2022 Risk Report

Pillar 3 disclosures

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1. Introduction

PRESENTATION

Degroof Petercam is a leading independent financial institution serving individuals, institutional investors and organizations based on a rich history that dates back to 1871.
The Bank has set out a comprehensive strategy to further build growth and profitability by leveraging our unique integrated model and highly skilled people. to bring value to our clients through four core activities:

- Private banking;
- Asset management;
- Investment banking (Corporate Finance and Global Markets);
- Asset services.

At the international level, after the sale of the Spanish subsidiaries in February 2021, Degroof Petercam simplified its activities in France in the last quarter of 2021 where it operates now as a Wealth Management company and finalized the sale of its banking subsidiary in Switzerland in April 2022.

The Group since this simplification has two banking licenses (Belgium and Luxembourg) and 4 asset management licenses (Belgium, Luxembourg, France and Switzerland).

In early 2022, the ECB's direct supervision of the Bank has ended as the Bank no longer met the criteria of "cross border activities".
The Bank is now classified as less significant institution (LSI) instead of significant institution (SI) and is under the direct supervision of the National Bank of Belgium.

PURPOSE OF PILLAR 3 DISCLOSURES – BASEL FRAMEWORK

Basel III is in application in Europe since the 1st of January 2014 and consists of a comprehensive set of reform measures in banking prudential regulation to strengthen the regulation, supervision and risk management of the banking sector. These measures aim to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, to improve risk management and governance and to strengthen Banks' transparency and disclosures. The general framework defined by Basel III is developed around three pillars.

The purpose of Pillar 3 disclosures is to provide information on banking institutions' risk management practices and regulatory capital ratios. This document is designed to satisfy these requirements and should be read in conjunction with our most recent annual report.

The Pillar 3 disclosure requirements from the Basel framework have been implemented in the European Union law via part Eight of Regulation (EU) N° 575/2013 of 26 June 2013 (the CRR), Directive 2013/33/EU of 26 June 2013 (CRD IV), and in Belgium also via Circular NBB_2017-25 based on EBA orientation (EBA/GL/2016/11) and Circular NBB_2019-11 based on EBA orientation on NPE (EBA/GL/2018/10).
These requirements have been complemented by a guideline on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis on June 2020 (EBA/GL/2020/07).

Regulation (EU) N° 2019/876 (CRR2) amends Regulation (EU) N° 575/2013 (CRR).

In order to comply to the CRR2 disclosure requirements, Degroof Petercam is using in this report the EBA templates published in the final ITS on public disclosures (Pillar 3) in June 2020 (EBA/ITS/2020/04) and in August 2020 on MREL (EBA/ITS/2020/06).

In November 2021, the EBA also published its final draft ITS on Pillar 3 disclosure of institutions' exposures to interest rate risk on positions not held in the trading book in accordance with Article 448 CRR (IRRBB – EBA/ITS/2021/07).

And finally, in January 2022, the EBA published it final draft ITS on Pillar 3 disclosure on ESG risk in accordance with Article 449a CRR (EBA/ITS/2022/01).

The CRR2 significantly amends the disclosure requirements under Part Eight of the CRR in order to implement the new international standards and to reflect the regulatory changes introduced by CRR2 and provides for the adoption of the final draft ITS that is the object of this final report with a view to ensure comparability of disclosures.

Finally, proportionality in the revised Pillar 3 framework is reflected in Part Eight, which defines which disclosures are applicable to different institutions, depending on their size, complexity and on whether they are listed or non-listed institutions. Small and non-complex institutions' disclosures will focus on key metrics while large and listed institutions will disclose more detailed information.

Proportionality is also reflected in the frequency of disclosures as well as in disclosure formats to ensure that the information provided is sufficient to enable market participants to assess the risk profile of different institutions.

In October 2022, the Circular NBB_2022-31 implements the Guidelines of the European Banking Authority (EBA) of 12 October 2022 amending Guidelines EBA/GL/2018/10 on disclosure of non-performing and forborne exposures (EBA/GL/2022/13). It replaces, as of 31 December 2022, Circular NBB_2019_11 of 21 May 2019 on the same subject. Furthermore, this circular repeals existing Circulars NBB_2015_03, NBB_2017_25 and NBB_2018_06 on the various disclosure requirements following the introduction of Commission Implementing Regulation (EU) 2021/637[1].

PURPOSE OF PILLAR 3 DISCLOSURES – APPLICATION TO DEGROOF PETERCAM

For the purpose of these disclosures, Degroof Petercam should be considered as an "other institution non-listed". This categorization reduces the scope of application of Part Eight of the CRR2 and defines an annual publication of the disclosures (in accordance with the provisions of art 433c (2) of CRR2).

These disclosures for "other institution non-listed" are reduced to the:

- Disclosures of risk management objectives and policies (art 435 (1) a/e/f and (2) a/b/c);
- Disclosures of own funds (art 437 (a));
- Disclosure of own funds requirements and risk-weighted exposure amounts (art 438 (c) and (d));
- Disclosures of key metrics (art 447);
- Disclosures of remuneration policies (art 450 (1) (a) to (d), (h) to (k)).

Pillar 3 disclosure of institutions' exposures to interest rate risk on positions not held in the trading book (IRRBB) apply to large institutions and to other institutions except those that are non-listed, in accordance with the provisions of Articles 433a and 433c of the CRR. Degroof Petercam is not in the scope of these provisions.

[1] Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the Council and repealing Commission Implementing Regulation (EU) No 1423/2013, Commission Delegated Regulation (EU) 2015/1555, Commission Implementing Regulation (EU) 2016/200 and Commission Delegated Regulation (EU) 2017/2295

Pillar 3 disclosures on ESG risks apply to large institution with securities traded on regulated market in accordance with the provisions of Article 449a of the CRR and the EBA/ITS/2022/01. Degroof Petercam is not in scope of these provisions.

In addition, the EBA published the guidelines of 12 October 2022 on disclosure of non-performing and forbone exposures (EBA/GL/2022/13) to clarify that these disclosures will continue to apply to “other institution non-listed” with a proportionality regarding the gross NPL ratio. These templates have been added to Degroof Petercam Pillar 3 report and cover

- Disclosures of credit quality (art 442 (a) (c) (d) (f));

Degroof Petercam prepares the Pillar 3 report in accordance with these proportionality principles. The structure of the document referring to the risk categories of the Group is the same as last year’s report.

OVERVIEW KEY RATIOS 2022

- Common equity tier-1 ratio (Basel III fully loaded based on Danish compromise) of 20.28% at year-end;
- Fully loaded Basel leverage ratio – based on CRR – of 6.92% at year-end;
- Strong liquidity position at year-end (NSFR at 186% and LCR at 282%).

All these key ratios are well above the minimum regulatory requirements.

Regulatory ratios with regards to Bank Degroof Petercam Luxembourg are provided in Appendix 2.

UKRAINE CONFLICT AND RISING INTEREST RATES

The first major event of the past year, the conflict in Ukraine, had a limited impact on the Group in terms of risk management.

In this exceptional context, the Group demonstrated its low risk exposure, resulting in a resilient position both in terms of solvency, with limited impacts on its equity ratios, and in terms of liquidity, with very stable liquidity ratios and positions.

No significant impact on the solvency ratio has been noted, mainly due to the resilience of our results.

On the other hand, the rise in interest rates observed in 2022 has a positive impact on the interest margin. Indeed, the Bank can invest a portion of its liquidities with a positive return, whereas the return on investment was negative in 2021. In 2022, the deposit rate at the ECB increased from -0.50% to 2.00%.

In order to face the health crisis linked to COVID-19, Degroof Petercam has adapted its organization, since March 2020, in order to protect the health of its staff, while safeguarding the assets of its clients and the operation of its activities.

The gradual return to presential work has led to a hybrid system mixing on-site and teleworking. This combination ensures full operational and IT continuity.

During the year, the Group continued to closely monitor the different risks to which it is exposed on a daily basis (Liquidity, Market, Credit, Asset Management, ...). The management committee and the board of directors were regularly kept informed of any development.

Lending activity has not been significantly impacted by the current crisis, given the very high level of collateral existing on our “Lombard loans” (i.e. loans secured by investment portfolios), which account for the vast majority of our customer loans and the absence of group's direct exposure to Russia and Ukraine.

However, the Bank remains extremely alert to the evolution of these crisis.

Since the beginning of these crisis, the Bank has continuously reviewed and strengthened its credit risk management practices to deal effectively and quickly with any debtor in financial difficulty in the context of the conflict in Ukraine.

The Bank does not provide traditional loan products targeting retail and commercial customer segments, such as unsecured consumer loans (loans made primarily for personal use for the consumption of goods and services) and standard business loans. Mortgage loans also remain limited in our portfolio and are reserved solely for our private banking clients and the Bank grants very few unsecured loans.

As a result, the Bank has not experienced any defaults or credit losses as a result of the conflict in Ukraine to date.

In conclusion, as in previous years, the effects of the conflict in Ukraine on the Bank's risk profile were limited during 2022. Nevertheless, the Bank remains attentive to the evolution of these situations and the potential impacts on risk Management in the event of an increased and prolonged crisis.

DISCLOSURE POLICY

The disclosure policy of Degroof Petercam ensures that risk disclosures convey its comprehensive risk profile to market participants.
The Pillar 3 disclosures and the Bank's regulatory capital ratio calculations are prepared at the highest consolidation level, i.e. the Degroof Petercam Group, in line with the CRR2 requirements.

These disclosures have been made in accordance with the formal policies and internal processes, systems and controls.
These disclosure documents are not required to be, and have not been, audited by our independent auditors.

In line with the ITS and the mapping tool as provided by EBA, the templates in this report have been aligned to other supervisory reporting and reconciliation were executed against regulatory reporting to ECB such as COREP and FINREP.

They have been reviewed by Risk Management and Finance representatives of the Bank.

In addition, the Risk Report is formally approved by the management committee of Bank Degroof Petercam.

Disclosure documents are available in a single location in English/French/Dutch on the Degroof Petercam website and located at https://annualreport.degroofpetercam.com/2022/en "Reports/Full Annual Report or Financial Statements". They complete the annual report chapter dedicated to risk management. They are updated every year, subject to Degroof Petercam's assessment of the need for update of any relevant items more frequently than annually.
The Degroof Petercam disclosure policy has been validated by the board of directors.

CROSS-REFERENCES

To avoid unnecessary duplication of certain information and in order to make risk disclosures as clear as possible, we refer to the 2022 annual report of Degroof Petercam, insofar as possible.

Key risk-related elements, such as exposure charts, are duplicated between the Annual Report and this Risk Report, in order to foster consistency and clarity of disclosures.
Information that will not be duplicated include notably:

Topics	Reports
Information	Corporate governance section of the annual report and Management Report (IV

Topics	Reports
regarding governance arrangements	Management Report – 12 Governance) Internet site: www.degroofpetercam.com/ « About us / Governance section » https://www.degroofpetercam.com/en-be/key-figures-governance
Mandates board members	https://assets.degroofpetercam.com/en/mandates-board-members.pdf
Remuneration policies	https://www.degroofpetercam.com/en-be/general-terms-and-conditions-legal-documentation
Non-financial report	https://annualreport.degroofpetercam.com/2022/en ; section non-financial report More specially the link with the ESG risk
IFRS9 (ECL) and credit risk	Financial Statements (VI Consolidated financial statements 3.3 and 5.5 used in this document)
IFRS5	Financial Statements (VI Consolidated financial statements 7.20 used in this document)
Liquidity risk	Financial Statements (VI Consolidated financial statements Chapter 5.3)
Market risk	Financial Statements (VI Consolidated financial statements Chapter 5.4)
Hedge accounting Methodology	Financial Statements (VI Consolidated financial statements Chapter 3.4 and 7.3)

2. Scope of application

Information disclosed in this Risk Report is dated December 31st, 2022 and expressed in thousands of euros (unless otherwise specified). The scope of consolidation for the purpose of these disclosures is the same as the consolidation scope of our financial statements as published in our annual report. Some figures in this report may not tally exactly due to rounding.
For the purpose of this document Bank Degroof Petercam at consolidation level is also named “Degroof Petercam” or “the Bank” or “the Group”.

3. Risk Management governance

3.1 Governance - general principles

Degroof Petercam is managed by a board of directors whose composition is based on the following rules:

- The composition of the board as a whole must enable it to function effectively, efficiently and in the best interest of the company;
- It shows a diversity and a complementarity of experience and expertise;
- No individual member, nor group of directors is able to control the decision-making of the board;
- The board shall be composed of at least 8 members;
- The majority of directors are non-executive;
- The board includes four independent directors among its members as of 31 December 2022.

In accordance with Article 17 of its Articles of Association and Article 24 of the Belgian Banking Law, the board of directors has set up a management committee within its ranks.

The board of directors of Degroof Petercam includes the members of the management committee and the non-executive directors.

The management committee shall work within the framework of the general policy defined by the board of directors, overseeing the effective management of the company and the Group. It shall exercise all powers granted to it by law.

Accordingly, the management committee is empowered by the board of directors to make decisions and represents the company in its dealings with personnel, clients, other credit institutions, the wider economic and social environment and public authorities. It will also make decisions in respect of the representation of the company within its subsidiaries and within those companies in which it holds equity investments.

The composition of the management committee is determined based on the following principles:

- The complementarity of expertise (in financial matters, risk management, operational know-how, etc.) required to ensure the implementation of the strategy as defined by the board of directors;
- Changing requirements;
- The consideration of the moral and ethical criteria applicable within the Group.

The board of directors established **four** specialized committees to assist it in its tasks: audit committee, risk committee, nomination committee and remuneration committee, composed exclusively of **non-executive** directors.
In accordance with Article 27 of the Banking Law, at least one member of the remuneration, nomination and risk committee is independent within the meaning of article 7 :87 of the Companies and Associations Code. The audit committee is composed of a majority of independent members. Directors can be member of maximum three legal specialized committees.

Beside the four legal specialized committees, the board of directors has also set up an IT committee, composed of at least three non-executive directors of which one must be independent.

The composition of the board on December 31, 2022 and the actual knowledge, skills and expertise of its members are described below (the collective and individual knowledge of the specialized committees' members are described in the Management Report).
It is noted that the general shareholders' meeting of 23th May 2023 has decided to confirm the cooptation and to proceed with the definitive appointment of Filip Depaz as a member of the board of directors. The general shareholders' meeting has also acted the resignation of Gautier Bataille de Longprey as member of the board of directors and member of the BDPB management committee with effect from 1st August 2022. In addition, all other mandates expiring in 2023 have been renewed. More information on the composition of the committees after the general shareholders' meeting is available on the Bank's website.

Board of directors	Non-executive directors	Management committee	Independent directors	Audit committee	Risk committee	Remuneration committee	Nomination committee	IT committee	End of mandate	Main Degree	Expertise
Gilles Samyn	x*		x	x		x	x*		2024	Degree in commercial engineering (Solvay).	Strategy, Equity, Financing, liquidity, cash management and risk management.
Hugo Lasat, CEO		x*							2025	Master in Economics Sciences (KU Leuven) Master in Finance Management (KU Leuven).	Institutional asset management, Retail and Private Banking, Strategy.
Sabine Caudron, Head of Private Banking		x							2025	Bachelor Degree in “Quantitative Economics and Decision Sciences” (University of California, San Diego), Master in Tax Administation (European Tax College, Antwerp).	Private Banking, Estate Planning, Portfolio and People Management.
Nathalie Basyn, CFO		x							2024	MBA Finance/ International Business; Graduate School of Business, Chicago, IL.	Financial Management, Business Planning Capital Management, Banking.
Filip Depaz, COO		x							2026	Master Commercial Engineer (KU Leuven); Financial Accounting (Ehsal Management School), Management programme of the Vlerick Management School.	Implementation of Operating Models, IT, Digital, Data, Insurance, Operations.
Gilles Firmin, CRO		x							2026	Economics ; G.A.S. Europees en international recht.	Risk, control, compliance, regulatory.
François Wohrer, Group Head of Investment Banking		x							2024	Politic Sciences DEA in International economics; Msc. In Economics.	Banking, M&A, Strategy, Monetary economics.
Jean-Baptiste Douville de Franssu	x				x		x	x	2025	Graduate from ESC Group Business School (Rheims); European Business Administration (University of Middlesex); Post graduate degree in actuarial science.	Asset Management, Financial Expertise, business administration , and risk-Audit management.
Jean-Marie Laurent Josi	x			x			x	x	2024	MBA from Solvay	Corporate strategy;

Board of directors	Non-executive directors	Management committee	Independent directors	Audit committee	Risk committee	Remuneration committee	Nomination committee	IT committee	End of mandate	Main Degree	Expertise
										Business School.	Financial analyses (accounts, P&L, cash flow statement); Risk / return analyses of financial instruments.
Frank van Bellingen	x				x	x			2027	Master's degree in economics; Master's degree in international relations; Certified accountant and tax expert until 2006.	Business administration, Banking/Finance, Shipping, Real estate, accounting and Energy.
Jacques-Martin Philippson	x				x		x		2027	Admission examination for agricultural engineer.	Private Equity, Finance Management & Marketing, Governance & Management of family business.
Kathleen Ramsey	x		x		x		x	x*	2025	Bachelor of Arts (University of Tulsa); MBA Multinational (ESADE); Master European Community (legal framework) ICADE Institute Business Administration; MBA/MIM International Business Thunderbird School of Global Management.	Technology and Operations, risk management, Art.
Yvan De Cock	x		x	x*	x	x*			2028	Master's degree in Law and Finance Management.	Banking, audit, accounting and management.
Thomas Demeure	x			x		x			2025	JD in Law (UCL), Master in Economics (UCL) and MBA for the University of Chicago.	Invesment Banking, Capital, liquidity and treasury management.
Sylvie Rémond	x		x	x	x*	x			2026	Graduate of ESC Rouen (Business School France).	Banking, Risk management, Regulatory, Customer relations, Structured finance and Investment Banking.
Tamar Joulia-Paris	x				x				2026	Executive Master in Management (Solvay Business School	Financial sector (portfolio and risk management),

Board of directors	Non-executive directors	Management committee	Independent directors	Audit committee	Risk committee	Remuneration committee	Nomination committee	IT committee	End of mandate	Main Degree	Expertise
										Brussels), Master of Science in Mining (Ecole Polytechnique de Mons), Master of science in geology and geotechnics (Ecole Nationale Supérieure de Géologie et de Prospection minière - Nancy/FR)".	Mining industry.

* Chairman

RECRUITMENT POLICY & DIVERSITY POLICY WITHIN THE BOARD OF DIRECTORS

The nomination committee makes proposals for the composition of the board of directors and the management committee, defines the profile of their members and takes part in the processes of their selection. The nomination committee makes recommendations for the appointment and renewal of the directors and the members of the management committee, taking into account proposals done by the shareholders and by the management committee. The nomination committee makes regularly, in particular for the renewals of mandates, recommendations to the board of directors related to the size, the structure and the composition of the board of directors.

The board of directors has drawn up, on the basis of a recommendation of the nomination committee, a diversity policy aiming to ensure diversity in terms of know-how, experience, language, nationality, age, geographical background, and in terms of gender. This diversity policy complements the recruitment policy.

The diversity policy must ensure to maintain an appropriate balance of competencies, experiences, and career paths in order to build a constructive criticism of the propositions/decisions submitted to the board and to be open to innovating and creative ideas.

Beside the necessary financial knowledge and competencies to understand the Group's activities, the nomination committee, in charge of the recruitment of candidates, ensures to have a suitable diverse composition in the board in order to have different points of view and to facilitate the expression of independent opinions, taking into account the Group's dynamic and the shareholders' structure.

The objective established by the board of directors in terms of gender is to have at least 1/3 of women within the legal organs of all entities within the Group after the General Shareholder's meeting which will approve the 2023 annual accounts.

In the framework of the selection of a candidate, the nomination committee analyses the files based on the experience, expertise, career path, and taking into account the diversity criteria supra. The nomination committee ensures, as far as possible, to identify potential candidates of both genders. If the quantitative objective is not yet reached, the nomination committee advises by preference female candidates. However, the nomination committee ensures to always recommend the best candidate for the mandate to the board.

The nomination committee also takes into account the conclusions of the periodical assessment of the board regarding its size, composition, individual and collective suitability of its members when a vacancy arises or when a renewal must be decided.

The diversity policy and its results are reviewed regularly by the nomination committee following the annual assessment of collective suitability and the update of succession plan, in order to be updated if needed.

As from December 31, 2022, the board of directors is composed of:

Board of directors	Number of members	16
	Number of women	5
	Number of independent directors	4
Non-executive directors	Number of members	10
	Number of women	3
	Main degree qualifications	Business administration Business international Economics/Public Finance Tax/Accounting Law Commercial engineer Actuarial sciences Marketing Management
	Ages	40-49 : 0 50-59 : 5 60-69 : 3 70-79 : 2
	Nationalities	Belgian (7) – French (2) – American (1)
Executive directors	Number of members	6
	Number of women	2
	Main degree qualifications	Economics Business Administration/Business international Commercial engineer Tax/Accounting Law Risk management in banking
	Ages	40-50 : 1 51-60 : 5
	Nationalities	Belgian (5) - French (1)

GROUP GOVERNANCE

Bank Degroof Petercam is a consolidated group consisting of a parent company, the Bank, and various subsidiaries and branches. The management committee and the board of directors of the Bank are responsible for the functional steering of the entire Group. To this end they adopt governance policies, an internal control framework and an overall strategy applicable to all subsidiaries of the Group, taking into account the interests of each of these subsidiaries and the way such strategies and policies contribute to the interests of each one of them and to the interests of the Group as a whole in the long term.

The Group's subsidiaries must therefore adopt and implement at individual level the governance and internal control policies applicable to the Group as a whole, without prejudice to the specific requirements of each subsidiary. Subsidiaries are also responsible for implementing the Group's overall strategy while respecting the corporate interest of each subsidiary.

To enable the Bank to ensure that entities have governance arrangements, processes and mechanisms in place that are consistent with the Group's overall policies and strategy, and to ensure a smooth communication between the parent company and its subsidiaries, the Bank's management committee shall ensure that there is a majority of Bank representatives (preferably executive directors) on the board of directors of the Group's subsidiaries, provided it does not contravene any specific rule applicable to a subsidiary (In particular the regulatory constraints on governance applicable to DPAM and DPAS due to their status).

The board of directors and the management committee of the Bank have decided to strengthen the functionalization by business line/function, in order to move towards a better integration of the strategy, a coherent approach in terms of value proposition, positioning and optimal use of resources, coordination and supervision/control of the different activities (business lines and support functions) in the different subsidiaries of the Group. This functionalization allows for greater efficiency and synergies between the different business lines, as well as an acceleration of the culture change within all Group subsidiaries.

3.2 Risk management - general principles

The Bank’s management committee has defined the Group’s risk management governance policy in accordance with the risk appetite statements defined in the Bank’s Risk Appetite Framework, which both have been validated by the risk committee and the board of directors. The adequacy of the risk profile of the Bank with the risk appetite defined by the board of directors is validated at least annually.

Formal risk documentation ensures that appropriate and proportionate measures are taken to mitigate risks, so that it can be demonstrated to all stakeholders, including supervisors, that the board is effectively managing its risks, in particular by demonstrating that a strong and proactive risk management culture is implemented and integrated throughout the Bank.
It allows risks to be identified, measured and evaluated in a consistent manner and allows the board of directors to take ownership of the risks and mitigation measures.
The risk universe lists the different categories, sub-categories and types of risks. It also provides a definition for each of them. Risk’s policies document how the Bank deals with each significant risk.
The detection of new risks or risks whose magnitude and impact are changing (i.e. emerging risks) is regularly monitored by the various risk teams during brainstorming sessions. The results of the analyses (e.g. on the "Brexit", COVID-19 impact, Ukraine conflict, ESG and climate-related risk) are communicated to the relevant hierarchical levels. They feed into discussions to help define the most appropriate response, such as setting up a working group, creating a new stress-test, etc.

In its Risk Appetite Framework, the Bank defined its risk universe and identified the main risk categories impacting its activities. These categories are discussed further in this document (Chapter 5 and onwards).

RISK APPETITE FRAMEWORK

With regard to risk appetite, it should be mentioned that Degroof Petercam is a private bank whose shares are not listed on the stock exchange. The Bank does not use the market for its financing and is therefore not subject to an external rating.
The Bank's board of directors recognizes that risk is inherent in all products, activities, processes and systems, and therefore considers risk management to be a fundamental element in the Bank's management.
The Risk Appetite Framework is the set of tools, policies and rules used to identify, manage, mitigate and monitor all risks, and to communicate risks in an organized manner to the appropriate governance body.
The Bank's strategy is defined by the board of directors which determines the service offering and the clients it serves, balancing expected performance with the risks involved.
Each business segment identifies the inherent risks and designs appropriate responses to them, in proportion to the size and nature of the inherent risks in the various business segments and the Bank's appetite for these risks.

The risk appetite statements are defined in order to ensure the long-term sustainability of shareholders' equity and to avoid excessive volatility in annual results, while allowing the Bank to grow.

These objectives are reflected in the Bank's risk strategy as follows:

- Limitation of market risks;
- Prudent strategic management;
- Long-term asset management;
- Limitation of credit risk.

The board of directors sets the limits that govern the Bank's activities and the associated risk-taking.

Following the ECB’s publication of its guide on climate-related and environmental risks, the Bank has initiated a multi-year action plan in order to gradually implement the ESG (Environmental, Social and Governance) risks in its risk management framework.

Sustainability and ESG risks drive a lot of types of risks: credit risk, market risk, liquidity risk, operational risk etc. ESG risk is then considered as a transversal risk.

In order to ensure integration with the Bank's strategy, the risk appetite must be integrated into all strategic planning and financial forecasting activities.
The management committee ensures that the strategic objectives assigned to the various business sectors also correspond to the defined risk appetite statements, which are then translated into a selection of relevant key risk indicators. These are then used to monitor the actual exposure of the activity in relation to the appetite for the risk in question, allowing to detect and report any vulnerability, weakness or potential threat that could affect the Bank’s financial sustainability. Any violation of the thresholds triggers an internal escalation process. All statements and indicators are evaluated at least once a year.

The Bank's risk profile will contain residual risks (i.e. after mitigation of previously identified inherent risks) and will be addressed either through capital or possibly through any other form of loss absorption mechanism, such as an external insurance policy, the acceptance of a specific risk or the cessation of activities. The level of capital and the required liquidity reserves shall be calculated on the basis of an assessment of residual risks using appropriate and proportional techniques, including, when appropriate, stress tests. The Bank implements an internal process for assessing the adequacy of capital and liquidity, and monitors it through a set of key risk indicators and ratios (such as CET1, CRR Leverage ratio, NSFR and LCR) at consolidated level, at the parent company level or at the level of subsidiaries.

In order to ensure that the Risk Appetite Framework is correctly implemented, other key risk management processes are in place such as:

- New Initiative and Product approval process (NIPAP) : addresses the development of new markets, products, activities, services, investments, unusual transactions and projects. The purpose of the NIPAP is to assess the criticality of any new initiative in order to guarantee that these initiatives are executed and implemented with an oversight proportionate to their assessed impact on the operational and compliance risk profile of the Bank;
- Outsourcing and Third Party Management : sets out the framework of risk management for all third party arrangements of the Group with service providers;
- Business Continuity and Crisis Management : Degroof Petercam is committed to support the continuity of its services in case of disruption and therefore ensures that sufficient means are implemented within the Group to ensure the continuity of its activities and to protect its critical business processes from the effects of significant incidents or major failures in the working environment (infrastructure failure, information system failure, …);
- Information security : The main purpose of the Information Security Policy is to establish a general approach to information security, in order to protect the organization's information and reputation. Information is a vital element of any organization, especially in a banking company such as Degroof Petercam Group. This Policy covers the management, security and usage of the information assets;
- ICAAP: ensures the adequacy of capital in relation to the identified material risks;
- ILAAP: ensures the adequacy of liquidity in relation to the identified material risks;
- Stress-testing: ensures that the results of stress-testing exercises (internal and external) are used as input to better understand the Bank's risk profile and its ability to withstand extraordinary effects resulting from internal or external difficulties while remaining within the limits of the approved risk appetite. They also serve as the basis for an early warning system to detect any deterioration or warning signals in commercial and operational activities. They can help to improve capital and liquidity management processes and understand the sensitivities surrounding the basic assumptions of strategic, capital and liquidity plans;
- Recovery plan: details "near-default" scenarios in order to identify a list of indicators and recovery actions to restore financial strength and viability when the Bank comes under such severe stress;
- Internal Control Framework : recurrent independent controls on business activities or processes.

3.3 Risk and Compliance organization

The Risk Management function is an independent control department, reporting directly to the chief risk officer (CRO). The separation of tasks and functions is essential to avoid any conflict of interest with commercial and operational activities.

From an organizational point of view, in order to guarantee the independence of the function and to comply with the Banking Law, the CRO is a member of the management committee and of the board of directors and is invited to the risk committee.

The main tasks of the Group Risk Management are to:

- Provide independent and relevant information, analysis and expertise on risk exposures;
- Provide advice on risk proposals and decisions made by the various business lines;
- Independently value the products held by the Bank or its clients;
- Define and modify control policies and procedures as part of risk management and corrective measures to address violations of risk policies, procedures and limits;
- Verify and inform the board of directors of the adequacy of the products and positions taken by the Group with the Bank's risk appetite.

The Group Risk Management is made up of four teams that cover all Bank's business lines:

- “Financial Risk Management” covers all risks relating to activities carried out on behalf of the Bank (such as IRRBB, liquidity risk, market risk and counterparty risk) and monitors the legal, contractual and internal constraints governing the Bank's operational activities, mainly in Private Banking, Fund Management and Private Equity;
- “Operational Risk Management” is responsible for ensuring that operational risks are properly identified, monitored, assessed and reported and that corrective measures are put in place to effectively mitigate these risks, with a forward-looking approach. ORM is responsible for monitoring the indicators of good management of its risks (fraud, execution error, IT, data protection...) framing the Bank's daily activities and new initiatives;
- “ICT & Information Security Risk Management” is in charge of risks related to information processing, its integrity and confidentiality (including cyber risk events), as well as risks arising from instable or unavailable IT services or from technology obsolescence;
- “Credit Risk Management” is responsible for identifying, approving, monitoring and managing the Bank's credit exposures, mainly for high net worth clients (private and professional).

The organization of functions within Risk Management varies according to the extent of the local activities.

The CRO is responsible for the proper management of the subsidiaries' risks.

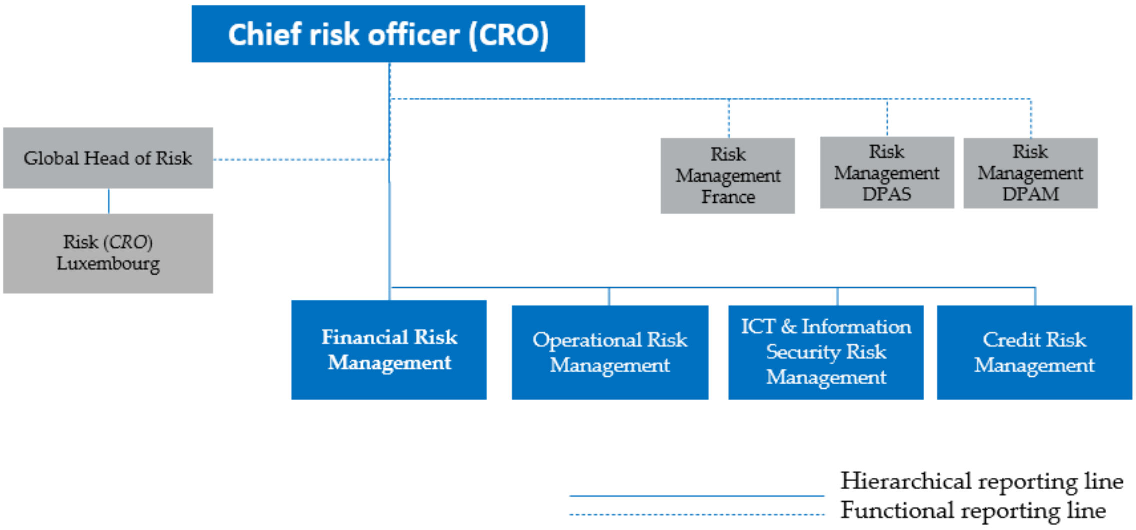
The CRO relies on the risk managers of each of the group's subsidiaries, who report to him functionally. He has a right of injunction if he considers that the framework developed is not adequate.

These managers are responsible for:

- Setting up a control framework adapted to the company on which they depend, in line with the general framework of the Group. This framework complies with the principle of proportionality, and its complexity depends on the importance of the risks taken by the subsidiary;
- Providing regular reports to enable the Group Risk Management department to control and consolidate risks;

- Informing the CRO promptly of any event likely to affect the level of risks faced by the Group.

To ensure coherence and constant dialogue, the CRO is a member of the boards of directors of the banking subsidiaries and of their audit committees.



The Compliance function, also reporting directly to the CRO, verifies and reassures the Bank's executive management that compliance risks are being properly managed. To this end, it identifies the standards applicable to the activities developed by the Bank, whether they are enacted in the form of laws, regulations or circulars. The Compliance function also ensures that, in terms of integrity, the rules, guidelines, procedures and codes of ethics exist and are made known to everyone, are in line with the objectives pursued in terms of the integrity of the Bank's activities, and adequately take into account new laws and regulations. Finally, the Compliance function carries out second-level controls through a Compliance Monitoring Plan, the results of which are reported to the businesses and to executive management. The Compliance function is further developed in chapter 9.

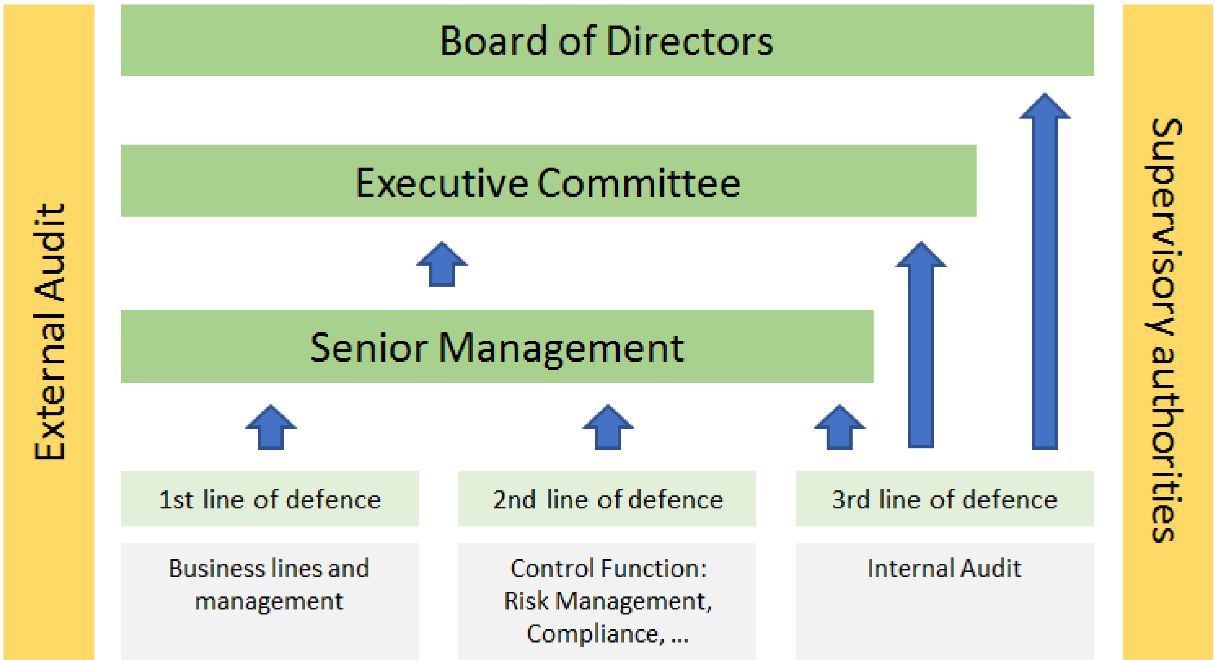
The CRO team is completed by a transversal team, "Regulatory Coordination & Projects" responsible for supervisory coordination, regulation watch and remediation projects supervision, risk framework monitoring and project management for the CRO.

3.4 Three lines of defense model

Degroof Petercam has set-up a risk culture that raises the awareness of its employees in the scope of a responsible execution of their tasks and a continuous awareness of potential risks. Therefore, each employee is in charge of understanding his role and carrying it out correctly.

Degroof Petercam's management committee has set up independent, effective and permanent control functions for internal audit, compliance and risk management. The findings and opinions of the independent control functions are translated by the Bank's management committee into concrete measures to strengthen the Bank's management structure, organization and internal control.

Degroof Petercam applies the three lines of defense approach:



The Bank's business lines (private banking, asset management, financial markets, lending department, etc.) act as **the first line of defense**. They are primarily responsible, under the supervision of the management bodies, for identifying and managing their risks. They are responsible for the day-to-day management of risks in accordance with the Bank's policies, procedures and controls and taking into account its risk appetite, limits and risk-taking capacity for the business line in question.

The second line comprises the Risk and Compliance functions. The Risk Management function ensures compliance with the overall risk management policy ("Risk Appetite Framework") and therefore that the risks generated by the Bank's various business lines are adequately identified, measured, mitigated, monitored and reported.
The Compliance function ensures compliance with the laws, regulations, rules of conduct and integrity that apply to institutions.

The Internal Audit department is **the third line of defense**. The Internal Audit function independently ensures that the first two lines of defense comply with procedures and provides independent assurance to the management bodies that risk management and control procedures are defined and effective.

3.5 Risk governance structure

A strong and consistent risk culture is a key element of the Bank's effective risk management and should enable it to make sound and informed decisions in its long-term interests.
The Bank develops an integrated and comprehensive risk culture, based on a holistic view of the risks to which it is exposed and how they are managed, taking into account its risk appetite.
This risk culture is developed through policies, communication and staff training on activities, strategy and risk profile. It promotes an environment of open communication and effective challenge in which decision-making processes encourage a broad exchange of views, test current practices, foster a constructive and critical attitude among staff and promote a climate of open and constructive participation throughout the Bank.

The board of directors sets the tone at the top on how management, staff and suppliers balance risks, shareholder interests and business objectives. The board of directors is responsible for defining and communicating the Bank's key values and expectations. The behavior of its members reflects its values. It continuously promotes, monitors and evaluates the risk culture.

Hence, the board of directors shall amongst other:

- Approve the Risk Appetite Framework (RAF), developed in collaboration with the management committee and in particular the CEO, CRO and CFO, and ensure that it remains consistent with the Bank's short and long-term strategy, risk capacity and remuneration policies;
- Ensure that the CEO and other senior managers are responsible for the proper implementation of the RAF, including the timely identification, management and escalation of breaches in risk limit and increased material risk exposures;
- Ensure that annual budgets are in line with risk appetite and that incentives and/or disincentives are included in compensation policies to facilitate adherence with this appetite;
- Include an assessment of risk appetite in their strategic discussions, including decisions regarding business line or product growth;
- Review and regularly monitor the actual risk profile and risk limits against agreed levels (e. g. by business sector, entity, product, risk category), including qualitative measures of compliance and reputation risk;
- Ensure that appropriate measures are taken with respect to violations of risk limits;
- Question the management committee about activities that go beyond the risk appetite approved by the board of directors, if this happens;
- Obtain an independent assessment (through internal and/or external audits) of the design and effectiveness of the RAF and its alignment with the expectations of the supervisory authorities;
- Ensure that mechanisms are in place to ensure that the management committee can act in a timely manner to effectively manage and, if necessary, mitigate material risks, particularly those that are close to or exceed the approved risk statement or limits;
- Discuss with the supervisory authorities' decisions regarding the Bank and the ongoing monitoring of risk appetite as well as significant changes in current levels of risk appetite or regulatory expectations regarding risk appetite;
- Establish, approve and oversee the implementation of an adequate and effective internal governance and internal control framework that ensures compliance with applicable regulatory requirements in the context of the prevention of money laundering and terrorist financing;
- Ensure that adequate resources and expertise are dedicated to risk management and internal audit to provide independent assurance to the board of directors and the management committee that they are operating within the framework of the RAF, including the use of third parties to support existing resources, where applicable;

- Ensure that risk management is supported by adequate and robust information systems and tools to enable the timely and accurate identification, measurement, assessment and communication of risks.

The board of directors ensures that the Bank's business model and governance arrangements, including the risk management framework as defined in the Risk Appetite Framework, take into account all risks to which the Bank is exposed, including environmental, social and governance (ESG) risks.

The board of directors met thirteen times during the year.

The audit committee assists the board of directors with regard to:

- Monitoring the effectiveness of the Bank's internal control systems regarding the quality and risk management of the Bank and, where applicable, its Internal Audit function for all financial reporting, without compromising its independence;
- Overseeing the implementation of accounting policies as well as monitoring the financial reporting process and communicating recommendations to ensure its integrity;
- The examination and long-term control of the independence of statutory auditors;
- The review of the statutory audit of the annual and consolidated financial statements, including its preparation, taking into account any findings and conclusions of the competent authority;
- The selection procedure for external auditors or audit firms and the submission of a recommendation for approval on their appointment, remuneration and dismissal;
- Reassessing the scope of the audit and the frequency of the statutory audit of the annual or consolidated financial statements;
- Disclosure of information on the results of the statutory audit and explanations of how the statutory audit has contributed to the integrity of financial reporting and the role that the audit committee has played in this process;
- Receipt and implementation of audit reports.

The audit committee also serves as the main interface between the board of directors, the internal auditor and the statutory auditor.

The audit committee met seven times during the year. It systematically reported to the board of directors on its activities.

The risk committee deals with the Group's main risk strategies. It receives specific outcomes from the relevant managers, and examines control processes on the material risks.
The risk committee assists and reports to the board of directors mainly with regard to:

- The monitoring of the overall risk strategy and risk appetite, both current and future, taking into account all types of risks, to ensure that they are consistent with the Bank's economic strategy, objectives, culture and values;
- The implementation of the risk strategy and the corresponding limits set by the management committee;
- The implementation of capital and liquidity management strategies and other relevant risks, such as market risk, credit risk, ESG risk, operational risk and reputational risk, to assess their adequacy in relation to the risk appetite and risk strategy that have been approved;
- The necessary adjustments to the risk strategy resulting from, among others, changes in the Bank's model, market developments or recommendations made by the Risk Management function;
- The recruitment of external consultants to with the board of directors or the control functions may decide to engage for advice or support in matters falling within the competence of the committee;
- The review of various possible scenarios, including stress scenarios, to assess how the Bank's risk profile would respond to external and internal events;

- The oversight of the alignment between all significant financial products and services offered to clients and the Bank's business model and risk strategy, without having to consider each product separately. The risk committee assesses the risks associated with these products. It ensures that the pricing policy (and the prices of these products) takes into account the risks faced by the institution with respect to its business model and strategy regarding the risks, in particular reputational risks, that may result from the types of products offered to customers. In its assessment, it also takes into account the alignment between the prices assigned, the costs and the profits derived from these products and services. The risk committee presents an action plan to the board of directors when this is not the case;
- The evaluation of the risk related recommendations of internal or external auditors and follow up on the appropriate implementation of the adopted measures;
- The definition of the nature, volume, form and frequency of information concerning the risks to be transmitted to it;
- The review at least once a year of the procedures for monitoring compliance with laws, regulations and compliance principles to ensure that the main risks are properly identified, managed and brought to its attention;
- The assurance that the management takes the necessary steps to ensure that the Bank has an appropriate and independent compliance function at all times and that the necessary resources are made available to the compliance function by management;
- The supervision of the annual review of the compliance action plan;
- The review of the comments on internal control and risk management included in the annual report;
- The review of ICAAP, ILAAP, and on a quarterly basis the consolidated activity reports and monitoring plans of the Compliance Officer and Operational Risk activity reports;
- The effective follow-up of risk management defaults;
- The reception of regular reporting and communication from the CRO and other relevant functions regarding the risk tolerance defined by the Bank, the current state of the Bank's risk culture, limits, exceeding limits, risk mitigation plans;
- The review of risk and compliance policies at least annually and monitoring of the implementation of processes by the management to promote the Bank's compliance with approved policies;
- The review the Compliance Charter at least once a year;
- The recommendations to the Bank's board of directors concerning the coherence and proper integration at Group level of the systems, processes, mechanisms and policies in the areas for which the risk committee is responsible, taking into account the interests of the Group's subsidiaries and the regulatory framework applicable to these subsidiaries;

The risk committee cooperates with other committees whose activities may have an impact on risk strategy (i.e. the audit committee, the remuneration committee or IT committee) and communicates regularly, in particular with the Risk Management function. To this end, it has direct access to the CRO, CCO and AMLCO.
The risk committee meets once a year with the Bank's audit committee to discuss environmental, social and governance (ESG) issues of interest to the Bank and the Group. Discussions at this meeting are purely informal and do not result in the adoption of joint recommendations. These discussions are without prejudice to the competencies and responsibilities of each committee. Any recommendation on ESG matters falling within the remit of the risk committee are adopted by the risk committee at its own meetings.

The minutes of the risk committees of the Group's subsidiaries are communicated to the Chairman of the risk committee and to the CRO, who reports to the Bank's risk committee.

The risk committee shall, without prejudice to the tasks of the remuneration committee, consider whether the incentives set out in the remuneration policies and practices take into account risk, capital and liquidity as well as the probability and timing of profits.

The risk committee met five times during the year. It systematically reported to the board of directors on its activities.

The remuneration committee assists the board of directors in order to:

- Define and allocate the overall amount of the Group's variable compensation;
- Make proposals to the board of directors on the remuneration policy for non-executive directors, identified staff and independent control functions and submit the proposals to the General Meeting of shareholders;
- Verify that the remuneration policy does not lead to additional risk taking within the Bank and/or conflicts of interest within the Group.

The remuneration committee met six times during the year. It systematically reported to the board of directors on its activities.

The board of directors has also set up an **IT committee**, the main role and mission of the committee are:

- Assisting the board of directors in promoting the IT vision within the Bank and its evolution and supervising the execution and implementation of the approved IT strategy by the management committee taking into account the material IT risks with a view to ensure a balance between regulatory impact, operational efficiency and commercial activity in a context of much needed IT and operational transformation;
- Supporting the board of directors in the IT area in order to facilitate the development, implementation, monitoring and periodical assessment of the Bank's internal governance framework from an IT perspective;
- Assisting the risk committee in the field of IT in ensuring the identification, monitoring and assessment of the operational IT risks inherent in all material products, activities, processes and systems to ensure that the inherent IT risks and incentives are well understood and managed; all relevant extracts of the reports, minutes and conclusions of the IT board committee relating to IT risks are communicated to the risk committee;
- Ensuring that the IT strategy is aligned with the business objectives as defined by the board of directors and taking into account the Bank's vision for innovation in the field of IT;
- Ensuring that the IT systems plan is meeting the requirements of the end users which will have been aligned with business priorities;
- Overseeing the overall budget, deliverables and resources in the field of IT.

The IT committee met four times during the year. It systematically reported to the board of directors on its activities.

In accordance with the banking Law, the board of directors has set up a **management committee** which meets weekly. Ad hoc meetings may be convened at the request of a member.

The management committee ensures the effective management of the Bank and the Group within the framework of the general policy defined by the board of directors with decision-making powers and powers of representation of the company in its relations with employees, customers, other credit institutions, the economic and social environment and the authorities, as well as with decision-making powers with regard to the representation of the company with its subsidiaries and with the companies in which it has an interest.

Under the functional model, each member of the management committee is responsible for supervising and coordinating his or her department (business line/function) throughout the Group, without prejudice to the legal responsibilities of local managers within the various subsidiaries, to ensure that the internal control framework and strategy are implemented in a coherent and structured manner in all Group subsidiaries.

More precisely, the management committee is, among other things, in charge of:

- The preparation of proposals to be submitted for approval to the board of directors regarding the Group's strategy and the implementation of this strategy; This responsibility covers in particular strategic planning, the organization of the Group's activities in line with the strategy adopted by the board of directors, the formulation of recommendations including policies related to risk management;
- The implementation of a control system relating to the reliability of internal reporting, financial reporting and compliance of annual accounts with accounting regulations;
- The management of the Bank and in particular the preparation of financial statements, the monitoring of the Bank's results in relation to strategic objectives, plans and budgets, the management and organization of support functions, risk monitoring, financial reporting, internal and external communication;
- Compliance with the legal and regulatory framework governing the Bank's activities;
- Verification of the correct implementation of the remuneration policy;
- Implementing the necessary measures to ensure that the Bank controls risks in accordance with the rules and principles of the Risk Appetite Framework;
- The implementation of adequate communication to the board of directors in order to enable it to properly exercise its responsibilities and to receive all appropriate information.

In order to implement a risk management reflecting the Group's risk appetite, the management committee has delegated some of its responsibilities to the following committees:

- ***ALMAC***: The ALMAC committee manages the ALM and liquidity risks of the various banking entities. It meets on a monthly basis;
- ***Credit committee***: The credit committee grants agreements for credit lines. It meets on a weekly basis;
- ***Group credit committee***: The Group credit committee grants new credit lines to non-bank counterparties and for credit files > EUR 10 mln and/or derogating from the terms of the Group Lending Policy. It meets on an ad hoc basis;
- ***Limits committee***: The limits committee monitors and grants commitments to bank and non-bank counterparties in the context of the Global Markets/Treasury/Custodian activities. It meets on a monthly basis;
- ***Impairment committee***: The impairment committee ensures compliance with the application of policies and procedures regarding the provisioning of loans at risk on the basis of proposals from the credit committees and the credit department and validates impairments on financial assets, upon proposal of the ALMAC. It meets on a quarterly basis;
- ***Engagement approval committee and underwriting approval committee***: Those committees evaluate, approve and monitor commitments in capital market transactions. They booth meet on an ad hoc basis;
- ***Litigation committee***: The litigation committee ensures compliance with the application of provisioning procedures related to disputes & complaints on the basis of proposals from the legal department. It meets twice a year;
- ***Data management committee***: This committee defines and executes the Group's Data strategy, monitors the roadmap and the related governance. It meets on every two months;

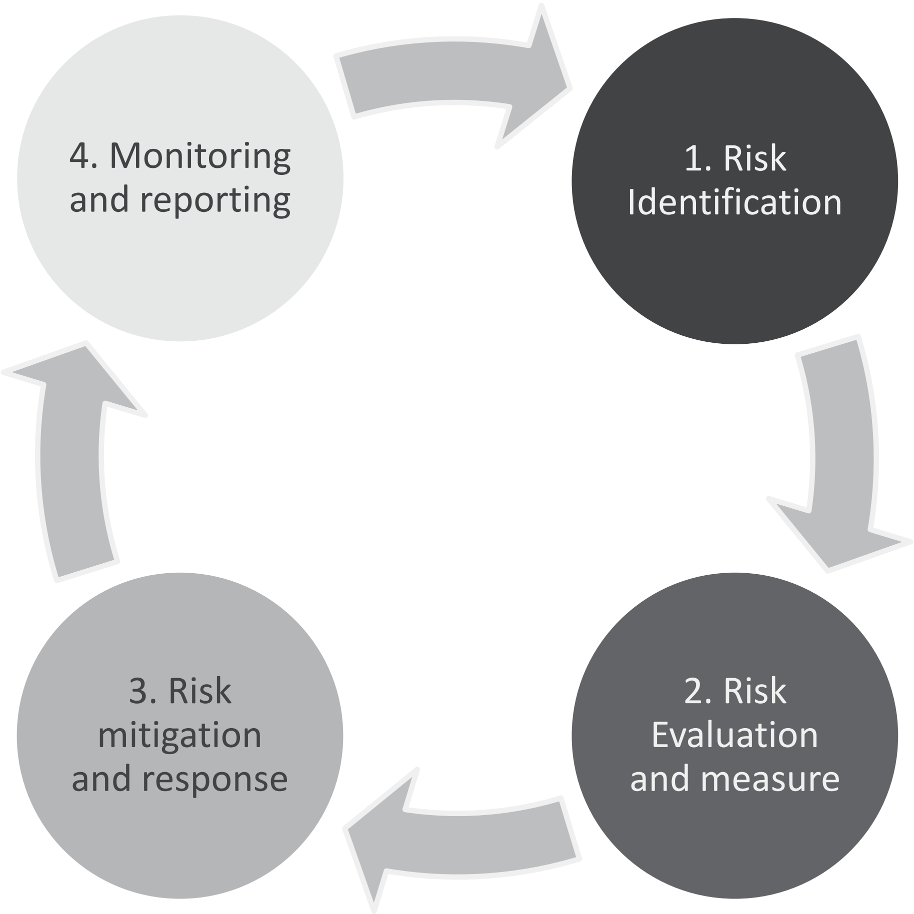
- ***Local diligence committee***: In line with the onboarding police, this committee ensures the revision of high risk anti-money laundering files and decides to accept the file or eventually to forward it to the Group due diligence committee. It meets twice a week;
- ***Group due diligence committee***: in line with the new onboarding policy, the committee reviews the very high anti-money laundering files as well as the files submitted by the local diligence committee and decides whether to accept the file. It meets on an ad hoc basis;
- ***Control unit estate planning committee***: This committee ensures the identification and the assessment of risks in the Estate Planning Business, including International Patrimonial Services, at Belgian, French and Luxembourgish level. It meets on a monthly basis;
- ***Group asset allocation committee:*** The committee defines the asset management strategy. It meets at least on a monthly basis;
- ***Group digital committee:*** This committee takes care of the development of digitalization within the Group. It meets on a monthly basis;
- ***Regulatory steering committee:*** This committee aims at ensuring a correct implementation of the news laws, directives, circulars and regulations and to respond to requests from regulators. It meets on a quarterly basis;
- ***Investment committee :*** This committee secures the best usage of change investments across the Group and validates projects requiring a funding from the change envelope above EUR 100K. It meets every three weeks;
- ***Internal risk committee:*** This committee monitors market risk, risk dashboard, RWA and equity, large exposures and validates investments in support portfolios. It meets on a monthly basis***;***
- ***Non financial risk committee :*** This committee is responsible for monitoring and overseeing all operational risks to which the Group is exposed, monitoring the potential impact of significant changes on the Group's risk profile and ensuring that all activities related to first and second line operational risk (including compliance aspects) or ESG risk are executed with due regard to risk appetite, policies and procedures, laws and regulations. The NFRC also oversees Sustainable Finance governance. It meets on a monthly basis;
- ***Group information security committee:*** This committee monitors IT and cyber security risks at Group level. The committee ensures that these risks are properly identified, monitored and reported, and that organizational measures and actions/activities are put in place to effectively mitigate these risks. The GISC plays a key role in assessing the potential impact of significant changes (i.e. new IT application, new IT outsourcing, major IT process change, etc.) on the Group's risk profile. The GISC ensures that all first and second line IT and cyber security risk activities are undertaken in accordance with the risk appetite, policies and procedures, laws and regulations, and assists in their implementation across all the Group entities. It meets on a quarterly basis.

3.6 Risk measurement methodology

The risk assessment process consists of four main steps. Risks must be detected before they can be analyzed, assessed, measured, mitigated and communicated.

This process is reviewed at least annually or on an ad hoc basis (when significant changes are made to the governance, organization or structure of the risk framework). The objective is to assess whether it remains appropriate and sufficient. The results are translated into recommendations, if necessary.
The Bank has a procedure for breaches of limits, including an escalation process.

In addition, day-to-day management and monitoring of limits are carried out by Risk Management. This ensures that, among others, market, liquidity, credit/counterparty, wealth management and operational risks are thoroughly followed up.



When a new risk is identified, its relative importance must first be assessed or measured by the teams in charge of the activity in which the risk is identified. It is then assessed or measured by the Risk Management department, using appropriate methodologies, including both prospective and retrospective tools.

Risk assessment methods shall be based on both quantitative models and qualitative expert assessments (critical judgments and analyses) in order to take appropriately into account the relevant trends and data from the macroeconomic context identifying their potential impacts on exposures and portfolios.

Models can be related to estimates of the probability or the severity of events and the combined effect of probability and impact as a function of risk criteria. The objective is to aggregate risk exposures across all business sectors, help identify risk concentration, assess the actual risk profile in relation to the approved risk appetite and detect and assess if potential risks are arising.

When new risks are assessed as material, the Risk Management department must submit its analysis to a relevant committee to ensure that an internal project is put in place to maintain the newly identified risk at the desired appetite level.

To ensure the completeness of the identification of critical risks, in addition to the risk assessment, multiple sources are taken into account such as RCSA, analyze of incidents, internal and external audit and systemic risk. Risk Management has a right of initiative in managing risks, and may bring to the attention of the management committee any element and opinion considered as significant in these matters. This right of initiative applies in particular to new financial products.

All material risks identified in the context of a specific activity require an appropriate response aligned with the Bank's risk appetite. There are 3 different ways to mitigate an inherent risk into a residual risk that remains within the Bank's approved risk appetite statements: transfer risk, avoid risk or mitigate risk. Mitigation techniques and limits must be identified and documented in the appropriate risk management policy.

The limits are established by a top-down approach and are divided into levels from key risk indicators to most specifics and granular exposures by country, sector, type of investment, issuers, counterparties and underlying assets.

This limit hierarchy ensures that key risk indicators are respected and that the Bank's management is in line with the board of directors' risk appetite statements.

All material risks are monitored. Appropriate escalation procedures are also put in place when a limit or indicator is breached.

Risk Management reports directly to the management committee any serious or persistent breach of the Bank's risk appetite, procedures or policies.

The final step in the risk management process is risk monitoring and reporting, both internally (i.e. to management) and externally (i.e. to supervisory authorities).

Monitoring involves communicating the processes and findings throughout the organization. It includes regular and periodic reporting and risk monitoring by the various levels of committees to ensure that all relevant departments receive accurate, concise and understandable reports in a timely manner and can share relevant information on risk identification, measurement or evaluation, monitoring and management. Effective risk reporting requires proper internal assessment and communication of risk strategy, risk appetite and relevant risk data.
The Internal Control Framework evaluates the set of controls in place to mitigate risks throughout the Bank, allowing the risk profile to remain within the risk appetite and compliance standards defined by the board of directors.

The Bank has established a coordination unit ICE1L (Internal Control Environment First Line), which is considered the "Centre of Excellence" for internal control at Group level. It provides expertise, support and advice to the first line teams on the internal control environment and practices. First line have enhanced their internal control organization through the implementation of internal control units (ICUs). The ICUs are composed of first line staff in charge of the internal control matters and are located either directly within the departements (decentralized model) or within the ICE1L team (“Group ICU” – centralized model). Since 2022, ICEL1 reports to the COO.

The RCSA is a control exercise which assesses the organization and the processes underlying the activities against the potential threats and vulnerabilities and considers their potential impact. The exercise also intends to assess the efficiency of the controls to manage the identified inherent risks and also aims at measuring the residual risk.

In order to cover all the risks linked to the Bank’s activities, apart from the regulatory reporting (COREP, FINREP), all liquidity (LCR and NSFR reporting), ALM (Banking book), interest rate risk banking book (IRRBB), trading / fair value (both for IFRS reporting (CVA / DVA), fair value derivatives and fair value hierarchy) and regulatory reporting (CVA, AVA, trading book reporting)) related data are under the supervision of the Risk department.

Risk reporting includes, among others, the comparison of all material risk exposures against the defined limits. The monitoring and reporting processes for each material risk are defined in their specific policies.

Moreover, escalation processes are in place in order to quickly inform the CRO and, eventually, the management committee of any material breach of the risk appetite limits.

Risk Management reports to the management committee and the risk committee via a monthly risk dashboard. The risk dashboard includes the monitoring of the main risks and limits.

The method for calculating regulatory capital adequacy requirements in accordance with European regulations concerning prudential requirements applicable to credit institutions (Basel III) has been used since 31 March 2014. The Bank has chosen the following methodologies:

- The standard approach based on external ratings for credit risk in accordance with CRR, Part Three, Title II except chapter 3 and other paragraphs related to the internal models approach;
- The standard approach for market risk in accordance with CRR, Part Three, Title IV except chapter 5 and other paragraphs related to the internal models approach;
- The basic indicator approach for operational risk in accordance with CRR, Part Three, Title III, chapter 1 and 2.

Since 30 June 2021, changes introduced in the revised Capital Requirements Regulation (CRR2) were applied.

The CCR2[2] amended significantly the CRR regarding the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements.

For the calculation of the counterparty credit risk of the derivatives transactions, we apply the Standardised Approach.

[2] Regulation (EU) 2019/876 of the european parliament and of the council of 20 may 2019 amending regulation (EU) no 575/2013 and regulation (EU) no 648/2012.

4. Own Fund and capital adequacy

4.1 Own funds according to the CRD

Shareholders' funds used for the purpose of Basel III regulatory calculations amounted to EUR 624 mln; they comfortably exceeded the minimum levels (8% without buffers) required under prudential standards with the CET1 ratio (phased-in) reaching 20.28 % as of 31/12/2022.

The movements in regulatory capital ratios compared to the previous financial period (increase of CET1 ratio by 0.53%) are explained by the following:
The Bank's risk-weighted volume increased compared to last year (+ EUR 154 mln) :

- The evolution of the bonds portfolio during the year, with an increase of investments in commercial paper, liquid corporate and covered bonds partially offset by the application of the mandate based approach for some funds and a decrease in RWA of client loans ;
- The impact for the counterparty risk of EUR + 76 mln, explained by an increase of market value of the equity options purchased to the clients in Belgium, an increase of the clearer activities and in our derivatives activity with funds counterparties in Luxembourg;
- Slight increase in market risk RWA mainly related to the SOP activity;
- Increase in the Operational risk RWA for 2022 by EUR 55 mln, based on an average increase in gross income for the last 3 years.

The Tier 1 capital increased compared to last year (+ EUR 47 mln) due to the incorporation of the result for the financial year 2021 (EUR 47.5 mln) after the approval in May 2022 by the general shareholders' meeting.

Except for the regulatory adjustments listed in the table below, no other restrictions have been applied.

	Template EU CC1 - composition of regulatory own funds	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation (row CC2 templates)
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	451,578	Shareholder's Equity row 1 & 2
	of which: 10.842.209 ordinary shares	*34,212*	Shareholder's Equity row 1
	of which: share premium	*417,366*	Shareholder's Equity row 2
	of which direct or indirect holdings of ordinary shares	*-50,017*	Shareholder's Equity row 5
2	Retained earnings	116,027	Shareholder's Equity row 3
3	Accumulated other comprehensive income (and other reserves)	399,708	Shareholder's Equity row 3 & 4
EU-3a	Funds for general banking risk	0	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	0	
5	Minority interests (amount allowed in consolidated CET1)	0	
EU-5a	Independently reviewed interim profits net of any foreseeable charge or	0	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**967,313**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-2,111	
8	Intangible assets (net of related tax liability) (negative amount)	-283,050	Assets row 8 & Liabilities row 6
9	Not applicable	0	
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)	-1,083	Assets row 11
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	0	
12	Negative amounts resulting from the calculation of expected loss amounts	0	
13	Any increase in equity that results from securitised assets (negative	0	
14	Gains or losses on liabilities valued at fair value resulting from changes in	0	
15	Defined-benefit pension fund assets (negative amount)	0	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-50,017	Shareholder's Equity row 5
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	0	
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	0	
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	0	
20	Not applicable	0	
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	0	
EU-20b	*of which: qualifying holdings outside the financial sector (negative amount)*	0	
EU-20c	*of which: securitisation positions (negative amount)*	0	
EU-20d	*of which: free deliveries (negative amount)*	0	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3)	0	
22	Amount exceeding the 17,65% threshold (negative amount)	0	
23	*of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a*	0	
24	Not applicable	0	
25	*of which: deferred tax assets arising from temporary differences*	0	
EU-25a	Losses for the current financial year (negative amount)	0	
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	0	
26	Not applicable	0	
27	Qualifying AT1 deductions that exceed the AT1 items of the institution	0	
27a	Other regulatory adjusments	-7,277	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-343,538**	
29	**Common Equity Tier 1 (CET1) capital**	**623,775**	
Additional Tier 1 (AT1) capital: instruments - rows 30 to 36 Not applicable for Bank Degroof Petercam			
Additional Tier 1 (AT1) capital: regulatory adjustments rows 37 to 42 Not applicable for Bank Degroof Petercam			
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**0**	
44	**Additional Tier 1 (AT1) capital**	**0**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**623,775**	

Template EU CC1 - composition of regulatory own funds		(a) Amounts	(b) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation (row CC2 templates)
Tier 2 (T2) capital: instruments - rows 46 to 51 Not applicable for Bank Degroof Petercam			
Tier 2 (T2) capital: regulatory adjustments - rows 52 to 56 Not applicable for Bank Degroof Petercam			
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**0**	
58	**Tier 2 (T2) capital**	**0**	
59	**Total capital (TC = T1 + T2)**	**623,775**	
60	**Total risk exposure amount**	**3,076,002**	
Capital ratios and requirements including buffers			
61	Common Equity Tier 1	20.28%	
62	Tier 1	20.28%	
63	Total capital	20.28%	
64	Institution CET1 overall capital requirements	8.54%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical capital buffer requirement	0.14%	
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	0.00%	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	1.41%	
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	**11.74%**	
69	Not applicable	0.00%	
70	Not applicable	0.00%	
71	Not applicable	0.00%	
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	6,215	Assets row 2
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	5,493	Assets row 2
74	Not applicable	0	
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)	28,122	Assets row 11
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	38,450	
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	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	0	
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	0	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions	0	
82	Current cap on AT1 instruments subject to phase out arrangements	0	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions	0	
84	Current cap on T2 instruments subject to phase out arrangements	0	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	

As a result of its supervisory review and evaluation process (SREP), the competent supervisory authority (BNB) can require that higher minimum ratios be maintained (= pillar 2 requirements).

The pillar 2 requirement (P2R) 2022 for Degroof Petercam amounts to 2.50% %, of which 1.41% must be met with CET1 capital. The pillar 2 Capital Guidance (P2G) amounts for Degroof Petercam to 1.50%.

The common equity tier 1 available of 11.74% (after meeting institution CET1 overall capital requirement) comfortably exceeded the P2R et P2G buffers.

The following table highlights the differences between the scope of accounting consolidation and the scope of regulatory consolidation that applies for the purpose of providing the information required in Part Eight of the CRR.

These scopes are strictly identical.

	Template EU CC2 - reconciliation of regulatory own funds to balance sheet in the audited financial statements	a Balance sheet as in published financial statements As at period end	b Under regulatory scope of consolidation As at period end	c Reference
Assets - *Breakdown by asset clases according to the balance sheet in the published financial statements*				
1	Cash, cash balances at central banks and other demand deposits	1,670,129	1,670,129	
2	Financial assets at fair value through profit or loss	371,189	371,189	EUCC1 - 7 & 72 & 73
	of which : Financial assets held for trading	*341,130*	*341,130*	
	of which : Other financial assets	*30,058*	*30,058*	
3	Financial instruments for hedge accounting	392,905	392,905	EUCC1 - 7
4	Fair value changes of the hedged items in portfolio hedge of interest rate risk	-112,991	-112,991	EUCC1 - 7
5	Financial assets at fair value through other comprehensive income	1,111,575	1,111,575	
	of which : Equity instruments	*4,458*	*4,458*	EUCC1 - 7
	of which : Debt instruments	*1,107,117*	*1,107,117*	EUCC1 - 7
6	Financial assets at amortised cost	*5,298,992*	5,298,992	
	of which : Loans and advances to credit institutions	*0*	*0*	
	of which : Loans and advances to customers	*2,276,250*	*2,276,250*	
	of which : Debt securities	*3,022,741*	*3,022,741*	
7	Property and equipment	98,627	98,627	
8	Goodwill and other intangible assets	295,272	295,272	EUCC1 - 8
9	Investments in entities accounted for using the equity method	7,609	7,609	EUCC1 - 7
10	Current tax assets	13,290	13,290	
11	Deferred tax assets	24,425	24,425	EUCC1 - 10 & 75
12	Other assets	160,473	160,473	
13	Non-current assets held for sale	0	0	
14	**Total assets**	**9,331,494**	**9,331,494**	
Liabilities - *Breakdown by liability clases according to the balance sheet in the published financial statements*				
1	Financial liabilities held for trading	338,715	338,715	EUCC1 - 7
2	Financial instruments for hedge accounting	2,220	2,220	EUCC1 - 7
3	Deposit from credit institutions	527,638	527,638	
4	Deposit from customers	7,260,122	7,260,122	
5	Provisions	26,788	26,788	
6	Current tax liabilities	38,193	38,193	EUCC1 - 8
7	Deferred tax liabilities	2,335	2,335	
8	Other liabilities	141,784	141,784	
9	Non-current liaibilities held for sale	0	0	
10	**Total liabilities**	**8,337,795**	**8,337,795**	
Shareholders' Equity				
1	Issued capital	34,212	34,212	EUCC1 - 1
2	Share premium	417,366	417,366	EUCC1 - 1
3	Reserves and retained earnings	527,835	527,835	
	Retained earnings	116,027	*116,027*	EUCC1 -2
	Other reserves	411,808	*411,808*	EUCC1 -3
4	Revaluation reserves	-12,100	-12,100	EUCC1 -3
5	Treasury shares (-)	-50,017	-50,017	EUCC1 - 1 & 16
6	Net profit for the period	76,403	76,403	
7	Minority interests	0	0	
8	**Total shareholders' equity**	**993,699**	**993,699**	

4.2 Capital requirements by type of risk

The below table shows an overview of the components of the denominator of the risk-based capital requirements calculated in accordance with the Basel III/CRD framework at year-end 2022. More details on each of the material components can be found in the remainder of this document.

Template EU OV1 – Overview of risk weighted exposure amounts		Risk weighted exposure amounts (RWEAs)		Total own funds requirements (8%)
		a	b	c
		T = 31/12/2022	T-1 = 31/12/2021	T = 31/12/2022
1	**Credit risk (excluding CCR)**	**1,568,632**	**1,554,827**	**125,491**
2	Of which the standardised approach	1,568,632	1,554,827	125,491
3	Of which the foundation IRB (FIRB) approach	0	0	0
4	Of which: slotting approach	0	0	0
EU 4a	Of which: equities under the simple riskweighted approach	0	0	0
5	Of which the advanced IRB (AIRB) approach	0	0	0
6	**Counterparty credit risk - CCR**	**365,831**	**289,471**	**29,267**
7	Of which the standardised approach	254,550	197,687	20,364
8	Of which internal model method (IMM)	0	0	0
EU 8a	Of which exposures to a CCP	1,646	429	132
EU 8b	Of which credit valuation adjustment - CVA	109,635	91,355	8,771
9	Of which other CCR	0	0	0
10	Empty set in the EU			
11	Empty set in the EU			
12	Empty set in the EU			
13	Empty set in the EU			
14	Empty set in the EU			
15	Settlement risk	0	0	0
16	**Securitisation exposures in the non-trading book (after the cap)**	**9,662**	**10,217**	**773**
17	Of which SEC-IRBA approach	0	0	0
18	Of which SEC-ERBA (including IAA)	9,662	10,217	773
19	Of which SEC-SA approach	0	0	0
EU 19a	Of which 1250%/ deduction	0	0	0
20	**Position, foreign exchange and commodities risks (Market risk)**	**147,405**	**138,500**	**11,792**
21	Of which the standardised approach	147,405	138,500	11,792
22	Of which IMA	0	0	0
EU 22a	Large exposures	0	0	0
23	**Operational risk**	**984,472**	**929,361**	**78,758**
EU 23a	Of which basic indicator approach	984,472	929,361	78,758
EU 23b	Of which standardised approach	0	0	0
EU 23c	Of which advanced measurement approach	0	0	0
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	70,304	30,874	5,624
25	Empty set in the EU			
26	Empty set in the EU			
27	Empty set in the EU			
28	Empty set in the EU			
29	**Total**	**3,076,002**	**2,922,376**	**246,080**

The 2022 increase of RWA in the counterparty risk of EUR + 76 mln (including EUR +18 mln for CVA), is explained by an increase of market value of the equity options purchased to the clients in Belgium, an increase of the clearer activities and in our derivatives activity with funds counterparties in Luxembourg.

The 2022 market risk increase comes from the SOP activity. Option price volatility (vega risk) increases RWA, next to a volume impact, the proportion of clients with a Long Term plan vs. Short Term plan has increased as well.

The RWA for operational risk increased in 2022, due respectively to an average increase in gross income for the last 3 years (2020 to 2022).

4.3 Key metrics

This table gives a summary of the key metric for the Group:

- As explain in section 4.1 and 4.2, common equity tier-1 ratio (Basel III fully loaded based on Danish compromise) of 20.28%% at year-end;
- Fully loaded Basel leverage ratio – based on CRR – of 6.92% at year-end;
- As explain in section 7, strong liquidity position.

All these key ratios are well above the minimum regulatory requirements.

The CET1 available after meeting the total SREP own fund requirements (10.50%) amounts to 9.78% and comfortably exceeded the combined buffer requirements and P2G buffer.

Regulatory ratios with regard to Bank Degroof Petercam Luxembourg are provided in Appendix 2.

The increase in the leverage ratio is driven by the decrease in the Balance sheet exposures linked to the settlement of the TLTRO (EUR 751 mln).

It should also be noted that the Bank did not make use of the possible temporary exemption of central bank exposures in the calculation of our leverage ratio.

Template EU KM1 - Key metrics template		a T = 31/12/2022	e T-4 = 31/12/2021
	Available own funds (amounts)		
1	Common Equity Tier 1 (CET1) capital	623,775	577,130
2	Tier 1 capital	623,775	577,130
3	Total capital	623,775	577,130
	Risk-weighted exposure amounts		
4	Total risk-weighted exposure amount	3,076,002	2,922,376
	Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	20.28%	19.75%
6	Tier 1 ratio (%)	20.28%	19.75%
7	Total capital ratio (%)	20.28%	19.75%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure		
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.50%	3.00%
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.41%	1.69%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	1.88%	2.25%
EU 7d	Total SREP own funds requirements (%)	10.50%	11.00%
	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 (%)	0.14%	0.14%
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	0.00%	0.00%
11	Combined buffer requirement (%)	2.64%	2.64%
EU 11a	Overall capital requirements (%)	13.14%	13.65%
12	CET1 available after meeting the total SREP own funds requirements (%)	9.78%	8.75%
	Leverage ratio		
13	Total exposure measure	9,015,085	10,028,629
14	Leverage ratio (%)	6.92%	5.75%
	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%
	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%	3.00%
	Liquidity Coverage Ratio (average on 12 monthly data points)		
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	5,167,791	4,578,236
EU 16a	Cash outflows - Total weighted value	2,299,608	2,224,034
EU 16b	Cash inflows - Total weighted value	236,296	302,489
16	Total net cash outflows (adjusted value)	2,063,312	1,921,545
17	Liquidity coverage ratio (%)	252.06%	240.05%
	Net Stable Funding Ratio (end period)		
18	Total available stable funding	5,616,617	5,795,524
19	Total required stable funding	3,019,993	2,916,726
20	NSFR ratio (%)	185.98%	198.70%

4.4 Internal capital adequacy

In accordance with the regulations in force, the accounting management of regulatory capital is supplemented by an economic management of capital, within an ICAAP (Internal Capital Adequacy Assessment Process) model. Through this model, the Bank verifies the adequacy of its own funds with the needs arising from the risks resulting from its various activities. It also ensures that it remains sufficient for the next three years under different scenarios.

As explained in section 3.2, the scenarios have different severities, ranging from no crisis (with the simple implementation of the Multi Year Plan in "going concern") to the most severe (the scenario must be extreme but plausible). A reverse stress test (scenario assuming insufficient capital) is also included to reach a very severe stress level.

In April 2023, the capital adequacy statement was validated by the board of directors.

As in previous years, the ICAAP 2023 (based on data at year-end 2022) demonstrates that the economic capital requirement is largely covered by the Bank's own funds, indicating a good fit between its business model, risk appetite and risk management framework.

5. Credit risk

5.1 Credit risk management and governance

Credit risk, or default risk, is the risk that a financial loss is incurred if a borrower or counterparty fails to fulfill its financial obligations in a timely manner.

Lending activity is mostly granted to the Group's private banking client base, based on a thorough, individual credit risk assessment of each borrower and subject to obtaining satisfactory mitigants with regards to identified risks.
Given the core business of the Bank, lending activity is mostly conducted by pledging assets of the borrower, which aims at materially mitigating the credit risk exposure.

Degroof Petercam has established sound policies and procedures in order to define and monitor its credit risk exposure including the quality of the pledged assets, in accordance with the Risk Appetite Framework and the limit framework.

A very important role is assigned to the risk control function. All credit exposures within the Group are subject to an established credit risk approval process, including the implication of a senior committee level for large exposures.
Moreover, credit exposures are monitored on an ongoing basis, with each credit file being reviewed at least once a year. Forborne and non-performing exposures are reviewed at least every quarter by the impairment committee.

Concentration risk exposures are also monitored on an ongoing basis with the implementation of relevant risk mitigants, when considered necessary.

5.2 Credit quality

The credit quality of risk exposures templates have been modified between 2021 and 2022 due to changes in Pillar 3 regulations on non-performing and forbone exposures disclosures.

Degroof Petercam being classified as an 'other institution non-listed' and holding a gross NPL ratio[3] of 1.43% on 31/12/2022 (less than 5%) is required to disclose four templates (partially subject to art 442 of Part Eight of the CRR2) on:

- Performing and non performing exposures and related provisions;
- Forbone exposures;
- Exposures by past due days;
- Collateral obtained by taking possession and execution process.

DEFINITION OF DEFAULT AND STAGING CRITERIA

In line with the CRR, we consider a client/facility "in default" if one or more of the following conditions are fulfilled:

- The client/facility is 'unlikely to pay';
- The client/facility is 'more than 90 days past due'.

Note that an exposure is considered "**past-due**" if it incurs a delay of payment (interest or principal) and whether the amount overdue exceeds the materiality thresholds.
This is consistent with the definition used for internal credit risk management purposes for the relevant financial instrument.

Since the 1st January 2018, impairment losses have been recorded according to **IFRS 9 requirements**, i.e. based upon the expected credit loss methodology. This accounting norm replaced the previously used IAS 39 norm.

In this context, Degroof Petercam classifies each financial asset (that falls within the scope of IFRS 9) by reference to the extent of the increase in credit risk ('Significant Increase in credit risk' or 'SICR') as from the date of initial recognition and, based on this classification, for each financial asset calculates impairments on the basis of an expected credit loss model over the full life of the asset concerned ("Expected Credit Loss" or 'ECL'). When the expected recoveries are less than the Bank's exposure, the ECL is accounted for.

Credit risk is composed of three levels, according to IFRS 9, as defined in the table below:

Stage	Trigger	ECL = impairment
Stage 1 = « performing »	Initial recognition	12 months expected credit loss (= 12 months ECL)
Stage 2 = « under-performing »	Significant credit risk increase (without recognized loss) since initial	Lifetime expected credit loss (= LEL)

[3] The gross NPL (non-performing loans) ratio is the ratio of the gross carrying amount of NPLs and advances to the total gross carrying amount of loans and advances and off-balance sheet exposures subject to the NPE (non-performing exposure) definition. For the purpose of this calculation, loans and advances classified as held for sale, cash balances at central banks and other demand deposits are to be excluded both from the denominator and from the numerator.

Stage	Trigger	ECL = impairment
	recognition	
Stage 3 = « non-performing »	Loss event	

More details on these methodologies are given in the Annual Report (title 5.5 Credit Risk)

In the following templates, the Bank classified as a specific credit adjustment non-performing exposures (stage 3) and as general credit adjustment, reflecting the potential future default of its exposure, the other ECL.

For non-performing exposures, the impairment committee is also responsible for deciding on **write-offs** on a file-by-file basis taking into account various factors:

- Whether the held collateral is recoverable within a short timeframe;
- The probability of recovering the cash flows and estimating the timeframe for such a recovery;
- The number of days since the most recent cash receipt;
- The status of the file and/or the debtor;
- The period since the last impairment of the related receivable (in general, approximately five years).

PERFORMING AND NON-PERFORMING EXPOSURES AND RELATED PROVISION

This section provides an **overview of the credit quality of non-performing exposures and related impairments, provisions and valuation adjustments by portfolio and exposure class**.

The table below presents the gross carrying values, consisting of on- and off-balance sheet exposures, split over non-performing / performing, specific risk adjustments and impairments.

On-balance sheet items include loans and debt securities. Off-balance sheet items include guarantees given and irrevocable loan commitments.

The data excludes counterparty credit risk exposures, securitizations, CVA RWA, equities and other items.

The gross carrying amount is reported according to the scope of regulatory consolidation in accordance with Chapter 2 of Title II of Part One of the CRR.

The stages reported in this template refer to stages according to IFRS9 methodology as described in the introduction of this chapter. More details on credit risk exposures can also be found in the Annual Report (title 5.5 Credit risk).

Amounts for collateral received and guarantees received shall be calculated in accordance with paragraph 239 of Part 2 of Annex V to Commission Implementing Regulation (EU) 680/2014. The sum of amounts for both collateral and guarantees is to be capped at the carrying amount of the related exposure.

For a large part of the loans portfolio granted to customers, the valuation of the received guarantees at 31/12/2022 is much higher than the total amount of outstanding loans.

Template EU CR1 or Template 4: 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
			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**	**1,667,695**	**1,667,695**	**0**	**0**	**0**	**0**	**-7**	**-7**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
010	**Loans and advances**	**2,254,470**	**2,210,131**	**44,339**	**38,352**	**0**	**38,352**	**-406**	**-404**	**-2**	**-16,165**	**0**	**-16,165**	**0**	**2,035,943**	**18,694**
020	Central banks	58	58	0	0	0	0	0	0	0	0	0	0	0	0	0
030	General governments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
040	Credit institutions	4,059	4,059	0	0	0	0	0	0	0	0	0	0	0	0	0
050	Other financial corporations	310,170	294,634	15,536	2,777	0	2,777	-95	-95	0	-2,392	0	-2,392	0	210,943	0
060	Non-financial corporations	589,992	575,827	14,166	30,422	0	30,422	-216	-216	0	-12,127	0	-12,127	0	497,786	16,296
070	Of which: SMEs	141,169	127,003	14,166	14,629	0	14,629	-25	-25	0	-5,961	0	-5,961	0	132,686	8,613
080	Households	1,350,190	1,335,552	14,637	5,153	0	5,153	-95	-93	-2	-1,647	0	-1,647	0	1,327,213	2,398
090	**Debt Securities**	**4,131,293**	**4,115,608**	**13,495**	**4,987**	**0**	**4,987**	**-732**	**-461**	**-271**	**-3,500**	**0**	**-3,500**	**0**	**0**	**0**
100	Central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
110	General governments	1,254,648	1,254,648	0	0	0	0	-109	-109	0	0	0	0	0	0	0
120	Credit institutions	1,874,250	1,874,250	0	0	0	0	-168	-168	0	0	0	0	0	0	0
130	Other financial corporations	692,176	678,553	11,433	0	0	0	-363	-93	-270	0	0	0	0	0	0
140	Non-financial corporations	310,218	308,156	2,062	4,987	0	4,987	-93	-92	-1	-3,500	0	-3,500	0	0	0
150	**Off-balance sheet exposures**	**439,468**	**438,467**	**1,001**	**793**	**0**	**793**	**-8**	**-8**	**0**	**0**	**0**	**0**		**123,297**	**0**
160	Central banks	0	0	0	0	0	0	0	0	0	0	0	0		0	0
170	General governments	0	0	0	0	0	0	0	0	0	0	0	0		0	0
180	Credit institutions	1,630	1,630	0	0	0	0	0	0	0	0	0	0		0	0
190	Other financial corporations	157,060	157,060	0	0	0	0	4	4	0	0	0	0		59,479	0
200	Non-financial corporations	98,465	97,567	898	793	0	793	3	3	0	0	0	0		41,518	0
210	Households	182,313	182,210	103	0	0	0	1	1	0	0	0	0		22,300	0
220	**Total**	**8,492,925**	**8,431,900**	**58,835**	**44,132**	**0**	**44,132**	**-1,153**	**-879**	**-273**	**-19,665**	**0**	**-19,665**	**0**	**2,159,239**	**18,694**

CREDIT QUALITY OF PERFORMING AND NON PERFORMING EXPOSURES BY PAST DUE DATE

This template provides an overview of the gross carrying amount, broken down by exposure class, of performing and non-performing exposures, including a further breakdown of past due exposures by the number of days that they have been past due.

The gross carrying amount of performing and non-performing exposures is reported according to the scope of regulatory consolidation in accordance with Chapter 2 of Title II of Part One of the CRR.

Template EU CQ3 or Template 3 : 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								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are 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 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005	**Cash balances at central banks and other demand deposits**	**1,667,695**	**1,667,695**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
010	**Loans and advances**	**2,254,470**	**2,180,648**	**73,822**	**38,352**	**14,227**	**923**	**214**	**630**	**9,185**	**1,036**	**12,138**	**38,352**
020	Central banks	58	58	0	0	0	0	0	0	0	0	0	0
030	General governments	0	0	0	0	0	0	0	0	0	0	0	0
040	Credit institutions	4,059	4,059	0	0	0	0	0	0	0	0	0	0
050	Other financial corporations	310,170	279,512	30,657	2,777	0	2	6	338	29	0	2,402	2,777
060	Non-financial corporations	589,992	579,976	10,017	30,422	11,809	150	168	258	8,927	917	8,193	30,422
070	Of which SMEs	141,169	131,243	9,925	14,629	7,723	0	168	58	335	917	5,428	14,629
080	Households	1,350,190	1,317,041	33,148	5,153	2,418	771	40	34	229	119	1,543	5,153
090	**Debt securities**	**4,131,293**	**4,131,293**	**0**	**4,987**	**4,987**	**0**	**0**	**0**	**0**	**0**	**0**	**4,987**
100	Central banks	0	0	0	0	0	0	0	0	0	0	0	0
110	General governments	1,254,648	1,254,648	0	0	0	0	0	0	0	0	0	0
120	Credit institutions	1,874,250	1,874,250	0	0	0	0	0	0	0	0	0	0
130	Other financial corporations	692,176	692,176	0	0	0	0	0	0	0	0	0	0
140	Non-financial corporations	310,218	310,218	0	4,987	4,987	0	0	0	0	0	0	4,987
150	**Off-balance-sheet exposures**	**439,468**			**793**								**793**
160	Central banks	0			0								0
170	General governments	0			0								0
180	Credit institutions	1,630			0								0
190	Other financial corporations	157,060			0								0
200	Non-financial corporations	98,465			793								793
210	Households	182,313			0								0
220	**Total row 010+090+150**	**6,825,231**	**6,311,941**	**73,822**	**44,132**	**19,214**	**923**	**214**	**630**	**9,185**	**1,036**	**12,138**	**44,132**

DEFINITION OF FORBEARANCE

Forbearance measures consist of concessions towards a borrower facing or about to face financial difficulties, as a result of which this latter is granted concessions by the Bank, i.e. a review of the terms and conditions of its outstanding credit facilities to enable the repayment of its debt.

In order to maximise the possibility of recovering amounts due if the counterparty encounters financial difficulties, Degroof Petercam may, in certain specific cases and under certain conditions, accept a restructuring of the financial instrument which will generally take the form of an extension of the residual life of the loan/bond, or a postponement or rescheduling of certain contractual due dates, without incurring a loss.

Loans renegotiated due to financial difficulties that result in restructuring or renegotiation of the terms and conditions of the contract, concerned only EUR 21.4 mln of the total outstanding loans granted by the Bank as of 31 December 2022, or 5 files. Out of these EUR 21.4 mln, a specific provision is booked on non-performing forbone exposures (EUR 4.5 mln). The performing forbone exposures (i.e. with no past due balance more than 90 days old) are considered as sufficiently provisioned and/or covered by sufficient levels of collateral.

The gross carrying amount of forborne exposures and the related accumulated impairment, provisions, accumulated change in fair value due to credit risk, and collateral and financial guarantees received, are reported according to the scope of regulatory consolidation in accordance with Chapter 2 of Title II of Part One of the CRR.

Template EU CQ1 or Template 1: 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	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which: Collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted	Of which impaired				
005	**Cash balances at central banks and other demand deposits**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
010	**Loans and advances**	**4,204**	**17,190**	**17,190**	**17,190**	**-2**	**-4,491**	**16,901**	**12,699**
020	Central banks	0	0	0	0	0	0	0	0
030	General governments	0	0	0	0	0	0	0	0
040	Credit institutions	0	0	0	0	0	0	0	0
050	Other financial corporations	0	0	0	0	0	0	0	0
060	Non-financial corporations	0	17,190	17,190	17,190	0	-4,491	12,699	12,699
070	Households	4,204	0	0	0	-2	0	4,202	0
080	**Debt Securities**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
090	**Loan commitments given**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
100	**Total**	**4,204**	**17,190**	**17,190**	**17,190**	**-2**	**-4,491**	**16,901**	**12,699**

COLLATERAL OBTAINED BY TAKING POSSESSION AND EXCECUTION PROCESS

This template provides an overview of foreclosed assets obtained from non-performing exposures giving information on the instruments that were cancelled in exchange for the collateral obtained by taking possession and on the value of the collateral obtained by taking possession.

In the Bank, we have not encountered in 2022 the "appropriation" (taking possession or acquisition of ownership) of the collateral. In consequence, the Group is not concerned by this template.

Template EU CQ7 or Template 9: Collateral obtained by taking possession and execution processes		a	b
		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
010	**Property, plant and equipment (PP&E)**	**0**	**0**
020	**Other than PP&E**	**0**	**0**
030	Residential immovable property	0	0
040	Commercial Immovable property	0	0
050	Movable property (auto, shipping, etc.)	0	0
060	Equity and debt instruments	0	0
070	Other collateral	0	0
080	**Total**	**0**	**0**

5.3 Use of credit risk mitigation techniques

In accordance with its Risk Appetite Framework, the Bank has established policies in order to mitigate its credit risks and uses several credit risk mitigation techniques:

- Netting legal agreements (close-out agreements);
- Collateral;
- Clearing;
- Guarantees.

The Bank does not make any use of Credit Derivative instruments as a risk mitigation technique.

With regards to the use of ECAIs ("OEEC") as a risk mitigation technique, the Bank has retained the credit risk Standardised Approach, which is based upon external ratings from EBA-recognized rating agencies, in the methodology for calculating regulatory capital adequacy. External ratings are also used in order to select, manage and monitor the Group's investment portfolio invested in fixed income securities.

The Bank has no recourse to any Export Credit Agency.

NETTING LEGAL AGREEMENTS

With regard to its FX, OTC derivatives, repo / reverse repo and securities lending activities, the Bank's policy is to enter into internationally recognized master netting agreements (typically ISDA and Global Master Repurchase / Securities Lending Agreement) with counterparties that permit to offset receivables and payables with these latter and therefore materially reduce the credit risk exposure. Netting rules are based upon recognized legal opinions.

COLLATERAL

The Bank also endeavors to sign collateral agreements with all its counterparties, which enables to receive and post cash and/or securities collateral with respect to its FX and derivative positions, subject to the terms of the related credit support annex or similar legal arrangements (typically ISDA & CSA). Retained credit terms included in the ISDA/CSA must be in line with the internal collateral management policy. Eligibility of collateral included in CSA agreements must meet general standard market practices and be of high quality in terms of issuers, external ratings and liquidity.

As for its lending activity, the Bank uses different forms of collateral to offset its risk exposure, primarily in the form of pledge on financial assets (which must be satisfactory diversified, of strong quality and sufficiently liquid), on real estates (residential mortgages, mortgage mandates and commercial mortgages), and to a lesser extent on commercial assets (i.e. on corporate shares). These assets are recorded at market value and revalued on a regular basis.

All pledged assets must meet terms defined in the Bank's collateral policy, including in terms of valuation frequency and concentration.

Financial collateral received is subject to regular monitoring, which includes updated valuation and calculation of coverage ratios between granted loan and received collateral while monitoring and managing any material concentration risk aspect.

Finally, Risk Management performs liquidity tests on such pledged assets on a regular basis in order to assess the eligibility of these assets as receivable collateral in regards with the CRR regulation (we refer to Annual Report part 5.5 Credit risk).

CLEARING

The Group also makes use of clearinghouses in order to reduce its counterparties' exposure. The following table shows the Group's exposure towards Qualified Central Counterparty (note that the Bank has no exposure to non-Qualified Central Counterparties). In particular, the template includes all types of exposures and related capital requirements.

	Template EU CCR8 – Exposures to CCPs	a	b
		Exposure value	RWEA
1	**Exposures to QCCPs (total)**		**1,646**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	82,300	1,646
3	(i) OTC derivatives	82,300	1,646
4	(ii) Exchange-traded derivatives		
5	(iii) SFTs		
6	(iv) Netting sets where cross-product netting has been approved		
7	Segregated initial margin	39,659	
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		

GUARANTEES

In exceptional circumstances, the Bank may invest in bonds guaranteed by a third party, usually a government. In this case, the credit worthiness of the third party is assessed based on its external ratings from internationally recognized rating agencies. These positions are monitored by the ALMAC in accordance with ALM and IFRS9 policies.

BREAKDOWN OF COLLATERAL AND GUARANTEES BY TYPE

In terms of market or credit risk concentrations within the received collateral, most of the collateral held is in the form of investment funds and equity instruments, which are diversified by nature hence reducing the concentration risk. Other received collateral includes pledge on insurance contracts, cash, mortgage on real-estate assets and debt instruments that are mainly issued/located in Belgium.

At year-end 2022, the guarantees relating to loans granted to customers were broken down as follows:

More information on guarantees relating to loans granted to customers is presented in the annual report in section 5.5 “Credit risk”.

5.4. Disclosure on the use of Standardised Approach

As mentioned earlier, for the credit assessment of exposures and the corresponding RWA's calculation, the Bank uses the CRR Standardised Approach (as described in the CRR Articles 120 to 134).

In this process, ratings from internationally recognized rating agencies (ECAIs - Standard & Poors, Fitch, Moody's) are used (using the "second best rating" approach when multiple ratings are available).

The mapping between the rating provided by the ECAI and the credit quality steps used to determine the applicable risk weight is based on the standard mapping published by the EBA.

This approach is the same for each exposure class subject to the use of ratings. In priority, the rating of the issue is considered. If it is not available, the rating of the issuer is used instead.

If no rating is available, the risk-weight provided by the Standardised Approach is used.

	EXPOSURE CLASSES for WHICH each ECAI or ECA is used	RWA OF WHICH: WITH A CREDIT ASSESSMENT BY A NOMINATED ECAI	RWA OF WHICH: WITH A CREDIT ASSESSMENT DERIVED FROM CENTRAL GOVERNMENT	Approach used to map ECAI rating with CQS
Central governments or central banks	X	0	0	EBA Standard association
Regional governments or local authorities	X	0	0	EBA Standard association
Public sector entities	X	19,370	0	EBA Standard association
Multilateral Development Banks	X	0	0	EBA Standard association
International Organisations	X	0	0	EBA Standard association
Institutions	X	89,995	14,288	EBA Standard association
Corporates	X	155,071	0	EBA Standard association
Retail				
Secured by mortgages on immovable property				
Exposures in default				
Items associated with particular high risk				
Covered bonds	X	125,978		EBA Standard association
Claims on institutions and corporates with a short-term credit assessment	X	2,211		EBA Standard association
Collective investments undertakings (CIU)				
Equity exposures				
Other exposures				
TOTAL		**392,644**	**14,288**	

CREDIT RISK EXPOSURE AND CRM EFFECTS (AS OF 31/12/2022)

Degroof Petercam being classified as an ‘other institution non-listed’ doesn’t have any obligation to disclose credit risk templates (not subject to art 453 and 444 of the CRR2).

Despite this proportionality arrangement and to facilitate the readability of the Risk Report, the Bank publishes this template showing the effects of the credit conversion factor (CCF), the credit risk mitigation (CRM) and the **risk-weighted assets by exposure class**.

RWA density provides a synthetic metric on the riskiness of each portfolio.

	Template EU CR4 – standardised approach – Credit risk exposure and CRM effects	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWEA	RWEA density (%)
	Exposure classes	a	b	c	d	e	f
1	Central governments or central banks	1,959,112	0	1,959,112	0	0	0.00%
2	Regional government or local authorities	710,575	0	710,575	0	16,951	2.39%
3	Public sector entities	660,463	0	660,463	0	44,318	6.71%
4	Multilateral development banks	248,828	0	248,828	0	0	0.00%
5	International organisations	21,755	0	21,755	0	0	0.00%
6	Institutions	186,408	2,270	186,408	2,270	37,807	20.04%
7	Corporates	1,983,490	378,939	833,265	75,799	845,411	93.00%
8	Retail	500,342	53,394	43,227	3,647	33,371	71.19%
9	Secured by mortgages on immovable property	67,670	0	57,426	0	20,025	34.87%
10	Exposures in default	20,177	19	16,265	19	21,505	132.07%
11	Exposures associated with particularly high risk	14,819	774	14,819	387	22,809	150.00%
12	Covered bonds	1,462,305	0	1,462,305	0	146,230	10.00%
13	Institutions and corporates with a short-term credit assessment	11,056	0	11,056	0	2,211	20.00%
14	Collective investment undertakings	24,373	5,500	24,373	5,500	52,562	175.95%
15	Equity	1,329	0	1,329	0	3,307	248.88%
16	Other items	395,253	0	395,253	0	321,400	81.32%
17	**TOTAL**	**8,266,094**	**440,255**	**6,644,598**	**86,981**	**1,568,632**	**23.30%**

5.5 Counterparty credit risk

As a support of its core business, the Bank offers to its customers some financial markets services such as OTC derivative transactions or Repo/Reverse Repo transactions. A counterparty credit risk results from those transactions. Limited trading activity is also conducted with non-banking counterparties, including mainly regulated European investments funds but also insurance companies, corporate entities and a few high net worth individuals.

Such activity is primarily conducted with selected banking counterparties in developed countries benefiting from solid external risk ratings assigned by internationally recognized rating agencies (ECAIS).

Credit limits are defined and established by the limits committee.

Each counterparty is assigned its own internal limits, which are defined based upon an individual risk assessment of their latest financials.
Risk Management monitors the usage against these limits on a daily basis and any breach is immediately escalated to senior business and the head of Risk Management for prompt remediation.

In allocating capital to counterparty credit risk, the Bank does not use an internal methodology.

Following the thresholds defined in the regulation, the capital for counterparty credit risk is calculated according to the Standardised Approach for counterparty credit risk, as described in article 274 until 280 of the Regulation (EU) 2019/876 of the European parliament and of the council of 20 May 2019 amending Regulation (EU) No 575/2013.

A Credit Valuation Adjustment capital charge is also calculated to cover the volatility of expected losses due to counterparty credit risk exposure related to derivatives.

The use and impact of mitigation techniques is described in chapter 5.3.

Degroof Petercam being classified as ‘other institution non-listed’ doesn’t have any obligation to disclose counterparty risk tables and templates (not subject to art 439 of the CRR2).

Despite this proportionality arrangement and to facilitate the readability of the Risk Report, the Bank publishes these templates providing a comprehensive view of the methodology used to **calculate CCR regulatory requirements**.

The following table provides a comprehensive view of the methodology used to calculate **CCR regulatory requirements by approach** (all exposures including CCP):

Template EU CCR1 – Analysis of CCR exposure by approach		a Replacement cost (RC)	b Potential future exposure (PFE)	c EEPE	d Alpha used for computing	e Exposure value pre-CRM	f Exposure value post-CRM	g Exposure value	h RWEA
EU1	EU - Original Exposure Method (for derivatives)	0	0		1.4	0	0	0	0
EU2	EU - Simplified SA-CCR (for derivatives)	0	0		1.4	0	0	0	0
1	SA-CCR (for derivatives)	259,071	141,268		1.4	528,074	511,087	511,087	256,196
2	IMM (for derivatives and SFTs)			0	0	0	0	0	0
2a	Of which securities financing transactions netting sets			0		0	0	0	0
2b	Of which derivatives and long settlement transactions netting sets			0		0	0	0	0
2c	Of which from contractual cross-product netting sets			0		0	0	0	0
3	Financial collateral simple method (for SFTs)					0	0	0	0
4	Financial collateral comprehensive method (for SFTs)					0	0	0	0
5	VaR for SFTs					0	0	0	0
6	**Total**					**528,074**	**511,087**	**511,087**	**256,196**

The **CVA (Credit Valuation Adjustment) capital charge** is a regulatory capital charge to cover the volatility of expected losses due to counterparty credit risk exposure related to derivatives (over-the-counter). The increase of capital charge for the CVA in 2021 was explained by the implementation of the CRR2 where the Minimum Transfer Amount (MTA) must be used instead of the Mark to Market (MtM) for the calculation of the replacement cost.
The CVA capital charge is calculated according to the regulatory Standardised formula.

Template EU CCR2 – Transactions subject to own funds requirements for CVA risk		a Exposure value	b RWEA
1	Total transactions subject to the Advanced method	0	0
2	(i) VaR component (including the 3× multiplier)		0
3	(ii) stressed VaR component (including the 3× multiplier)		0
4	Transactions subject to the Standardised method	269,250	109,635
EU4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	0	0
5	**Total transactions subject to own funds requirements for CVA risk**	269,250	109,635

The 2022 increase of RWA in the counterparty risk of EUR + 76 mln (including EUR + 18 mln for CVA), is explained by an increase of market value of the equity options purchased to the clients in Belgium, an increase of the clearer activities and in our derivatives activity with funds counterparties in Luxembourg.

5.6 Equity exposures in the banking book

The Bank has currently no intention to take exposures on equities in the Banking book. The Banking book objectives include limited equity investments in the context of the commercial activities of the Bank. The holding period of the portfolio is long-term.

5.7. Securitization exposures in the banking book

The Bank owns a portfolio of floating-rate European securitizations.

The current exposures can be described as follows:

				Senior	Mezzanine	Provisions	RWA
Securitisation	investor	Residential mortgages	ES	281		0	42
Securitisation	investor	Residential mortgages	GB	1,089		0	915
Securitisation	investor	Consumer loans	BE	6,406		1	641
Securitisation	investor	Consumer loans	DE	40,254		4	4,025
Securitisation	investor	Consumer loans	FI	6,501		1	650
Securitisation	investor	Consumer loans	FR	19,156		2	1,916
Securitisation	investor	Consumer loans	IE	3,799		0	380
Securitisation	investor	Consumer loans	LU	6,870		1	687
Securitisation	investor	Consumer loans	NL	4,062		0	406
				88,417	**0**	**9**	**9,662**

5.8 Settlement risk

Settlement risk is the risk that the Bank delivers sold asset or cash to a counterparty, but this latter fails to deliver in return the expected cash or purchased asset due to solvency issues.

To mitigate this risk, the Bank endeavors to settle its financial securities transactions on a Delivery Versus Payment basis (“DVP”) and its FX transactions through the Continuous Linked Settlement system (“CLS”).

This risk is therefore considered to be extremely low.

There is no Risk Weighted Asset for the settlement risk at end December 2022 (see Title 4.2 above).

6. ALM & Market risk

6.1 Policy

ALM management is a complementary activity to the Bank's Core Business (Private Banking). ALM investment strategies are cautious. They concern bonds of very high quality that can be mobilized quickly if necessary and for which the interest rate risk is hedged through Interest Rate Swaps. There is no desire to find funding sources dedicated to ALM management. Investments are always made in relation to the Bank's financing level (customer deposits).

The Bank does not have trading activity. However, some of the Bank's activities generate market risks. These are intermediation, brokerage, market-making and customer services in derivatives products.
The Bank also has an equity portfolio. This portfolio is qualified as an investment portfolio (legacy and accompanying) but it is important to note that this portfolio is intended to support customer service.
Market risks are therefore a consequence of the services the Bank offers to its clients. In this sense, the Bank wishes to minimize this type of risk.

ALM & Market risk are the risks of unfavorable trends in market factors (interest rates, equity prices, exchange rates, credit spread, inflation, commodity prices, etc.) having an impact on the positions that the Bank takes for its own account.
Treasury, foreign exchange, providing liquidity for securities, and OTC option brokerage activities are monitored on a daily basis using indicators such as Value-at-Risk (VaR), interest rate sensitivity, scenario analyses, option sensitivity (delta, gamma, vega, etc.) and, more simply, nominal volumes.

These risks are covered by the ALM and market risk policies in accordance with the Bank’s Risk Appetite Framework while these activities are constrained by a strong set of limits.

The exposures are daily monitored by Risk Management and reported to appropriate committees (mainly the ALMAC and internal risk committee).

Open positions are characteristically low compared to our own funds as presented in the following table which displays the components of own funds requirements under the Standardised Approach for market risk.

The total market risk RWA related to equity risk is EUR 124 mln RWA, of which EUR 121.9 mln is mainly related to the additional capital requirements coming from the vega risk.

	Template EU MR1 - Market risk under the standardised approach	a RWEAs
	Outright products	
1	Interest rate risk (general and specific)	23,354
2	Equity risk (general and specific)	2,105
3	Foreign exchange risk	0
4	Commodity risk	0
	Options	
5	Simplified approach	0
6	Delta-plus approach	121,946
7	Scenario approach	0
8	Securitisation (specific risk)	0
9	**Total**	**147,405**

6.2 Interest rate risk

The interest rate risk results from differences between the maturities and the revaluation dates of assets and liabilities on the balance sheet and off balance sheet. This is the financial risk caused by the impact of a change in interest rates on the interest margin and on the fair values of interest rate instruments. This risk is managed on a daily basis using the Value-Basis-Point indicator ('VBP') which only takes into account elements that are sensitive to interest rates, all maturities combined.

This risk is managed on a monthly basis by the ALMAC using a standard defined in terms of duration gap. This standard was developed based on the maximum loss that is deemed to be acceptable in the event that interest rates rise by 1%, as allocated by the management committee to the Group's transformation activity. This includes all balance sheet items and, accordingly, also the treasury positions.

Furthermore, in accordance with Basel II, the sensitivity of the Bank's economic value is stressed on the basis of scenarios involving parallel and non-parallel increase in interest rates. The result of the most penalizing shock is 6.5%.

Degroof Petercam being classified as 'other institution non-listed' doesn't have any obligation to disclose IRRBB tables and template.

As usual, we use in this section the information disclosed in our annual report (title 5.4 Market risk).

The loss on the economic value in case of an increase in interest rates of 2% amounted to:

	2022	2021
On 31/12	40,368	28,187
Average for the period	40,521	39,116
Maximum for the period	41,213	47,383
Minimum for the period	39,292	28,187

This table is now based on the duration assumptions of the NBB. The 2021 figures have been recalculated accordingly.

In 2022, the interest rate risk on the balance sheet has increased following the decision to increase exposures due to rising interest rate.

The following table sets out the evolution of the sensitivity of the interest rate risk of the Bank (VBP indicator) before taking into account the liability duration assumption:

	2022	2021
on 31/12	317	275
Average for the period	322	326
Maximum for the period	372	370
Minimum forthe period	226	247

on 31/12	2022	2021
Increase of the interest rates with 200 basis points		
Increase (decrease) in net interest income over the next 12 months	-3,241	78,957
Increase (decrease) in the present value of equity	-11,413	-17,781
Decrease of the interest rates with 200 basis points		
Increase (decrease) in net interest income over the next 12 months	-12,874	-35,461
Increase (decrease) in the present value of equity	-4,702	5,123

Since June 2019, for scenarios simulating a fall in interest rates, a floor is applied to the yield curve, in line with EBA guidelines.

Since 1 January 2018, the Bank has decided to apply hedge accounting to micro hedges. The hedged items are bonds and loans. The hedging instruments are Interest Rate Swaps (IRS). As of 1 January 2022, the Bank has decided to extend hedge accounting to macro hedges on the fixed-rate loan portfolio. We refer to the methodology described in the hedging policies and summarized in the Annual Report in points 3.4 and 7.3.

At initial recognition, the Bank documents all hedging relationships. The hedging documentation includes the identification of the bond or the loan, the nature of the risk being hedged, the hedging instrument and the method used to assess the effectiveness of the hedge. The Bank also assesses on an ongoing basis whether the hedging instruments effectively compensate for the movements in the fair value of the hedged elements.

The impact of the IBOR reform is very limited for Degroof Petercam. Two loans are concerned for which the documentation will be adapted with the clients.

The following table (in EUR K) shows the exposures to variable rate financial instruments for which the reference rate is impacted by the reform at year-end 2022. These are the only instruments whose reference index is USD LIBOR and whose maturity date is after 30 June 2023.

USD LIBOR	2022	2021
Financial assets non derivatives	446	411
Financial liabilities non derivatives	0	0
Derivatives instruments - processed through a clearing house (nominal amount)	51,566	39,732
Derivatives instruments - not processed through a clearing house	0	0

The values below show the impact on the economic value of the Bank of a 1-basis-point parallel upward shift of swap curves by currencies. In summary, more than 85% of the sensitivity is coming from the EUR currency.
The Bank decided in 2022 to increase the exposure to the interest rate due to the positive short term interest rate.

Sensitivity	Global	EUR	USD	Other
Before impact of sight deposits	-317	-273	-41	-2
Sight deposits	112	98	9	5
Net VBP	-205	-175	-32	2

6.3 Foreign exchange risk

This mainly involves hedging the foreign exchange risk generated by all departments of the Bank and brokerage for institutional investors, principally collective investment funds.

The indicators used to monitor the daily foreign exchange risk are:

- Limits set in terms of nominal amounts;
- Historical VaR.

	2022		2021	
	Nominal	VAR 99%	Nominal	VAR 99%
on 31 december	1,273	6.89	1,480	6.71
Average for the period	2,124	9.88	2,078	11.36
Minimum for the period	975	5.47	840	6.39
Maximum for the period	7,639	25.81	6,112	27.46

It should be noted that the market RWA for foreign exchange risk is less than 2% of Bank's own funds, which makes it possible to apply a zero RWA to this type of risk. This is in line with the Bank's policy of not taking foreign exchange risk on the balance sheet.

6.4 Equity and option risk

SHORT TERM RISK EXPOSURE

The Equity risk results from the liquidity provider service on Belgian shares that the Bank offers to its clients and from the "Equity Desk Derivatives". This Equity Desk Derivatives activity consists of offering an option intermediation service where the market risk is managed via options traded on a listed market, options traded in OTC or the purchase/sale of the underlying.

The indicators used to monitor the daily equity risk are:

- Limits set in terms of nominal amounts;
- Historical VaR.

The risks attached to options are monitored using various indicators, mainly involving sensitivity to movements of the main underlying factors (mainly delta and rho, but also gamma and vega) and the Value-at-Risk.

		31/12/2022	Average	Minimum	Maximum
Equity Risk	Nominal	176	249	118	475
	VaR 99%	5	6	3	11
Option Risk	Delta equivalent	88	317	3	912
	VaR 99%	274	271	199	381

LONG TERM RISK EXPOSURE

Long-term equity risk is the risk that the value of the Bank’s own funds declines as a result of a fall in the price of the shares included in the Bank’s proprietary share portfolio.

This risk has declined significantly during the past seven financial periods as a consequence of the sale of the majority of the share’s portfolio.

In 2018, an Accompanying Portfolio was created containing positions of limited size held to support certain activities of the Group. This portfolio contains DPAM funds.

The Bank also has a portfolio of private equity positions to support the sale of these products. These positions are shown in the table below in the illiquid support portfolio.

Market value of the Bank’s proprietary share portfolio is as follow:

	Position (Legacy Portfolio)	Accompanying Portfolio Liquid	Accompanying Portfolio illiquid
31/12/2022	0	15,012	16,096
31/12/2021	22	18,861	17,454

The impact on the Bank's own funds of a movement in the price of equities held by the Bank is as follows (all other factors being equal):

		Impact on own funds	
Relevant markets or indices (*)	Movement	31/12/2022	31/12/2021
Bel 20	10%	-	-
Other Belgian securities	10%	-	2
Other European securities	10%	1,995	2,375
The rest of th world	10%	1,116	1,257

(*) having an impact on the portfolio value

6.5 Commodities risk

The Bank is not exposed to this type of risk.

7. Liquidity risk

Liquidity risk is the risk of the Bank being unable to meet its financial commitments at their due dates at a reasonable cost. In accordance with the Risk Appetite Framework of the Bank, and as described in the liquidity risk policy, the main objective of liquidity management is to ensure that the Group has access to sufficient funding, even during very unfavorable conditions, whether it is a general liquidity crisis on the market or/and a liquidity crisis specific to the Bank.

7.1 Governance, strategy and processes

The board of directors sets the overall risk appetite objective for liquidity. The management committee has delegated the management of the liquidity strategy at a consolidated level to the ALMAC which meets monthly, with day-to-day management being performed by the treasury departments of the Brussels and Luxembourg dealing rooms (acting as first line manager for the liquidity requirements), under the supervision of Risk Management (second line of controls). To this end, the risk appetite for liquidity defined by the board of directors is translated into liquidity risk measures and limits are set. These liquidity risk measures consist of both regulatory metrics such as the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) and (customized) internal metrics with for example the expected net liquidity position under both “business as usual” scenario and extreme stressed scenario and the liquidity buffer. Finally, the Internal Audit, acting as third line of defense, guarantees an independent assurance on the adequacy and the effectiveness of the governance, risk management and controls performed around the liquidity risk.

The liquidity strategy of Degroof Petercam can be summarized as follows:

- A large base of customer deposits;
- A low ‘loan-to-deposit ratio’ (31% at year-end 2022), which indicates that the volume of credits granted is substantially lower than the total of customers’ deposits;
- Bond portfolios which are generally high liquid and which, for the most part (83% at year-end 2022), can rapidly be mobilized through repo operations with the European Central Bank;
- The Bank does not need to have recourse to interbank funding to finance itself, and the Bank does not need to issue any debt.

Identified liquidity risks, which are taken into account in the liquidity metrics monitored by Degroof Petercam, are:

- Funding liquidity risk, in other words the risk of withdrawals of customer’s deposits;
- Market liquidity risk, which can appear if the Bank is unable to sell or to convert its investments into cash without a significant loss;
- Volatility of the expected liquidity inflows : risk of volatility of the incomes of the Bank, risk of increase of non-performing credit exposures and risk of modification of the customer’s behaviors concerning (early) repayments of credits;
- Liquidity risks concerning off-balance sheet items: additional drawings on granted facilities and additional margin calls relating to derivative operations.

A Contingency Funding Plan drafted by Risk Management function is in place to address possible liquidity crisis situations and is tested at least annually.

Moreover, Degroof Petercam has an Internal Liquidity Adequacy Assessment Process (ILAAP) in place to ensure it has robust strategies, policies, processes and systems for identifying, measuring, managing and monitoring liquidity risk and funding positions over all appropriate time horizons, in order to maintain adequate levels of liquidity buffers.

7.2 Scope of liquidity risk management and interaction between the entities of the Group

Liquidity risk is managed at a consolidated level, with a focus on the banking entities of the Group. However, each entity also monitors its liquidity situation at an individual level.

As the Belgian and Luxembourg banking entities are the most important entities in term of liquidity funding, several liquidity metrics are monitored at an individual level for these two entities (in addition to the monitoring at a Group level).

7.3 Structural liquidity risk

The table setting out the maturities of our balance sheet items (assets and liabilities) and off-balance sheet items is available in our Annual Report ("5.3 Liquidity risk" section). The liquidity gap is based on contractual maturities and is the difference between cash inflows and cash outflows. Typical for the banking operations of a bank group, funding sources generally have a shorter maturity than the assets that are funded, leading to a negative net liquidity gap in the shorter time buckets and a positive net liquidity gap in the longer-term buckets. This creates liquidity risk if the Bank would be unable to renew maturing short-term funding (most of the funding of the Bank consists of demand deposits).

In this table, the calculation of the corrected liquidity gap takes into account the capacity of the Bank to mobilize its bond portfolios.

7.4 Liquidity buffer and concentration limits on collateral pools

At year-end 2022, Degroof Petercam had EUR 4,981 mln (worth after haircut) of unencumbered high liquid assets, of which 28% of overnight deposits to central bank and 62% of European Central Bank eligible assets (mainly consisting of liquid government bonds or assimilated and covered bonds). The remaining available liquid assets were mostly liquid government bonds or assimilated, generally eligible with other central banks. Most of the liquid assets were expressed in our home market currencies. Available (unencumbered) liquid assets amounted to 64% of all the customer's (all type of counterparties) deposits, which means that Degroof Petercam was able, other things being equal, to cope with a brutal withdrawal of 64% of all the customer's deposits thanks to its available high liquid assets (liquidity buffer).

To mitigate the credit risk and the market liquidity risk for its bond portfolios, a set of limits are determined concerning the exposures and the concentration by countries, by type of investments, by sector and by issuer, and also the authorized currencies.

7.5 Funding information : composition, concentration and planned funding

Degroof Petercam has a strong customer deposit base, directly coming from its Private Banking clientele or indirectly through funds in which its clientele has invested, resulting in a stable funding mix.

At year-end 2022, the funding of the Bank can be broken down as follows:

- A large base of customer's deposits (EUR 7,199 mln or 77% of the total figure), mainly (85%) consisting of demand deposits;
- Deposits received as collateral for derivative transactions (EUR 540 mln or 6% of the total figure);
- Total equity (EUR 994 mln or 11% of the total figure).

Degroof Petercam does not need to issue any debt.

At least annually, Degroof Petercam updates its funding plan, with forecasting about on- and off- balance sheet evolutions for next 3 years. This funding plan aims to ensure that the funding will be sufficient to cover all the needs of the Bank at any time during the period, and that the Bank will continue to comply with the liquidity risk appetite statement defined by the board of directors and with the regulatory requirements. These forecasting are established at a consolidated level and for each individual banking entity of the Group. Following to the last updated funding plan, the Bank will be able, during the period, to respect the liquidity risk appetite statement defined by the board of directors and the regulatory requirements, with liquidity metrics well above the regulatory minima and the early warning thresholds set by the Bank, and the issue of any debt would not be necessary to cover any liquidity need.

7.6 Regulatory liquidity metrics: LCR and NSFR

The LCR ratio is based on the Delegated Act requirements and is reported on a monthly basis. At year-end 2022, the LCR ratio of Degroof Petercam amounted to 282%, largely above the regulatory required minimum of 100%.

The NSFR ratio is calculated based on Regulation (EU) 2019/876 of 20 May 2019, which has applied since 28 June 2021. This ratio is reported on a quarterly basis. Here too, the regulatory required minimum is 100%. The NSFR ratio of Degroof Petercam stood at 186% at year-end 2022, also well above the regulatory minima.

The LCR ratio and NSFR ratio of each banking entity within the Group were also well above the regulatory required minimum.

Degroof Petercam being classified as 'other institution non-listed' doesn't have any obligation to disclose liquidity risk templates (not subject to art 451 of the CRR2).

Information about liquidity ratio is nevertheless given in the EUKM1 template (key metrics in section 4.3).

Template EU KM1 - Key metrics template (extract liquidity metrics)		a T = 31/12/2022	e T-4 = 31/12/2021
	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%	3.00%
	Liquidity Coverage Ratio (average on 12 monthly data points)		
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	5,167,791	4,578,236
EU 16a	Cash outflows - Total weighted value	2,299,608	2,224,034
EU 16b	Cash inflows - Total weighted value	236,296	302,489
16	Total net cash outflows (adjusted value)	2,063,312	1,921,545
17	Liquidity coverage ratio (%)	252.06%	240.05%
	Net Stable Funding Ratio (end period)		
18	Total available stable funding	5,616,617	5,795,524
19	Total required stable funding	3,019,993	2,916,726
20	NSFR ratio (%)	185.98%	198.70%

7.7 Other (customized) internal liquidity metrics

In addition to regulatory liquidity metrics, Degroof Petercam has established other (customized) internal liquidity metrics that assess the structure of the Bank's balance sheet or that project cash flows and future liquidity positions, taking into account the different liquidity risks identified by the Bank, including off-balance sheet risks. These internal liquidity metrics are monitored on a daily basis at a consolidated level and, for several of them, also at an individual level for the two banking entities of the Group (Belgian and Luxembourg banking entities). As with the liquidity regulatory metrics, the internal liquidity metrics stood at high levels at year-end 2022, well above the early warning thresholds set by the Bank.

7.8 Use of stress-testing

Liquidity stress tests assess Degroof Petercam's liquidity contingency risk by measuring how the net liquidity position of the Bank changes under extreme stressed scenarios. The outcome of stress-tests is based on assumptions regarding liquidity outflows and liquidity inflows resulting from actions taken by the Bank to increase the net liquidity position.

On a daily basis, Degroof Petercam ensures that its liquidity buffer (available liquid assets) is sufficient to cover all liquidity needs in case of a combined and extreme stressed scenario, which takes an event specific to the Bank (idiosyncratic) and a general market event (systematic) into account.

Moreover, in its annual ILAAP report, other stressed scenarios are also performed. These stressed scenarios generally combine an idiosyncratic scenario (i.e. specific to the Bank) with a systematic scenario (more general market crisis).

7.9 Asset encumbrance

The quantity of encumbered assets (i.e. not available) must remain limited. The unencumbered (i.e available) liquid assets (also called liquidity buffer) must remain at a comfortable level at any time to be able to cope with a potential liquidity crisis. At year-end 2022, the encumbered assets of Degroof Petercam amounted to EUR 306 mln (i.e. 3% of the total assets of the Bank) and mainly consisted of cash and securities collateral posted for derivative and clearing transactions in which pledging collateral is a requirement (92% of the total figure).

For more details around encumbered assets of the Group, we refer to our Annual Report.

Lastly, it should be noted that the Bank has no covered bond program.

Degroof Petercam being classified as 'other institution non-listed' doesn't have any obligation to (un)encumbered assets templates (not subject to 443 of the CRR2).

7.10 Contingency funding plan

In case of a deterioration of a liquidity metric (regulatory metric or/and internal metric), different management actions could be activated by the Bank to be able to improve the liquidity situation. A contingency funding plan drafted by Risk Management function is in place to address possible liquidity crisis situations and is tested at least annually.

The contingency funding plan of the Bank describes :

- The liquidity metrics monitored by Degroof Petercam and the limits (including early warning thresholds) set by the Bank;
- The escalation procedure in case of a deterioration of a liquidity regulatory or internal metric;
- The management actions at the disposal of the Bank to improve its liquidity situation.

7.11 Liquidity adequacy assessment process

The Internal Liquidity Adequacy Assessment Process (ILAAP) is performed on an annual basis by the Risk Management function, under the responsibility of the CRO. Based on the outcomes of the last assessment of the liquidity risk profile (based on the situation at year-end 2022), Degroof Petercam can state it has a solid liquidity and funding position, and Degroof Petercam's opinion is that the main components of the ILAAP are covered by the relevant frameworks, policies and best practices.

The last liquidity adequacy statement was validated by the board of directors in April 2023.

8. Asset management risk

Asset management risk is the financial risk deriving from a possible lack of consistency or excessive risk-taking in the asset management strategies pursued by the Group as a whole. This risk thus includes the risk of legal actions by clients for which the mandates were not respected, the commercial risk of the loss of clients whose portfolios have under-performed as a result of inadequate management, and the reputational risk resulting from such events, but also from the elements imposed by regulations (MIFID, etc.).

In view of the importance of the asset management activities, this risk is specifically monitored within each entity by the respective control departments, and also at a consolidated level using aggregated data.

For the Private Banking activity, controls relate to compliance with management constraints set by the clients, by the Group's management committee and by regulations, as well as on performance monitoring.

At the level of the collective funds management activity within the Bank, the controls relate to compliance with legal requirements, prospectuses and investment processes.

Risk Management ensures that the controls and the management principles for Private Banking are consistent from one subsidiary to another.

9. Compliance risk

9.1 Definition

Compliance risk is the threat posed to the Bank's financial, organizational, or reputational standing resulting from violations of laws, regulations, codes of conduct, circulars, or organizational standards of practice (see section 9.4 for more details).

The Compliance function aims at providing assurance to management on the proper management of the compliance risks in the organization.

9.2 Governance

The Compliance function is an independent function that composes, with the Risk Management function, the second line of defense within the organization.

In accordance with Circular NBB_2012_14 / FSMA_2012_21, Compliance monitors the Compliance risks and defines the policies and standards applicable to the activities developed by the Bank, whether they are enacted in the form of laws, regulations or circulars.

The Compliance function also ensures that, in terms of integrity, the rules, guidelines, procedures and codes of ethics:

- Exist and are made known to all;
- Are in line with the objectives pursued in terms of the integrity of the Bank's activities;
- Adequately take into account new laws and regulations.

The chief compliance officer reports directly to the CRO and functionally supervises the Compliance Officers of the Bank's subsidiaries.

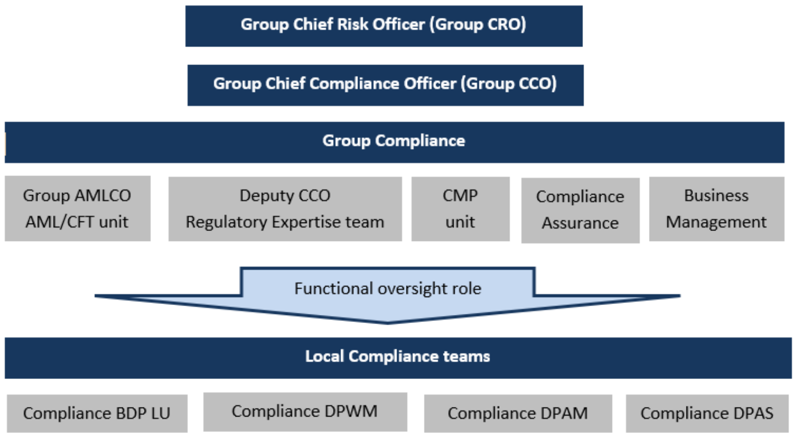
This functional reporting line takes precedence over the local reporting relationship of these Compliance Officers in the local subsidiary. It aims at assuring that the subsidiaries adequately behave in relation to their responsibility for managing compliance risks at the level of their subsidiary in full alignment with risk management at Group level.

During 2021, the functional steering and functional reporting line between Group Compliance and the Compliance teams in the various subsidiaries and branches was further developed and described in the Group Compliance Charter.

The Group Compliance teams have an oversight role, i.e. role of steering, of providing support and of monitoring in relation to the local Compliance team.

To that end, Group Compliance defines standards (policies, guidelines) for Compliance risk assessments, action plans, training plans, monitoring & control activity, implementation of Group policies and tooling. The respect for these Group standards has been formalized as an individual objective in the annual performance exercise of the Heads of Compliance of the subsidiaries.

Group Compliance also monitors the effective respect of these Group Compliance standards through monthly bilateral meetings with the compliance teams of each of the subsidiaries, the set-up of quarterly Group Compliance team meetings, of workshops on monitoring & control methodology and tooling, of quality assurance thematic reviews, the monitoring of the implementation of Group policies, review of the local quarterly and annual reporting. Group Compliance reports on its findings in its Group Compliance quarterly reports and escalates issues to senior management and governing bodies.



9.3 Organization

At the parent company level, i.e. Bank Degroof Petercam SA/NV, the Compliance department is headed by the Group chief compliance officer and is organized along a bundling of centers of expertise: AML/CFT, Regulatory expertise, Monitoring and control, Compliance assurance and Compliance business management.

Each of these teams manages compliance risks through:

- Advising and issuing compliance recommendations to businesses on transactions, new product approval, development of processes, sanctions for breaches of ethical rules by staff members;
- Ensuring a Regulatory watch;
- Developing policies & procedures;
- Carrying out compliance risk assessments and defining a compliance action plan; preparing and advising the Board on the Compliance risk appetite;
- Organizing Compliance trainings and awareness actions for business and operational staff, both existing staff and newcomers;
- Reporting on Compliance activities to management and to regulators;
- Responding to regulators' and judicial or administrative authorities' requests.

COMBATING MONEY LAUNDERING AND TERRORIST FINANCING (AML/CFT)

The AMLCO and the AML/CFT Unit is responsible for the prevention of money laundering and terrorist financing. Money laundering risk management includes, in particular, the following activities:

- Advising businesses and operational departments in relation to the acceptance of clients with an increased level of risk;
- Screening transactions and clients against embargo and sanction lists;
- Declaring to the FIU (i.e. for Belgium the CTIF) suspicious transactions related to money laundering or terrorist financing;
- Conducting a periodical review of all the Bank's clients;
- Scoring the Bank's clients for AML risk;

The AML team is organized into different sub-units. The first unit, composed of AML analysts, is responsible for handling the operational activity of due diligence in the context of onboarding and reviewing client relationships. A second unit is in charge of the 2nd line AML transaction monitoring and the support functions of the AML team.

REGULATORY EXPERTISE

This Compliance team handles all Compliance topics other than AML/CFT. It is structured into three sub-teams: each focusing on a particular Compliance domain: (1) MiFID, (2) Financial Information & Sustainable Finance, (3) Market Integrity & Professional Ethics (including the prevention policy in tax matters and the prevention of reputation risk).

MIFID AND FINANCIAL INFORMATION

The "MiFID II" and Sustainable Finance legislation constitutes the regulatory basis to which the MiFID team and the Financial Information team refer in order to ensure that the Bank complies with all its obligations. The main topics covered by these teams include the following:

- Classification of clients;
- Client's profiling;
- Suitability / appropriateness test;
- Information to clients;
- Reporting to clients;
- Reporting to the authorities;
- Inducements;
- Sustainable Finance preferences.

MARKET INTEGRITY

The "Market Integrity" team ensures compliance with the provisions of the European Market Abuse Regulation (MAR).

The main topics are:

- Prevention of improper use and dissemination of inside information;
- Prevention of market manipulation;
- Cartography and compliance supervision of the safe harbors and legitimate behaviors such as market soundings, share buyback or liquidity provision;
- Ensuring that policies such as Chinese Walls and Market Sounding are respected.

PROFESSIONAL ETHICS

The Regulatory expertise sub-team also handles topics in relation to Professional Ethics, such as:

- Conflict of interests cartography and management;
- Gift policy monitoring;
- Personal account dealing;
- Whistleblowing;
- Prevention policy in tax matters;

- Respect of the code of ethics.

COMPLIANCE MONITORING

The Compliance Monitoring Team centralizes and coordinates the Compliance 2nd line control activity at the level of BDP Belgium, via the elaboration of a Compliance Monitoring Plan, the definition and performance of 2nd line Compliance controls and KRIs, discussion and reporting on the results towards the operational business units and senior management.

This team also plays an important coordination role in the Compliance control & monitoring activities carried out in the subsidiaries, by way of (1) defining Group methodology and guidelines on Compliance monitoring and reporting and (2) sharing of best practices and training of the Compliance teams in the subsidiaries on Compliance monitoring.

9.4 Compliance risks

The main risks the Compliance department is dealing with are the following:

AML/CFT RISKS

- The risk of entering into and maintaining a relationship with persons who are linked to money laundering offences or who are listed on sanctions/embargos lists or who in a more general way, people who may damage the reputation of the Bank;
- The risk of accepting funds linked to proceeds of money laundering offences;
- The risk of executing transactions linked to clients or funds related to money laundering offences or listed on sanctions / embargos lists.

MIFID RISKS

- The risk of mis-selling, i.e. providing services or selling products to the wrong type of clients or that are not suitable or appropriate for the client;
- The risk of not providing the client with the proper information and reporting linked to the provided service or sold product;
- The risk of publishing non-compliant financial products and services information;
- The risk of improper prevention or improper management of conflicts of interests.

MARKET ABUSE RISKS

- The risk of manipulating markets or not detecting a manipulation attempt;
- The risk of dissemination or use of inside information by a client or staff member;
- The risk to use a safe harbor without respecting the legal conditions;
- The risk to have the conditions of a legitimate behavior not respected.

DEONTOLOGICAL RISKS

The risk that directors, executive management and staff members do not respects the rules contained in the internal code of ethics (in particular the rules related to personal transactions, gifts and external mandates policies).

10. Operational risk

10.1 Definition

The Basel Committee defines operational risk as the risk of loss occurring from inadequate or failed internal processes, people and systems, or from external events. Operational risks encompass the broadest range of risks, arising from internal sources such as operational processes, information systems and organization, as well as from external sources such as legal requirements or natural disasters.

Beyond risks arising from the core back-office and day-to-day business operations, operational risks encompass among others information risk (related to information systems as well as to communication), legal risk (i.e. the risk of legal suit arising from potential failure to comply with regulatory or contractual commitments) and compliance risk (i.e. the risk of regulatory sanctions for failing to comply with the law).

10.2 Governance

The Operational Risk Management (ORM) function belongs to the second line of defense within the organization and ensures that operational risks taken by the organization are appropriately managed and do not exceed the risk appetite defined by the board of directors.

Its main tasks can be described as follows:

- Ensure the development and implementation of the operational risk management framework and governance including related policies;
- Independently challenge the risk assessments done by the first line of defense (RCSA and projects);
- Oversee and challenge the investigation of the operational risk events;
- Issue recommendations and track remediation plans where required;
- Report and monitor on operational risk management;
- Contribute to the awareness of operational risk through the Group.

An ORM framework has been defined and approved by the board of directors. In this context, the management committee appoints the non-financial risk committee (NFRC) as the official body for all non-financial risk matters to which the Group is exposed (across all departments, entities and functions). It ensures that these risks are adequately identified, monitored and reported, and that organizational measures and actions/activities are put in place to effectively mitigate these risks - with a forward-looking approach.

The NFRC plays a key role in the assessment of potential impact of material changes (i.e. new product, new outsourcing, business process change, etc.) on the Group's risk profile.

The NFRC ensures that all first and second-line activities related to operational risk (including compliance risks) or climate & environmental risks are undertaken in line with the risk appetite, policies & procedures as well as with laws & regulations and assists with the implementation in all Degroof Petercam entities.

The NFRC is composed of the following permanent members: the CRO (as president), the head of Regulatory Coordination, the head of Operational Risk Management, the head of Compliance, the AMLCO, the head of ICE1L, the CISO, the Data Privacy Officer, the CEO, the CFO, the head of Legal and the risk representatives of BDPL and DPAM. Business representatives are invited to participate in this committee as required to discuss their respective risks they are in charge of. The head of Internal Audit is a permanent invitee.

The NFRC gathers at least on a quarterly basis.

10.3 Operational risk measurement

The ORM function applies several techniques to capture operational risks faced by the organization and accomplish its tasks. The regulatory capital requirements are computed according to the Basic Indicator Approach.

RISK APPETITE FRAMEWORK

The Risk Appetite for operational risk is set in line with the overall requirements as defined in the Risk Appetite Framework and with the operational risk sub-categories. The ORM function also ensures the development and follow-up of key risk indicators to ensure the monitoring of its operational risk on a continuous basis.

INTERNAL CONTROL FRAMEWORK

The ORM function conducts recurrent independent controls on business activities or processes. The scope of these controls is set in line with the overall requirements as defined in the internal control framework and addresses risks associated with activities and process as well as the control in place in the business lines.

RISK AND CONTROL SELF ASSESSMENTS

The risk and control self-assessment (RCSA) is an integral part of the Operational Risk Management and Compliance frameworks. RCSA provides a structured mechanism for estimating operational exposures and the effectiveness of controls. In so doing RCSA help the Group to prioritize risk exposures, identify control weaknesses or gaps and monitor the actions taken to remediate any weaknesses or gaps.

The RCSA exercise is conducted:

- By business lines and operational departments through a self-assessment of related processes on one hand, and;
- By the Operational Risk Management through challenge and independent testing and review on the other hand.

The RCSA exercise can be described in 5 steps:

- Risk identification by the business;
- When the risk is identified, it should be assessed against possible impacts and the likelihood of occurrence, without considering any control (i.e. inherent risk exposure);
- Key controls should be identified, documented and assessed;

- Considering the design and the operating effectiveness of the set of controls mitigating a same risk, the residual risk exposure is derived;
- Finally, any breach of risk appetite must be escalated accordingly and should be tackled through the implementation of a remediation actions plan.

OPERATIONAL RISK EVENT MANAGEMENT

Operational risk event (due to systems or processes failures, human errors or external events) are recorded within a GRC tool and monitored by Risk Management in order to identify potential issues within the organization or arising from external factors (i.e. root-cause analysis).

The Bank has a process enabling risk event to be detected, recorded and escalated efficiently from the Business Unit/Subsidiaries to the management committee in order to ensure an appropriate response and involvement of management.

The ORM function issues monthly and quarterly risk event reporting.

OUTSOURCING AND THIRD PARTY

The Outsourcing and Third-Party Risk Management Policy sets out the framework of risk management for all Third Party arrangements of the Group with service providers. The Policy integrates the requirements of the EBA guidelines on Outsourcing Arrangements.

The objectives of the policy are:

- To outline the principles and rules adopted by the Group for the assessment, approval, implementation, monitoring, review and termination of all Group arrangements with a Third-Party;
- To establish roles and responsibilities;
- To ensure compliance with laws and regulations applicable to outsourcing arrangements.

NEW INITIATIVE AND PRODUCT APPROVAL PROCESS

The purpose of the New Initiative & Product Approval Process is to assess the risks of any new initiative (the development of new markets, products, activities, services, investment, unusual transaction and projects) in order to ensure that these initiatives are executed and implemented with supervision proportional to their estimated impact on the Bank's Operational and Compliance risk profile.

Operational risks resulting from these new initiatives are monitored, with the definition, execution and follow-up of action plans to mitigate these risks along their lifecycle until they are launched into production.

BUSINESS CONTINUITY AND CRISIS MANAGEMENT

Degroof Petercam is committed to support the continuity of its services in case of disruption and therefore ensures that sufficient means are implemented within the Group to ensure the continuity of its activities and to protect its critical business processes from the effects of significant incidents or major failures in the working environment (infrastructure failure, information system failure, etc.).

As a result, each Degroof Petercam entities will ensure that appropriate Business Continuity Management procedures have been set up, maintained and tested according to Group requirements as well as to local regulations.

INFORMATION RISK GOVERNANCE

The management committee is responsible for ensuring that the Group manages its risks related to information security (including cyber risk events) in an appropriate manner, according to the risk appetite of the Bank and in compliance with applicable laws and regulations.

Increasing attention is being paid to Cybersecurity. Preventive and detective controls are in place, and are being continuously tested, monitored and improved to adjust controls to current and anticipated threats. Reaction and recovery procedure are in place and tested, as part of business resilience exercises.

Extensive resources are being devoted to protection against phishing and other social engineering threats. In addition to protective and detective technology, attention is paid to Information security awareness in order to promote good practices and provide assistance to staff to react properly to adverse cybersecurity events.

In this context, the Group information security committee (GISC) is the body within the Group to:

- Identify and quantify the information security risks faced by the Group;
- Follow that adequate responses are provided to those risks faced;
- Coordinate all aspects of information security within the Group in order to continuously improve the Information Security Management System (ISMS) of the Bank.

INSURANCE POLICIES

Potential financial impacts of operational risks are also mitigated by taking out insurance policies, covering amongst other professional liability, fraud, and for cyber risk.

11. ESG risk

11.1 Context

This section of the Risk Report focuses on the integration of ESG risk in Degroof Petercam's risk management framework in line with the ECB Guide on climate related and environmental risks with a focus on climate risk. This process is embedded in the Sustainable journey of Degroof Petercam.

We refer to the non-financial report[4] that reflects our pledge to our environmental, social and governance (ESG) responsibilities and commitments. It describes how we address corporate sustainability and how we have embarked on a Sustainable Finance journey. In the non-financial report, we share the non-financial information of Degroof Petercam's main activities related to sustainable development, policies, guidelines, and governance structure.

11.2 Integration in the risk management framework

Following the ECB's publication of its guide on climate-related and environmental risks, Degroof Petercam has initiated a multi-year action plan in order to gradually implement the ESG risks in its risk management framework. In 2022, the action plan enabled to:

- Conduct a detailed risk assessment as part of the ICAAP and ILAAP, leveraging on the ECB climate risk stress tests methodology;
- Incorporate ESG risk disclosure as part of this Pillar 3 report and of the non-financial report;
- Update the Group climate-risk policy into an ESG-risk policy;
- Continue to develop a set of (key) risk indicators; and
- Identify Degroof Petercam priorities in the incorporation of ESG risk in its business processes.

ESG commitment is deeply rooted in our organization. It is reflected in policies put in place and updated in recent years. These policies constitute the framework in which we address sustainability at the level of our organization, people, and solutions.

More specially, our Group Lending Policy formalizes the prevention of credit granting to carbon intensive industries or activities harmful to the environment and ensures that the purpose of each credit facility never circumvents the Bank's objectives in terms of ESG ambitions. In addition, our credit procedures are in line with the NBB circular of 01/12/2020 on real estate exposure.Since the last quarter of 2022, we systematically request the building energy performance score (EPC labels, scale from A to G) of each property for new credits secured by or linked to financing real estate.

For its own banking book, Degroof Petercam refrains from investing in financial instruments issued by certain companies in controversial sectors as defined by the Global Sustainable Investment Policy (GSIP) and the Controversial Activities Policy.

By the end of 2022, we had further professionalized our Group's corporate governance structure to firmly embed our commitment to sustainability, as well as leverage on our proven ESG track record in our governance bodies.

[4] https://annualreport.degroofpetercam.com/2022/downloads/DP_AR2022_NONFINANCIAL_EN.pdf

The new governance structure which was officially launched in the first quarter of 2022, is supported by the nomination of a full time senior Corporate Sustainability Manager and is organized around four central steering groups,[5] each in charge of a different aspect of sustainability. All of them report to the non-financial risk committee (NFRC).

In this structure, the Responsible Banking Steering Group (RBSG) was set up in March 2022 to oversee the sustainability of the banking activities. This includes balance sheet components, climate-related risk (credit, market, liquidity, operational and business model risk), value-proposition of Private Banking, control and the follow-up of the UN's Principles for Responsible Banking (UNPRB) agenda. This steering group convenes on a monthly basis and is chaired by the Group head of regulatory coordination.

The action plan will continue to implement the components mentioned above, following the enhanced maturity brought by the Sustainable Finance governance implemented in 2022. As a result, the publication included in this report is considered as an enhanced disclosure on ESG risk, and will gradually evolve in order to address all the requirements set forth by the ECB in its guide on climate-related and environmental risks.

11.3 Risk assessment

With focus on climate and environmental risk, Degroof Petercam has defined these risks as transversal risk, related to the other risks of the Bank, in particular credit, market, liquidity and operational risk (including reputational impact resulting in loss of customers).

Climate and environmental risks can be divided into two main sources:

- Physical risk: this arises from the physical effects of climate change on the Bank's operational activities, staff, markets, infrastructure or, more generally, on its resources and assets. It can materialize in the form of climatic events and disasters (floods, storms, droughts, etc.) or through the effects of the progressive rise in average temperature. This risk can also materialize in the form of environmental degradation, such as air, water and soil pollution or loss of biodiversity and deforestation;
- Transition risk: this is linked to the transition to "decarbonized" energy sources or, more broadly, to a more sustainable economy. This risk materializes through different factors:
    - Technological change and the decreasing share of fossil fuels in energy consumption;
    - Regulatory changes penalizing fossil fuels and ultimately leading to a depreciation of investments in carbon-based activities (and an adjustment in the valuation of the companies concerned);
    - Investor and consumer behavior, which could change in several areas (i.e. postponement of investment decisions due to uncertainty about the regulatory framework for fossil fuels and renewables, consumer disaffection from certain industries due to their environmental impact, etc.).

Given the business model and balance sheet of the Bank, our ICAAP concluded that Degroof Petercam is not materially exposed to climate and environmental risks.

[5] We refer to the non-financial report for more details about the sustainability governance.

Risk	Transversal climate and environmental risks		
	Physical risk	Transition risk	
Credit risk	Low	Low	Exposures are mostly in low vulnerability countries and sectors
Market risk		Low	Limited risk due to limited volumes and possession periods
ALM risk		Low	Exposures are mostly in low vulnerability countries and sectors
Liquidity risk	Low	Low	Limited impacts on both the asset and liability sides of the balance sheet
Operational risk	Low	Low	Limited physical risk given the nature of the Bank's activities, location and premises. Transition risk has been assessed on the basis of reputational impact resulting in loss of customers.

This risk assessment is developed in our ICAAP, mainly through the incorporation of a specific climate-risk scenario combining:

- A short term disorderly climate transition, affecting companies active in risky sectors, coupled with a change in customer preferences (migration to "green" assets) and reputational impact in a context of evolution of the definitions of "green" products offered to customers. The parameters for this scenario are mainly based on the ECB climate-risk stress tests;
- A physical risk scenario affecting one of our offices.

This scenario led in particularly to apply stress factors to:

- The loan portfolio, through the application of depreciation factors on collateral (securities and real estate) and sector default ;
- The corporate and government bonds, through a widening of the spreads;
- Reduced revenues on equity;
- The continuity of one of our office, through a flood scenario; and
- The simulation of a reputational impact related to ESG, through a simulation of client outflows.

As a result of these simulations, the ICAAP has concluded that Degroof Petercam would be able to maintain its solvency ratios well above the regulatory requirements.

11.4 Risk monitoring

ESG risk monitoring is embedded in the risk management framework through a combination of:

- Periodic monitoring through evolving key risk indicators (KRIs);

- Below is an exhaustive list of the (K)RIs currently assessed, others are currently being developed (related to our main risks i.e. Asset Management Risk, Private Banking Risk, Credit Risk and Liquidity Risk). Those (K)RIs ensure that the Group is not involved with controversial activities, its banking and loan books comply with all Sustainable Finance policies and the Bank did not face any climate-related risk event;
- ICAAP and ILAAP monitoring;
- Incorporation in the Business Continuity Plan and related scenarios.

Risk type	(Key) Risk Indicators	
Operational risk	Number of incidents related to climatic events with continuity risk for the Bank (incl. buildings and IT services/systems)	
	Deviations at the level of the Bank and its subsidiaries leading to justified customer complaints in terms of Sustainable Finance, due to execution or process errors.	KRI
ALM Risk	No « forbidden » investments (non-sustainable) among the Group investments, no braches of the « Contorversial Activities policy »	

Besides those (K)RIs, the Bank also established quarterly KPIs to assess its progress on its Sustainable Finance journey. It enables us to monitor green bonds investment, the proportion of funds promoting environmental or social characteristics, the progress towards the net zero target, the EPC labels of credit collaterals as well as some social matters such as gender equality and staff awareness.

It should be noted that the overall sustainability landscape evolves & matures quickly. This will provide access to additional data which might be relevant to add to the list of above mentioned (K)RI's.

11.5 Risk disclosure

ESG risk disclosure will evolve along with the implementation of regulatory disclosure requirements, mainly the evolution of the Capital Requirements Regulation and Directive, the Corporate Sustainability Reporting Directive and the Taxonomy regulation. It is worthwhile to note that Sustainable Finance Related Disclosures are not incorporated in this Pillar 3 document, for which more information is available on the Degroof Petercam website[6].

CARBON NEUTRALITY & NET ZERO EMISSIONS

In 2022, the Group started its journey towards Net Zero. A phased plan of targeted reduction measures will be established thanks to the Group's first carbon footprint mapping disclosed in the non-financial report. Besides Scope 1 & 2 emissions (direct emisssions), the Group also analysed its indirect emissions (Scope 3) except for the financed emissions (Scope 3 – category 15). From this analysis, it emerges unsurprisingly that capital and purchased goods as well as the services are the main source of indirect emissions.

[6] https://annualreport.degroofpetercam.com/2022/downloads/DP_AR2022_NONFINANCIAL_EN.pdf

With regards to Scope 3 – financed emissions, it is important to mention the commitment of DPAM on Net Zero. DPAM joined the Net Zero Asset Managers (NZAM) initiative in 2022. It requires assets managers to support investments, which are aligned with the ambition to reach net zero emissions by 2050. To do so, DPAM follows the Sciences Based Target (SBT) protocol, which requires asset managers to commit to invest for 100% in STBi aligned companies by 2040. This way DPAM should be able to realise a carbon footprint in line with the Paris Agreement goals limiting global warming to well-below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C.

RISK EXPOSURE

Code NACE classification

On the basis of the data communicated by the ECB in the context of the "climate stress test 2022", the economic sectors (on the basis of the NACE classification) have been grouped according to their sensitivity to the **risk of a disorderly climate transition**.

Sector	Sensitivity to a disorderly climate transition	Sector description
B05-B09	High	Mining (etc)
C19	High	Manufacture of coke and refined petroleum products
H49	Medium	Land transport and transport via pipelines
D35	Medium	Electricity, gas, steam and air conditioning supply
C23	Medium	Manufacture of other non
C24-C25	Medium	Manufacture metal
H51	Low	Air transport
G45-G47	Low	Wholesale trade
C20	Low	Manufacture of chemicals and chemical products
E36-E39	Low	Water
L68	Low	Real estate activities
C10-C12	Low	Manufacture food & beverage
c30	Low	Manufacture motor vehicles & transport
H50	Low	Water transport
C26-C28	Low	Manufacture electronics & elec equipment
F41-F43	Low	Construction buildings & civil engineering
C21-C22	Low	Manufacture pharmacy & plastic
A01	Low	Crop & animal production
A02-A03	Low	Agriculture (forestry etc)
H52-H53	Low	Support activities for transport & postal services
C13-C18	Low	Manufacture (diverse)
C31-C33	Low	Manufacture furniture, machinery, etc

As regards **lending activities** , as shown in the table below, the Bank grants almost all loans to individuals (59% of the outstanding loans granted) or to counterparties that would not be (or only slightly) impacted by a disorderly climate transition risk (41% of the outstanding loans granted). On 31 December 2022, in line with its climate policy, the Bank had not granted any credit to a counterparty that would be strongly impacted by a climate transition risk. On the same date, no credit is to be considered in a medium climate transition risk category.

sector sensitivity to a disorderly climate transition	% of loans amount granted
High	0%
Medium	0%
Low	14%
Other non climate sensitive sectors	27%
Not applicable (individual clients)	59%

With regard to the **bond portfolio** held by the Bank for its own account, in line with its climate policy, the Bank wishes to refrain from investing in securities issued by companies operating in carbon-intensive industries or in activities that are clearly detrimental to the environment.

As of 31/12/2022, the Bank no longer held any position whose sector of activity (based on the NACE classification, as explained above) would no longer be accepted today in accordance with the climate policy in place. It should be noted, however, that on 31/12/2022, the Bank held three positions for a total of EUR 15 mln issued by a total of 2 companies whose sector of activity (on the basis of the NACE classification, as explained above) would potentially be very sensitive to a risk of disorderly climate transition but whose sector of activity is not currently included in the list of prohibited sectors of activity within the Bank. In these position, EUR 10 mln have a very short maturity (1st half of 2023).

As shown in the table below, on 31 December 2022, the vast majority (over 82%) of the corporate bond portfolio (including commercial papers) was issued by companies whose industry would not be specifically impacted by a disorderly climate transition.

sector sensitivity to a disorderly climate transition	% of nominal amount Bonds portfolios
High	4%
Medium	12%
Low and other non climate sensitive sectors	82%

Green bonds and Taxonomy-elegible assets

Degroof Petercam does not hold positions linked to fossil fuel industry. Moreover, the investments in its banking book do fit in the Article 8 integrating ESG characteristics as described under SFDR. In addition, we have decided to step up our investments in green bonds and proritise Taxonomy-eligible assets. At the end of 2022, we have already EUR 183 mln invested in green bonds.

We refer to the non-financial report for the calculation of the Taxonomy-eligibility ratio of the Banking Book of Degroof Petercam. This ratio assesses the proportion of assets related to economic activities with the potential to contribute substantially to climate change adaptation and mitigation.
Yet, the capacity to report accurate information depends on the capacity of our service providers and the industry as a whole, which led to the following limitations:

- The limitations of 2022 reporting are as follows : no identification of investments or exposures to undertakings which are not required to publish non-financial information and hence, to report on Taxonomy;
- Taxonomy-eligibility ratio only based on turnover, not yet on CAPEX;
- Data provider limitations and readiness to collect information on all the Group's counterparties, such as Third-party funds.

EPC Labels

Lending activity is mostly in the form of Lombard loans. The collateral provided by customers as a guarantee would also only be slightly affected by a disorderly climate transition risk.

Nevertheless, the collateral in the form of pledge on real estate (residential mortgages, mortgage mandates and commercial mortgages) have been specifically analyzed to access the sensitivity of this type of collateral to climate transition risk.

The implementation of the quantification in order to assess the sensitivity of this type of collateral to a climate transition risk uses either:

- The exact EPC labels when it exists within the Bank;
- The EPC labels derived based on regulation or public data at the property level;
- The use of statistical model when the EPC labels are not available. The statistical model is based on averages by region (the EPC labels are regionalized) and by property type. Expert adjustments to the average values are made according to the year of construction of the property.

Physical risk – NUTS classification

Regarding the physical risk, its impact on the lending activity is measured through the location of real estate collateral. In line with the ECB's 2022 climate stress test, we use the NUTS classification (Nomenclature of territorial units for statistics) to classify assets by impact zone. Almost all of the properties secured by the Bank's loans are located in moderate risk areas (medium, low or minor).

Physical risk of flood	% value of collateral
High	5%
Medium	60%
Low	32%
Minor	4%

However, it should be noted in this respect that the majority of the properties listed as medium risk in the above table concern properties located in Luxembourg. In the context of the ECB's 2022 climate stress test, only one zone (i.e. the whole country) is considered for Luxembourg. Furthermore, this classification methodology, which has the advantage of being relatively simple to implement, does not take into account criteria such as the type of property (house or flat) for example. For these various reasons, this risk classification methodology is probably penalizing for the Bank.

METHODOLOGY

Degroof Petercam's risk assessment methodology combines scenario analysis and periodic monitoring:

- Scenario analysis is based on events observed in Degroof Petercam, its environment or its competitors while incorporating market practices or supervisory requirements. In particular for ESG risk, the ECB climate risk stress test methodology enabled Degroof Petercam to define granular stress scenarios and to identify the data needs;
- Exposure measurement for periodic monitoring combines a qualitative assessment, quantitative assessment to ensure compliance with Degroof Petercam's policies with ESG-related data. In particular, Degroof Petercam is building its capacity to rely on the most relevant data such as NACE code, green bonds classification, location, credit purpose and real estate efficiency (EPC labels) scores applicable in each country;
- Identification of the Group investments facing transition risks due to regulatory changes penalizing fossil fuels or changes in investor behaviour.

12. Remuneration

12.1 Decision making process of the remuneration policy

The decision making process for determining the remuneration policy and the role of the relevant stakeholders has been documented at Group level within the Group remuneration procedure and Group remuneration guidelines that apply to all entities of the Group. The Group procedure and Group guidelines have been last validated by the management committee on 16 August 2022 and by the remuneration committee on 26 August 2022.

The following bodies and functions are involved in terms of determination of the remuneration policy within Degroof Petercam[7]:

- Board of directors;
- Remuneration committee;
- Management committee;
- Control Functions;
- External consultants, being:

Consultants	Assignment	Mandated by
Claeys & Engels	Update remuneration policy	remuneration committee
Ernst & Young	Remuneration procedures & guidelines	Audit

Board of directors

The board of directors has the central role in determining any remuneration policy within Degroof Petercam. It is the ultimate organ of decision and supervision in this matter.
The board of directors makes the individual decisions regarding the remuneration of the members of the Identified Staff. Similarly, it can only agree to derogations from the remuneration policy.
It delegates the preparation of the decisions to the remuneration committee and their implementation to the management committee.

Remuneration committee

The remuneration committee is composed of non-executive members of the board of directors.
The remuneration committee provides opinions and proposals for decisions to the board of directors relating to:

- The remuneration policy within Degroof Petercam and any amendments thereto;
- The global variable remuneration package of Degroof Petercam;
- The allocation of the envelope between the entities of Degroof Petercam and the share of the envelope reserved for Identified Staff;
- Remuneration of Identified Staff and Control Functions;
- Remuneration of the non-executive members of the board of directors;
- The possible implementation of stock option plans or capital increases reserved for Employees.

The remuneration committee directly supervises the remuneration of the heads of the Control Functions.
In its opinions and decision-making, the remuneration committee takes into account the long-term interests

[7] For composition of the committees see section 3.1

of shareholders, investors and other stakeholders of Degroof Petercam as well as the public interest.
Yvan de Cock (president), Gilles Samyn, Frank van Bellingen, Thomas Demeure and Sylvie Rémond are members of the remuneration committee. The CEO and the Group chief HR officer are invited to the remuneration committee meetings.

The remuneration committee met six times in 2022.

Management committee
The implementation of the remuneration policy is executed by the management committee.
The remuneration policy is an integral part of the governance memorandum prepared under the responsibility of the management committee and approved by the board of directors.

Control Functions
The Control Functions, and more specifically Internal Audit, Risk and Compliance, cooperate closely with the board of directors, the management committee and the remuneration committee in the establishment, the monitoring of the application and the evaluation of the remuneration policy and the remuneration policy for Identified Staff.
As part of this cooperation, the Control Functions may at any time, on their own initiative or at the request of the bodies concerned, formulate opinions.
The Control Functions also cooperate in determining the overall remuneration strategy of Degroof Petercam, taking into account the promotion of effective risk management.

External Consultants
Bank Degroof Petercam works with an external law firm (Claeys & Engels) to get legal advice on our remuneration policies and framework, ensuring we comply with all relevant guidelines, and with Ernst & Young to support in the documentation of the remuneration processes & selection procedure of Identified Staff.

12.2 Information on link between pay and performance

The following performance monitoring principles apply to all Employees:

- At the beginning of the performance period, the Employee and one of his line managers agree on a set of performance objectives in line with Degroof Petercam's strategy;
- In line with Degroof Petercam's internal policies for the prevention and management of conflicts of interest, the performance objectives avoid creating conflicts of interest, in particular through incentives that may encourage Employees to promote their own interests or the interests of Degroof Petercam at the potential expense of clients. To this end, all performance objectives will include an appreciable share of qualitative criteria and will not establish a direct link between the sale (of categories) of specific financial instruments and the variable remuneration;
- A performance evaluation is performed at the end of the performance period by one of the line managers. It is carried out on the basis of financial and non-financial criteria, individual or collective;
- All performance goals and performance evaluations are properly documented.

In addition, the following principles apply to the Control Functions:

At the beginning of the performance period, the employee and the manager of the department to which the Control Function reports agree on a set of performance objectives;

The objectives of the Control Functions are set within the following constraints:

- The objectives are primarily related to the exercise of the functions, including to a large extent qualitative criteria;
- If financial objectives are set as part of the non-functional objectives, they may not be linked to the financial performance of the business areas and levels of the company that the Control Function directly supervises, but only to the financial results of Degroof Petercam as a whole;
- At no time may the performance objectives of Control Functions compromise their independence or create a conflict of interest or, more concretely, have the effect that any of their decisions or actions may have a direct effect on the achievement of their financial objectives and the level of their variable compensation;
- A performance review is carried out at the end of the performance period by one of the managers. This assessment will be validated by the head of the department to which the Control Function reports.

12.3 Most important design characteristics of the Banks' remuneration policy

Policy	Scope
Global remuneration policy	All Group
Global remuneration policy IS	All Identified staff of the Group
DPAM remuneration policy all staff	All Degroof Petercam Asset Management Staff including Identified staff
Remuneration policy Luxemburg	All staff within Degroof Petercam entities in Luxemburg
Remuneration policy IS Lux	All Identified staff within Degroof Petercam entities in Luxemburg

The setting of remuneration takes into account market practice, competitiveness, risks, the long-term objectives of the company and its stakeholders and the continuously changing regulations.

The policy is reviewed on an annual basis. In September 2022, all above mentioned policies have been reviewed. The major impact regarded the deferral threshold for variable remuneration for Identified Staff which is lowered : identified staff with a variable remuneration of EUR 50,000 and which does not represent more than one third of their total annual remuneration, are excluded from being deferred.

The following general remuneration principles apply to all Employees:

Any internal or local practices or provisions relating to remuneration or performance monitoring that co-exist with the Remuneration Policy:

- Are consistent with Degroof Petercam's business strategy, objectives, values and tolerated risk level;
- Are in the long-term interests of Degroof Petercam as well as the interests of Degroof Petercam's clients, inter alia by avoiding conflicts of interest;
- Enable and promote sound and effective risk management and support the effective control of risk and the protection of a sound and healthy financial base;
- Comply with international and Belgian regulations on remuneration policies;

- Promote sound and effective risk management with regard to sustainability risks, while the remuneration structure does not encourage excessive risk-taking;
- Are adequately documented to allow proper monitoring of their implementation.

Fixed remuneration is mainly determined on the basis of the function of the employee, reflecting professional experience, responsibility and job complexity.

Variable remuneration

The level of variable remuneration can depend on several factors, such as the Group overall performance, the performance of the staff member's business division or entity and the staff member's individual performance.

The total volume of variable remuneration granted does not limit the capacity of Degroof Petercam to strengthen its own funds. To this end, variable remuneration is only granted if there is sufficient margin to generate a variable remuneration envelope. This envelope is set by the board of directors on the proposal of the remuneration committee.

Guaranteed variable remuneration is not compatible with sound risk management or the principle of earnings-based and performance-based compensation and is not part of future-oriented compensation plans. As a result, a guaranteed variable remuneration will be granted only exceptionally, and only to newly recruited Employees and for their first year of employment, provided that Degroof Petercam has a sound and solid financial base.

The following **non-cash benefits** are granted to all staff according to the country specific customs and are not linked to performance criteria:

- Cellular phone + data subscription;
- Hospitalization insurance;
- Pension plan;
- Death insurance;
- Disability insurance;
- Professional travel insurance;
- Business accident insurance;
- Extra-legal holidays;
- Meal vouchers.

Dependent upon the level of the role within the organization, some employees are also eligible to a mobility budget (to opt for a company car or other mobility options).

Sign on bonuses

For specific recruitment needs, bonuses paid in cash charged to the bonus pool for the fiscal year can be granted to new hires. These sign on bonuses cover (a part of) the financial losses which are linked to the resignation at the previous employer. The sign on bonus must include a claw-back clause considering an acceptable retention period.

Severance payment in lieu of notice

For self-employed
For self-employed managers, the severance entitlement will in principle not exceed 12, respectively 18 months subject to the motivated recommendation of the remuneration committee, and are defined in the management agreement.

For employees
In case of the early termination of an employment contract, any amount paid in the transactional context (beyond the existing legal minimums and collective agreements) should reflect the actual past performance of the employee and cannot reward a failure. The evaluation of this performance must be documented.

If under Belgian legislation additional legal requirements and procedures should be respected to exceed severance packages of 12, respectively 18 months, the required approval procedure will be fully respected.

Buyout awards
Buyout awards to newly hired experienced executives will be paid according to a schedule and under conditions as equivalent as possible to the initial vesting dates and conditions of the repurchased instruments and in accordance with the payment and behavioral conditions stipulated in the framework of the Bank's deferred remuneration plan in effect at the time of the buy-out awards to these employees, including deferral, retention, pay out in instruments and claw-back arrangements.
Buyout awards are – for the avoidance of doubt - however not considered as variable remuneration in the sense of CRD V since they do not reward a professional activity performed for Degroof Petercam.

Remuneration of the non-executive Board members
The remuneration of the non-executive members of the board of directors, of the Nomination and remuneration committees and of other committees is solely composed of a fixed remuneration that is established based on the market references.
Those members do not receive any form of variable remuneration.

12.4 Identified Staff

Degroof Petercam's selection of Identified Staff is based on the European Banking Authority's Regulatory Technical Standards (RTS) of 25 March 2021.

The RTS comprises qualitative and quantitative selection criteria. Degroof Petercam has carefully considered how to apply these criteria. This has been transposed in a Group identification policy last validated by the remuneration committee on 26 August 2022.

The selection and deselection of Identified Staff is an ongoing process to reflect staffing and organizational changes.

Degroof Petercam applies specific rules for Identified Staff. The performance-based remuneration of Identified Staff is awarded in a manner which promotes sound risk management and does not induce excessive risk-taking. This is ensured by specific rules, which are applicable to the variable remuneration of Identified Staff.

For employees belonging to the Identified Staff, the remuneration policy provides for an appropriate balance between the fixed and variable components of the total remuneration.
The fixed remuneration represents a sufficiently large portion of the total remuneration to guarantee the exercise of a fully flexible variable remuneration policy, and in particular the possibility of not paying any variable remuneration. Variable remuneration is, in any case, limited to the highest of the following two amounts:

- 50% of the fixed remuneration;
- EUR 50,000, without this amount exceeding the amount of the fixed remuneration.

DEFERRAL

The policy of deferral of variable remuneration applies to Identified Staff (IS) and implies that the acquisition and payment of 40% of said remuneration is postponed during a period of at least four years, for the part in cash as well as for the part that is granted in a conditional cash instrument.

In accordance with Article 9/1 of the Banking Act, the deferral and instrument requirements (conditional cash) are not applicable to members of the Identified Staff whose annual variable remuneration does not exceed EUR 50,000 gross and does not represent more than one third of their total annual remuneration.

In accordance with the applicable legislation, when the amount of the variable remuneration is particularly high, i.e. above EUR 200,000, the acquisition and payment of 60% of the latter is deferred for a minimum period of four years, both for the cash part as for the part granted in a conditional cash instrument.

The acquisition and the payment of the deferred part of the variable remuneration are only realized providing that, at the anticipated moment of the deferred payment, the relevant Identified Staff has not previously been lawfully dismissed for misconduct. In the latter hypotheses, the Identified Staff loses its rights relating to the deferred part of the Variable Remuneration.

In applying the deferral regimes of the granting of a part of the variable remuneration and of the use of a conditional cash instrument for the granting of part of the variable remuneration, the board of directors shall be able to exempt the Identified Staff that complies with the criteria established by the National Bank of Belgium in this matter, from the application of those systems for any given performance year.

STRUCTURE FOR 2022 VARIABLE REMUNERATION

Deferral Mechanism for IS having variable remuneration > 50 k€ et < 200 k€

Bonus	Year Y	Y+1	Y+2	Y+3	Y+4	Y+5	TOTAL
100 K€	60%	10.0%	10.0%	10.0%	10.0%		
K€	60	10	10	10	10		100
Cash %	50%	50%	50%	50%	50%		
Fin Instruments %	50%	50%	50%	50%	50%		
Cash/options K€	30	5	5	5	5		50
Conditional cash/options k€		30	5	5	5	5	50

Deferral Mechanism for IS having variable remuneration >= 200 k€

Bonus after deduction	Year Y	Y+1	Y+2	Y+3	Y+4	Y+5	TOTAL
200 K€	40%	15%	15%	15%	15%		
K€	80	30	30	30	30		200
Cash %	50%	50%	50%	50%	50%		
Fin Instruments %	50%	50%	50%	50%	50%		
Cash/options K€	40	15	15	15	15		100
Conditional cash/options k€		40	15	15	15	15	100

CONDITIONAL CASH PLAN

Degroof Petercam has implemented a “conditional Cash Plan” which intends to determine the terms and conditions regarding the allocation of variable remuneration in the form of “*conditional cash”*.
Degroof Petercam hereby confirms that any grant subject to the terms and conditions established in the Plan shall be considered to be grants in accordance with article 6 of annex 2 of the Belgian Banking Act, article 94, 1 (I) of the CRD IV, as modified by CRD V, and the Commission Delegated Regulation (EU) No 527/2014 of March, 12th 2014, supplementing the European Parliament Directive (EU) No 2013/36/EU and the Council with regard to the regulatory technical standards for the determination of classes of instruments that appropriately reflect the credit quality of the going concern institution and which are intended to be used for variable remuneration purposes, as confirmed by the competent registration authority.

Scope

Provided that it is not neutralized, 50% of the non-deferred part and the deferred part of the variable remuneration will be paid to the Identified Staff according to the provisions of the plan. This plan does not affect in principle the evaluation and the allocation of variable remuneration that is based on the general provisions of malus and claw-back included in the remuneration policy. As of the date of the allocation to the date of the acquisition (“vesting”), the malus provisions can be applied.

Conditions governing the allocation of rights stipulated in the Plan

The acquisition of the variable remuneration is subject to the following conditions:

- A retention period of one (1) year in order to align the incentives with the long-term interest of Degroof Petercam. This retention period commences as of:

    a) the accrual of the right to the non-deferred part of the variable remuneration in cash ; or,

    b) in the event of deferred remuneration over a period of 4 years, the date following the acquisition of every deferred part.

As from the date of acquisition ("vesting"), which is the beginning of the retention period, no general malus provision can be applied to the specific part.

- Meeting the below mentioned thresholds after the retention period for the relevant part of the variable remuneration

Threshold to be met	% of the amount
CET1 ratio, as specified by the SREP decision for the relevant period	60%
Liquidity ratio as defined by the SREP decision for the relevant period	30%
Leverage ratio as defined by the SREP decision for the relevant period	10%

During the retention period, the ratios will also be periodically evaluated and valued to ensure continued compliance with the thresholds as required and in accordance with the general legal requirements.

The consolidated CET1 ratio of Degroof Petercam must be equal to or higher than the regulatory requirements, as determined by the SREP decision, including O-SII buffers. If this threshold is not met, Degroof Petercam Bank will not allocate any right according to this Plan for the year in question.

During the retention period, the ratios will also be periodically evaluated and valued to ensure continued compliance with the thresholds as required and in accordance with the general legal requirements.

The assessment whether or not this condition is met will be made by the board of directors during the first 3 months of the calendar year following the allocation or the acquisition. The risk committee and the remuneration committee will be involved in the decision process.

The effective allocation of the rights will be made at the latest on 31 May of the calendar year following the assessment by the board of directors ("the Settlement Date").

MALUS SYSTEM AND RECOVERY OF VARIABLE REMUNERATION

The performances of the Identified Staff are evaluated in a multiannual framework. This framework is thus much broader than solely the date on which the variable remuneration is granted.
For instance, it should be possible to modify the variable remuneration, even if it was already granted or paid, under the influence of reasons that were not known yet or expected at the moment of payment or acquisition of the variable remuneration, but that would have influenced the granting itself or the amount of the variable remuneration.
The variable remuneration, including the possibly deferred part, is therefore only paid or only acquired if the amount is acceptable vis-à-vis the financial situation of Degroof Petercam and if it is justified based on the performances of Degroof Petercam, of the business unit to which the Identified Staff belongs and of the Identified Staff him/herself.
All variable remunerations are reduced (malus) up to possibly 100% by the relevant unit of Degroof Petercam or reclaimed according to the following provisions and conditions:

a. The relevant unit of Degroof Petercam shall reduce the parts of the variable remuneration that are not yet paid or acquired of all (possibly former) Identified Staff (malus system) if Degroof Petercam has a decreased or negative financial on investment or if one of the following circumstances is discovered :

(i) The Identified Staff does not comply with the applicable standards of expertise and professional integrity;
(ii) The Identified Staff is involved with practices that have led to considerable losses for Degroof Petercam or is responsible for such practices;
(iii) The Identified Staff is involved with a special mechanism that has as its purpose or effect the promotion of fiscal fraud by third parties;
(iv) Any circumstance that implies that the payment of the variable remuneration constitutes an infringement to the sound remuneration policy of Degroof Petercam or of the risk management strategy as provided by the above article 1.4 or to its low to medium risk profile.

b. The relevant unit of Degroof Petercam shall reclaim the variable remuneration that is already paid or acquired of all (possibly former) Identified Staff if Degroof Petercam has a decreased or negative financial return or if one of the following circumstances is discovered within three years following the payment or, when appropriate, the acquisition of the Variable Remuneration :

(i) The Identified Staff does not comply with the applicable standards of expertise and professional integrity;
(ii) The Identified Staff is involved with practices that have led to considerable losses for Degroof Petercam or is responsible for such practices;
(iii) The Identified Staff is involved with a special mechanism that has as its purpose or effect the promotion of fiscal fraud by third parties.

12.5 Performance criteria and parameters for variable remuneration

SENIOR MANAGEMENT

For senior management, key performance indicators (KPI's) are set yearly at Group level and validated by the remuneration committee and board of directors. Five Categories of targets are agreed upon beforehand; ”financials”, ”customer”, ”people”, “IT, technology & programs” and ”Regulatory, Risk & Audit”.

The determination of the variable component is realized through the achievement of Group and business unit related objectives as well as individual related objectives, including quantitative and qualitative, financial and non-financial elements with a focus on preserving current value as well as creating future value and without incentivizing excessive risk or mis-selling of products.
For the members of the management committee, the variable remuneration for the year 2022 was 50% business line related, 30% Group related and 20% individual related.

ALL STAFF

At the beginning of performance period, the Employee and his line management agree on a set of performance objectives in line with Degroof Petercams's strategy. All performance goals and performance evaluations are properly documented.
For 2022, three types of objectives were defined;

- WHAT; linked to responsibilities and objectives of the role; impacts 60% of variable pay (if applicable);
- HOW; linked to competencies, expertise and professional rigor; impacts 35% of variable pay (if applicable);
- My HOW; linked to personal development; impacts 5% of variable pay (if applicable).

The total Group envelope is defined by the value creation model, managed by the Finance Department. The model provides a mathematical proposal for envelope determination and distribution amongst business lines. The envelope per business line or support department as well as the individual performance determines the variable pay of each individual.

12.6 Aggregated quantitative information

		Template EU REM1 - Remuneration awarded for the financial year	a MB Supervisory function	b MB Management function	c Other senior management	d Other identified staff
1	Fixed remuneration	**Number of identified staff**	**14**	**24**	**26**	**20**
2		**Total fixed remuneration**	**1,639**	**8,709**	**6,562**	**3,027**
3		Of which: cash-based	1,639	8,709	6,562	3,027
4		(Not applicable in the EU)				
EU-4a		Of which: shares or equivalent ownership interests			0	0
5		Of which: share-linked instruments or equivalent non-cash instruments			0	0
EU-5x		Of which: other instruments			0	0
6		(Not applicable in the EU)				
7		Of which: other forms			0	0
8		(Not applicable in the EU)				
9	Variable remuneration	**Number of identified staff**		**23**	**24**	**20**
10		**Total variable remuneration**		**2,728**	**1,713**	**719**
11		Of which: cash-based		1,658	1,123	599
12		Of which: deferred		738	359	48
EU-13a		Of which: shares or equivalent ownership interests			0	0
EU-14a		Of which: deferred				
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments			0	0
EU-14b		Of which: deferred			0	0
EU-14x		Of which: other instruments		1,070	590	121
EU-14y		Of which: deferred		493	236	48
15		Of which: other forms			0	0
16		Of which: deferred			0	0
17	**Total remuneration (2 + 10)**		**1,639**	**11,437**	**8,275**	**3,747**

	Template EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)	a MB Supervisory function	b MB Management function	c Other senior management	d Other identified staff
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff	-	1	-	-
2	Guaranteed variable remuneration awards -Total amount K€	0	50	0	0
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap				
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	-	-	-	-
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount k€	0	0	0	0
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff	-	1	1	-
7	Severance payments awarded during the financial year - Total amount k€	0	727	50	0
8	Of which paid during the financial year	0	727	50	0
9	Of which deferred	0	0	0	0
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	0	0	0	0
11	Of which highest payment that has been awarded to a single person	0	727	50	0

Template EU REM3 - Deferred remuneration

	Deferred and retained remuneration	a Total amount of deferred remuneration awarded for previous performance periods	b Of which due to vest in the financial year	c Of which vesting in subsequent financial years	d Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	e Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	f Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)	EU - g Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	EU - h Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	MB Supervisory function	0	0	0	0	0	0	0	0
2	Cash-based	0	0	0	0	0	0	0	0
3	Shares or equivalent ownership interests	0	0	0	0	0	0	0	0
4	Share-linked instruments or equivalent non-cash instruments	0	0	0	0	0	0	0	0
5	Other instruments	0	0	0	0	0	0	0	0
6	Other forms	0	0	0	0	0	0	0	0
7	MB Management function	3,762	1,578	2,184	0	0	0	517	1,061
8	Cash-based	1,485	517	967	0	0	0	517	0
9	Shares or equivalent ownership interests	0	0	0	0	0	0	0	0
10	Share-linked instruments or equivalent non-cash instruments	0	0	0	0	0	0	0	0
11	Other instruments	2,277	1,061	1,216	0	0	0	0	1,061
12	Other forms	0	0	0	0	0	0	0	0
13	Other senior management	2,309	976	1,334	0	0	0	364	612
14	Cash-based	970	364	606	0	0	0	364	0
15	Shares or equivalent ownership interests	0	0	0	0	0	0	0	0
16	Share-linked instruments or equivalent non-cash instruments	0	0	0	0	0	0	0	0
17	Other instruments	1,340	612	728	0	0	0	0	612
18	Other forms	0	0	0	0	0	0	0	0
19	Other identified staff	195	99	97	0	0	0	17	82
20	Cash-based	57	17	40	0	0	0	17	0
21	Shares or equivalent ownership interests	0	0	0	0	0	0	0	0
22	Share-linked instruments or equivalent non-cash instruments	0	0	0	0	0	0	0	0
23	Other instruments	139	82	57	0	0	0	0	82
24	Other forms	0	0	0	0	0	0	0	0
25	**Total amount**	**6,267**	**2,652**	**3,615**	**0**	**0**	**0**	**898**	**1,755**

Template EU REM4 - Remuneration of 1 million EUR or more per year

	EUR	a Identified staff that are high earners as set out in Article 450(i) CRR
1	1 000 000 to below 1 500 000	3
2	1 500 000 to below 2 000 000	-
3	2 000 000 to below 2 500 000	-
4	2 500 000 to below 3 000 000	-
5	3 000 000 to below 3 500 000	-
6	3 500 000 to below 4 000 000	-
7	4 000 000 to below 4 500 000	-
8	4 500 000 to below 5 000 000	-
9	5 000 000 to below 6 000 000	-
10	6 000 000 to below 7 000 000	-
11	7 000 000 to below 8 000 000	-

13. APPENDIX 1 – GLOSSARY

ALM (Asset and Liability Management)

The ongoing process of formulating, implementing, monitoring and revising strategies for both on-balance-sheet and off-balance-sheet items, in order to achieve an organization's financial objectives, given the organization's risk tolerance and other constraints.

Asset Encumbrance

An asset shall be treated as encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralize or credit enhance any transaction from which it cannot be freely withdrawn.

Basel III

Basel III is a global regulatory standard on bank capital adequacy, stress testing and market liquidity risk agreed upon by the members of the Basel Committee on Banking Supervision in 2010. Basel III was developed in response to the deficiencies in financial regulation revealed by the late-2000s financial crisis and then translated into CRR/CRD European Directive.

Credit impairment on financial assets

A financial asset or a group of financial assets 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. If such evidence exists, the entity applies the appropriate impairment methodology to the financial asset concerned.

Credit risk

The potential for loss or negative deviation from the expected value due to the default or deterioration in credit quality of a counterparty (i.e., an OTC derivatives counterparty or a borrower) or an issuer of securities or other instruments we hold or due to events or measures taken by the political or monetary authority of a particular country.

Interest rate risk

The potential negative deviation from the expected value of a financial instrument or portfolio thereof due to changes in the level or in the volatility of interest rates.

LCR (Liquidity Coverage Ratio)

'Stock of high-quality liquid assets minus Total net cash outflows over the next 30 calendar day'. A result of 100% (or more) indicates that a bank is maintaining a sufficient stock of 'high-quality liquid assets' to cover net cash outflows for a 30-day period under a stress scenario. The parameters of the stress scenario are defined under Basel III.

Leverage Ratio

The Leverage Ratio is a supplementary non-risk based measure to contain the build-up of leverage (i.e. a backstop as regards the degree to which a bank can leverage its capital base). It is calculated as a percentage of tier-1 capital relative to the total on and off balance sheet exposure (non-risk weighted).

Liquidity risk

Liquidity risk is the risk that an organization will be unable to meet its payment obligations as they come due because of the inability to liquidate assets or obtain adequate funding (liability liquidity risk) or the risk that it cannot easily unwind or offset specific exposures without significantly lowering market prices because of inadequate market depth or marked disruptions (asset liquidity risk).

Market risk
The potential negative deviation from the expected value of a financial instrument (or portfolio thereof) due to changes in the level or volatility of market prices.

Netting
An agreed offsetting of positions or obligations by trading partners or participants to an agreement. Netting reduces the number of individual positions or obligations subject to an agreement to a single obligation or position.

NSFR (Net Stable Funding Ratio)
'Available Stable Funding/Required Stable Funding', where available stable funding is derived from different components on the liabilities side of the balance sheet (required funding = assets side). Basel III defined weightings for determining stability are assigned to the different components (both assets and liabilities). An NSFR of 100% means that the funding situation is stable.

Operational risk
The risk of loss or potential deviation from the expected value of the organization resulting from inadequate or failed internal processes, people and systems or from external events.

RWA (Risk-Weighted Asset)
An exposure weighted according to the 'riskiness' of the asset concerned. 'Riskiness' depends on factors such as the probability of default by the obligor, the amount of collateral or guarantees and the maturity of the exposure.

Tier-1 ratio
[Tier-1 capital] / [total weighted risks]. The calculation of the core tier-1 ratio does not include hybrid instruments (but does include the core-capital securities sold to the Belgian and Flemish governments).

VaR (Value at Risk)
VaR represents an investor's maximum potential loss on the value of an asset or a portfolio of financial assets and liabilities, based on the investments timeframe and a confidence interval. This potential loss is calculated on the basis of historical data or deduced from normal statistical laws.

Abbreviations	Description
ALM	Asset Liability Management
ALMAC	Asset Liability Management Committee
AML	Anti Money Laundering
AML / CFT	Anti Money Laundering / Combating the Financing of Terrorism
AMLCO	Anti Money Laundering Compliance Officer
AT1	Additional Tier 1
AT2	Additional Tier 2
AVA	Additional Valuation Adjustment
BDP	Banque Degroof Pertercam (the Group or the Bank)
BDPL	Banque Degroof Petercam Luxembourg
CCB	Countercyclical Capital Buffer
CCF	Credit Conversion Factor
CCO	Chief Compliance Officer
CCP	Central Counterparty
CCR	Counterparty Credit Risk
CEO	Chief Executive Officer
CET1	Core Equity Tier One
CFO	Chief Finance Officer
CISO	Chief Information Security Officer
CMP	Compliance Monitoring Plan
CoDir	Comité de direction (management committee or management board)
COO	Chief Operating Officer
COREP	Common Reporting (COREP) on capital and risk
CRD	Capital Requirements Directive
CRM	Credit Risk Mitigation
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CSA	Credit Support Annex
CFT	Combating the Finance of Terrorism
CTIF/CFI	The Belgian Financial Intelligence Processing Unit
CVA	Credit Valuation Adjustement
DPAM	Degroof Petercam Asset Management
DPAS	Degroof Petercam Asset Services
DPWM	Degroof Petercam Wealth Management
DVA	Debt Valuation Adjustement
EAD	Exposure at Default
EBA/ABE	European Banking Authority
ECAIs / OEEC	External Credit Assessment Institutions

Abbreviations	Description
ECB/BCE	European Central Bank
ECL	Expected Credit Losses
EEPE	Effective Expected Positive Exposure
EPC	Energy Performance Certificate
ESG risk	Environmental, Social and Governance risk
EUR	Euro
EUR K / k€	Thousand euros
FINREP	Financial Reporting (FINREP) on balance sheet and financial Income
FIU	Financial Intelligence Units
FSMA	Financial Services and Markets Authority
FX	Foreign exchange
GISC	Group Information Security Committee
GL	Guidelines
GRC Tool	Tool for Governance, Risk and Compliance
HQLA	High quality liquid assets
HR	Human Resources
IAS	International Accounting Standards
IBOR	Interbank offered rate
ICAAP	Internal Capital Adequacy Assessment Process
ICE1L	Internal Control Environment First Line
ICT	Information and Communication Technologies
ICU	Internal control unit
IFRS9	International Financial Reporting Standards 9
ILAAP	Internal Liquidity Adequacy Assessment Process
IRRBB	Interest Rate Risk in the Banking Book
IRS	Interest Rate Swap
IS	Identified Staff
ISDA	International Swaps and Derivatives Association
IT	Information Technology
ITS	Implementation technical standards (on supervisory reporting)
KPI	Key Performance Indicator
KRI	Key Risk Indicator
LCR	Liquidity Coverage Ratio
LIBOR	London Interbank Offered rate
LOD	Line of Defense
LSI	Less Significant Institution
LTV	Loan To Value
MAR	Market Abuse Regulation
MiFID	Markets in Financial Instruments Directive
Mln	Million
Mngt	Management

Abbreviations	Description
MREL	Minimum requirement for own funds and eligible liabilities
MtM	Mark to market
NACE	Statistical classification of economic activities in the European Community (Nomenclature statistique des Activités économiques dans la Communauté Européenne)
NBB/BNB	Banque Nationale de Belgique
NFRC	Non Financial Risk Committee
NIPAP	New Intitative and Project Approval Process
NPE or NPL	Non-performing Exposure or Loans
NSFR	Net Stable Funding Ratio
NUTS	Nomenclature of territorial units for statistics
ORM	Operational Risk Management
OTC	Over the Counter
P2G	Pillar 2 Guidance
P2R	Pillar 2 Requirement
PB	Private Banking
QCCP	Qualified Central Counterparty
RAF	Risk Appetite Framework
RBSG	Responsible Banking Steering Group
RCSA	Risk and Control Self Assessments
REA	Risk Exposure Amounts
RI	Risk Indicator
RWA / RWEA	Risk Weighted Assets / Risk Weighted Exposure Amounts
SA CCR	Standardised Approach for counterparty credit risk
SFT	Securities Financing Transaction (repo/reverse repo / securities lending and borrowing)
SI	Significant institution
SICR	Significant increase in credit risk
SOP	Stock Option Plan
SREP	Supervisory Review and Evaluation Process
T1 / T2	Tier 1 / Tier 2
T-LTRO	Targeted Longer Term Refinancing Operations
USD	US Dollar
VaR	Value at Risk
VBP	Value Basis Point

14. APPENDIX 2 – Regulatory ratio

Regulatory ratios with regard to Bank Degroof Petercam Luxembourg are provided in the following table.

Ratio on 31/12/2022	CET1	Leverage Ratio	LCR	NSFR
Bank Degroof Petercam (Group Conso)	20.28%	6.92%	282%	186%
Bank Degroof Petercam Luxembourg (conso)	22.47%	7.29%	210%	199%

15. APPENDIX 3 – Mapping with Pillar 3 requirements

The table below makes the links between the Bank's table of contents and the part Eight in the CRR2. The source is the EBA file "frequency of disclosures" accompanying the guidelines EBA/ITS/2020/04 and the EBA/ITS/2020/06 (MREL), EBA/ITS/2021/07 (IRRBB) , EBA/ITS/2022/01 (ESG), EBA/GL/2022/13 (NPL).

Section in Degroof Petercam Pillar 3 report		Article Part Eight in the CRR	Table (for qualitative disclosure guidance) / Template (for quantitative disclosure formats)
1	**Introduction**		
2	**Scope of application**		
3	**Risk management governance**	Article 435 (1)	Table : EU OVA Institution risk management approach Table : EU OVB Disclosure on governance arrangements
	3.1 Governance - General principles	Article 435(2) (a), Article 435(2)(b), Article 435(2)(c)	
	3.2 Risk management - General principles	Article 435(1) (a), Article 435(1)(e) and Article 435(1)(f)	
	3.3 Risk and Compliance organization		
	3.4 Three lines of defense model		
	3.5 Risk governance structure		
	3.6 Risk measurement methodology		
4	**Own Fund and capital adequacy**		
	4.1 Own funds according to the CRD	Article 437(a,d,e,f))	Template : EU CC1 - Composition of regulatory own funds Template : EU CC2 - reconciliation of regulatory own funds to balance sheet in the audited financial statements

	Section in Degroof Petercam Pillar 3 report	Article Part Eight in the CRR	Table (for qualitative disclosure guidance) / Template (for quantitative disclosure formats)
	4.2 Capital requirements by type of risk	Article 438(d)	Template : EU OV1 - Overview of risk weighted exposure amounts
	4.3 Key metrics	Article 438 (b) Article 447 (a,b,c,d,e,f,g)	Template : EU KM1 - Overview of risk weighted exposure amounts
	4.4 Internal capital adequacy	Article 438 (a,c)	Table : EU OVC ICAAP information
5	**Credit risk**	Article 435(1)	Table : EU CRA General qualitative information about credit risk
	5.1. Credit risk management and Governance		
	5.2 Credit risk quality	Article 442 (c,d,f partially)	Template : EU CR1 or Template 4 - Performing and non-performing exposures and related provisions Template : EU CQ1 or Template 1- Credit quality of forborne exposures Template : EU CQ3 or Template 3 - Credit quality of performing and non-performing exposures by past due days Template : EU CQ7 or Template 9 - Collateral obtained by taking possession and execution processes
	5.3 Use of credit risk mitigation techniques		*Template : EU CCR8 – Exposures to CCPs*
	5.4 Disclosure on the use of Standardised Approach		*Template : EU CR4 – Standardised approach – Credit risk exposure and CRM effects*
	5.5 Counterparty credit risk		*Template : EU CCR1 – Analysis of CCR exposure by approach* *Template : EU CCR2 – Transactions subject to own funds requirements for CVA risk*
	5.6 Equity exposures in the banking book		
	5.7 Securitization exposures in the banking book		
	5.8 Settlement risk		
6	**ALM & Market risk**	Article 435(1)	Table : EU MRA Qualitative disclosure requirements related to market risk *Template : EU MR1 – Market risk under the standardised approach*
	6.1. Policy		
	6.2 Interest rate risk		

Section in Degroof Petercam Pillar 3 report		Article Part Eight in the CRR	Table (for qualitative disclosure guidance) / Template (for quantitative disclosure formats)
	6.3 Foreign exchange risk		
	6.4 Equity and option risk		
	6.5 Commodities risk		
7	**Liquidity risk**	Article 435(1)	Table : EU LIQA Liquidity risk management
	7.1 Gouvernance, strategy and processes		
	7.2 Scope of liquidity risk management and interaction between the entities of the Group		
	7.3 Structural liquidity risk		
	7.4 Liquidity buffer and concentration limits on collateral pools		
	7.5 Funding information		
	7.6 Regulatory liquidity metrics : LCR and NSFR		Template : EU KM1 - LCR and NSFR part
	7.7 Other (customized) internal liquidity metrics		
	7.8 Use of stress-testing		
	7.9 Asset encumbrance		
	7.10 Contingency funding plan		
	7.11 Liquidity adequacy assessment process		
8	**Asset management risk**	Article 435(1)	
9	**Compliance**	Article 435(1)	
	9.1 Definition		
	9.2 Governance		
	9.3 Organization		

	Section in Degroof Petercam Pillar 3 report	Article Part Eight in the CRR	Table (for qualitative disclosure guidance) / Template (for quantitative disclosure formats)
	9.4 Compliance risks		
10	**Operational risk**	Article 435(1)	Table : EU ORA Qualitative information on operational risk
	10.1 Definition		
	10.2 Governance		
	10.3 Operational risk measurement		
11	**ESG risk**	Article 435(1)	
	11.1 Context		
	11.2 Integration in the risk management framework		
	11.3 Risk assessment		
	11.4 Risk monitoring		
	11.5 Risk disclosure		
12	**Remuneration**	Article 450(1)	Table : EU REMA Remuneration policy
	12.1 Decision making process of the remuneration policy	Article 450(1)(a)	
	12.2 Information on link between pay and performance	Article 450(1)(b)	
	12.3 Most important design characteristics of the Banks' remuneration policy	Article 450(1)(c, d, f)	
	12.4 Identified staff	Article 450(1)(c, d, f)	
	12.5 Performance criteria and parameters for variable remuneration	Article 450(1)(e, f)	
	12.6 Aggregated quantitative information	Article 450(1)(h, i)	Template : EU REM1 - Remuneration awarded for the financial year Template : EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff) Template : EU REM3 - Deferred remuneration Template : EU REM4 - Remuneration of 1 million EUR or more per year

Not in scope due to proportionality CRR2 - other institution non-listed			
Section BDP Pillar 3 report	**CRR2 section**	**Article Part Eight in the CRR**	**Table (for qualitative disclosure guidance) / Template (for quantitative disclosure formats)**
2	Disclosure of the scope of application	Article 436 (a, b,c, d, e, f, g, h)	Table : EU LIA Explanations of differences between accounting and regulatory exposure amounts Table : EU LIB Other qualitative information on the scope of application Template : EU LI3 – Outline of the differences in the scopes of consolidation (entity by entity) Template : EU LI1 – Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories Template : EU LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements Template : EU PV1 - Prudent valuation adjustments (PVA)
3	Disclosure of risk management objectives and policies	Article 435(1)(b), Article 435(1)(c), Article 435(2)(d,e),Article 438(a)	
4	Disclosure of own funds	Article 437(b, c)	
			Table : EU CCA Main features of regulatory own funds instruments and eligible liabilities instruments
4	Disclosure of key metrics and overview of risk-weighted exposure amounts	Article 438 (f,g)	Template EU INS1 – Non-deducted participations in insurance undertakings Template EU INS2 - Financial conglomerates information on own funds and capital adequacy ratio
4	Disclosure of countercyclical capital buffers	Article 440 (a,b)	Template : EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer Template : EU CCyB2 - Amount of institution-specific countercyclical capital buffer

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Section BDP Pillar 3 report	**CRR2 section**	**Article Part Eight in the CRR**	**Table (for qualitative disclosure guidance) / Template (for quantitative disclosure formats)**
4	Disclosure of the leverage ratio	Article 451	Table : EU LRA Free format text boxes for disclosure on qualitative items Template : EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures Template : EU LR2 - LRCom: Leverage ratio common disclosure Template : EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)
4	Disclosure of MREL TLAC	447 (h) CRR 437a (a) (c) (d) 45i(3) (a) (b) (c) 45f(6) of BRRD	Template : EU KM2 - Key metrics - MREL Template : EU TLAC1 - Composition - MREL Template : EU iLAC - Internal loss absorbing capacity: internal MREL
5.2	Disclosure of credit risk quality	Article 442(a, b, e, g), (c,d,f partially)	Table : EU CRB Additional disclosure related to the credit quality of assets Template : EU CR1-A – Maturity of exposures Template : EU CR2 – Changes in the stock of non-performing loans and advances Template : EU CR2a - Changes in the stock of non-performing loans and advances and related net accumulated recoveries Template : EU CQ2 - Quality of forbearance Template : EU CQ4 - Quality of non-performing exposures by geography Template : EU CQ5 - Credit quality of loans and advances by industry Template : EU CQ6 - Collateral valuation - loans and advances Template : EU CQ8 - Collateral obtained by taking possession and execution processes – vintage breakdown
5.4	Disclosure on the use of standardised approach	Article 444(a, b,c, d,e) Article 453(g, h, i)	Table : EU CRD Qualitative disclosure requirements related to standardised model *Template : EU CR4 – Standardised approach – Credit risk exposure and CRM effects*

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Section BDP Pillar 3 report	CRR2 section	Article Part Eight in the CRR	Table (for qualitative disclosure guidance) / Template (for quantitative disclosure formats)
			Template : EU CR5 – Standardised approach - Exposure breakdown post CCF and CRM - Risk weight
5	Disclosure of the use of the IRB approach to credit risk	Article 452 (a,b,c,d,e,f,g,h) Article 453 (g,j Article 438 (h)	Table : EU CRE Qualitative disclosure requirements related to IRB models Template : EU CR6-A – Scope of the use of IRB and SA approaches Template: EU CR6 – IRB approach – Credit risk exposures by exposure class and PD range Template: EU CR7 – IRB approach – Effect on the RWAs of credit derivatives used as CRM techniques Template : EU CR7-A – IRB approach – Disclosure of the extent of the use of CRM techniques Template : EU CR8 – RWA flow statements of credit risk exposures under the IRB approach Template EU CR9 – IRB approach – Backtesting of PD per exposure class Template : EU CR9.1 –IRB approach – Back-testing of PD per exposure class
5.5	Disclosure of exposures to counterparty credit risk	Article 439(a, b, c, d , f, g, h, i, k, m) Article 438 (h)	Table : EU CCRA Qualitative disclosure requirements related to CCR *Template : EU CCR1 – Analysis of CCR exposure by approach* *Template : EU CCR2 – Transactions subject to own funds requirements for CVA risk* Template : EU CCR3 – Standardised approach – CCR exposures by regulatory exposure class and risk weights Template : EU CCR4 – IRB approach – CCR exposures by exposure class and PD scale Template : EU CCR5 – Composition of collateral for CCR exposures Template : EU CCR6 – Credit derivatives exposures Template : EU CCR7 – RWA flow statements of CCR exposures under the IMM *Template : EU CCR8 – Exposures to CCPs*

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Section BDP Pillar 3 report	**CRR2 section**	**Article Part Eight in the CRR**	**Table (for qualitative disclosure guidance) / Template (for quantitative disclosure formats)**
5.3	Disclosure of the use of credit risk mitigation techniques	Article 435(1) (d), Article 439 (e, j, l), Article 444(e), Article 453(a, b, c, d, e, f)	Table : EU CRC Qualitative disclosure requirements related to CRM techniques Template : EU CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques
5.7	Disclosure of exposures to securitisation positions	Article 449 (a, b, c, d, e , f, g, h, i, j, k, l)	Table : EU-SECA Qualitative disclosure requirements related to securitisation exposures Template : EU-SEC1 - Securitisation exposures in the non-trading book Template : EU-SEC2 - Securitisation exposures in the trading book Template : EU-SEC3 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor Template : EU-SEC4 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor Template : EU-SEC5 - Exposures securitised by the institution - Exposures in default and specific credit risk adjustments
5	Disclosure of specialised lending	Article 438 (e)	Template : EU CR10 – Specialised lending and equity exposures under the simple riskweighted approach
6	Disclosure of the use of standardised approach and internal model for market risk	Article 445 Article 455	*Template : EU MR1 – Market risk under the standardised approach* Table : EU MRB – Qualitative disclosure requirements for institutions using the IMA Template : EU MR2-A – Market risk under the IMA Template : EU MR2-B – RWA flow statements of market risk exposures under the IMA Template : EU MR3 – IMA values for trading portfolios Template : EU MR4 – Comparison of VaR estimates with gains/losses
6	Disclosure on IRRBB	Article 435(1) (d), Article 448	Table : IRRBB_A Template : IRRBB_1

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Section BDP Pillar 3 report	**CRR2 section**	**Article Part Eight in the CRR**	**Table (for qualitative disclosure guidance) / Template (for quantitative disclosure formats)**
7	Disclosure of liquidity requirements	Article 451.a	Table : EU LIQB on qualitative information on LCR, which complements template EU LIQ1 Template : EU LIQ1 - Quantitative information of LCR Template : EU LIQ2 - Net Stable Funding Ratio
7	Disclosure of encumbered and unencumbered assets	Article 443	Table : EU AE4 Accompanying narrative information Template : EU AE1 - Encumbered and unencumbered assets Template : EU AE2 - Collateral received and own debt securities issued Template : EU AE3 - Sources of encumbrance
10	Disclosure of operational risk	Article 446, Article 454	Template : EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts
11	Disclosure on ESG	Article 449a	Table 1/2/3 : Qualitative information on Environmental /Social/ Governance risk Template 1: Banking book: Quality of exposures by sector Template 2: Banking book: Exposures towards NACE sectors A to H and L - Maturity buckets Template 3: Loans collateralised by immovable property - Energy efficiency of the collateral Template 4: Alignment metrics for the banking book Template 5 - Exposures in the banking book to top carbon-intensive firms Template 6 - Climate change transition risk - Trading book portfolio Template 7 - Exposures in the banking book towards climate change physical risk Template 8 - Assets for the calculation of the Green Asset Ratio (GAR) Template 9 - GAR KPI Template 10 - Other climate change mitigating actions
12	Disclosure of remuneration policy	Article 450(1)(g)	Template : EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions’ risk profile (identified staff)