0	349.5	347.8
12	Outflows related to loss of funding on debt products	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
13	Credit and liquidity facilities	3,364.7	3,306.7	3,184.7	3,076.3	529.6	519.4	494.2	446.8
14	Other contractual funding obligations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
15	Other contingent funding obligations	897.0	955.7	1,014.2	1,076.1	9.0	9.6	10.1	10.8
16	TOTAL CASH OUTFLOWS					7,011.0	7,388.7	7,769.0	8,378.2
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	274.1	247.5	248.2	196.5	32.4	35.9	35.6	27.9
18	Inflows from fully performing exposures	659.2	634.0	641.0	607.5	476.3	461.0	464.4	429.1
19	Other cash inflows	790.4	818.9	848.5	891.2	192.2	197.4	210.2	217.8
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	0.0	0.0
EU-19b	(Excess inflows from a related specialised credit institution)					0.0	0.0	0.0	0.0
20	TOTAL CASH INFLOWS	1,723.7	1,700.4	1,737.7	1,695.2	700.8	694.3	710.1	674.8
EU-20a	Fully exempt inflows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EU-20b	Inflows subject to 90% cap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EU-20c	Inflows subject to 75% cap	1,723.7	1,700.4	1,737.7	1,695.2	700.8	694.3	710.1	674.8
TOTAL ADJUSTED VALUE									
EU-21	LIQUIDITY BUFFER					10,431.0	10,526.2	10,731.9	11,203.7
22	TOTAL NET CASH OUTFLOWS					6,310.2	6,694.4	7,058.9	7,703.4
23	LIQUIDITY COVERAGE RATIO					165.73%	158.38%	152.84%	145.92%

The consolidated LCR decreased slightly to 172% at the end of March 2024, down from 174% at the end of December 2023, primarily due to a decrease in non-financial sight deposits (EUR -551 million). This was partially mitigated by:

- Sale of non-HQLA securities (EUR 138 million);
- Issuance of Euro Medium Term Notes (EMTN), including EUR 300 million in new institutional issues;
- New or roll-over of non-financial term deposits.

3.2. Net Stable Funding Ratio

The NSFR amounted to 121% at the end of March 2024, slightly down from 124% in December 2023. The decrease is notably explained by the treatment of asymmetrical suspense accounts (Asset side: Required Stable Funding with a 100% treatment; Liability side: Available Sustainable Funding with a 0% treatment).

4. Credit Risk

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

4.1 RWA flow statements of credit risk exposures

In line with Article 438 (h) of Regulation (EU) No 575/2013 (CRR), the following table provides a flow statement explaining changes in the credit RWA between Q4-2023 and Q1-2024.

RWA flow statements of credit risk exposures

	RWA	Capital requirements
Credit Risk RWA (ADV+STD +TIT with CCR) as at the end of the previous reporting period (31/12/2023)	10,273.04	821.84
Total adjustments from Standardised Approach (with CCR)	271.21	21.70
Adjustment from Asset size	267.14	21.37
Adjustment from Asset quality	3.99	0.32
Adjustment from Model updates	-	-
Adjustment from Methodology and policy	-	-
Adjustment from Other	0.08	0.01
Total adjustments from IRB – Advanced Approach (with CCR)	-47.69	-3.81
Adjustment from Asset size	-441.05	-35.28
Adjustment from Asset quality	-181.29	-14.50
Adjustment from Model updates	557.70	44.62
Adjustment from Methodology and policy	-	-
Adjustment from Acquisitions and disposals	-	-
Adjustment from Foreign exchange movements	-	-
Adjustment from Other	16.96	1.36
Total adjustments from CVA	12.10	0.97
Total adjustments from Securitisation	2.52	0.20
Total adjustments from FTA new management overlay	-	-
RWA as at the end of the reporting period (31/03/2024)	10,511.18	840.89

Template EU CR8 – RWEA flow statements of credit risk exposures under the IRB approach

	Risk weighted exposure amount
1 Risk weighted exposure amount as at the end of the previous reporting period	7,213
2 Asset size (+/-)	116
3 Asset quality (+/-)	-181
4 Model updates (+/-)	0
5 Methodology and policy (+/-)	0
6 Acquisitions and disposals (+/-)	0
7 Foreign exchange movements (+/-)	0
8 Other (+/-)	0
9 Risk weighted exposure amount as at the end of the reporting period	7,148

5. Status on ESG framework

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

2024 is a year of consolidation, with a focus on the priorities identified and validated by the Bank's ESG Steering Committee in February 2024:

From a REGULATORY perspective, the priority is the Corporate Sustainability Reporting Directive (CSRD) ahead of its entry into force in 2025. This includes complying with the EU Taxonomy Article 8 disclosures delegated act and the disclosure of the Bank's Green Asset Ratio. BIL also continues the implementation of its MifID Project and the consolidation of its ESG investment processes and ESG Risk Management Framework.

From a PRODUCTS & SERVICES perspective, the focus is on "ESG mass products", while emphasising customer education and awareness. On the lending side, BIL continues its efforts to promote green loans and renovation opportunities for customers based on its existing offer. In 2024, the focus is also on implementing a remediation plan for the collection of Energy Performance Certificates (EPC) from existing counterparties. For Corporate Clients, focus is set on transition plan assessments.

From a STRATEGY & GOVERNANCE perspective, this year's priority is to define BIL's transition plan, with a focus on the Bank's loan portfolio. This involves defining a clear strategic approach to ensure that the Bank is ready to adapt to upcoming changes linked to climate evolutions, setting targets, and implementing specific initiatives while managing risks and fostering adaptability. The first elements of this approach can feed into the more "short-term" 2025-2030 strategy. It will also enable the Bank to set longer-term objectives than those defined in 2023. BIL will also consolidate its non-financial reports (Sustainability Report & Pillar 3).

From a CORPORATE LEVEL, the emphasis is on a more structured approach to training and awareness raising (change management). Responsible employer initiatives are focusing on activities related to diversity, mobility and well-being. BIL continues to measure its carbon footprint on an annual basis, gradually increasing its maturity regarding its environmental impact. Finally, "Green IT" and "Green Procurement" initiatives have been launched to strengthen due diligence processes and align with evolving regulations and stakeholder expectations.

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 acts as a key player in Luxembourg.

In this context, the current capital and liquidity situation allowed the Bank to navigate successfully through the first part of 2024. 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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