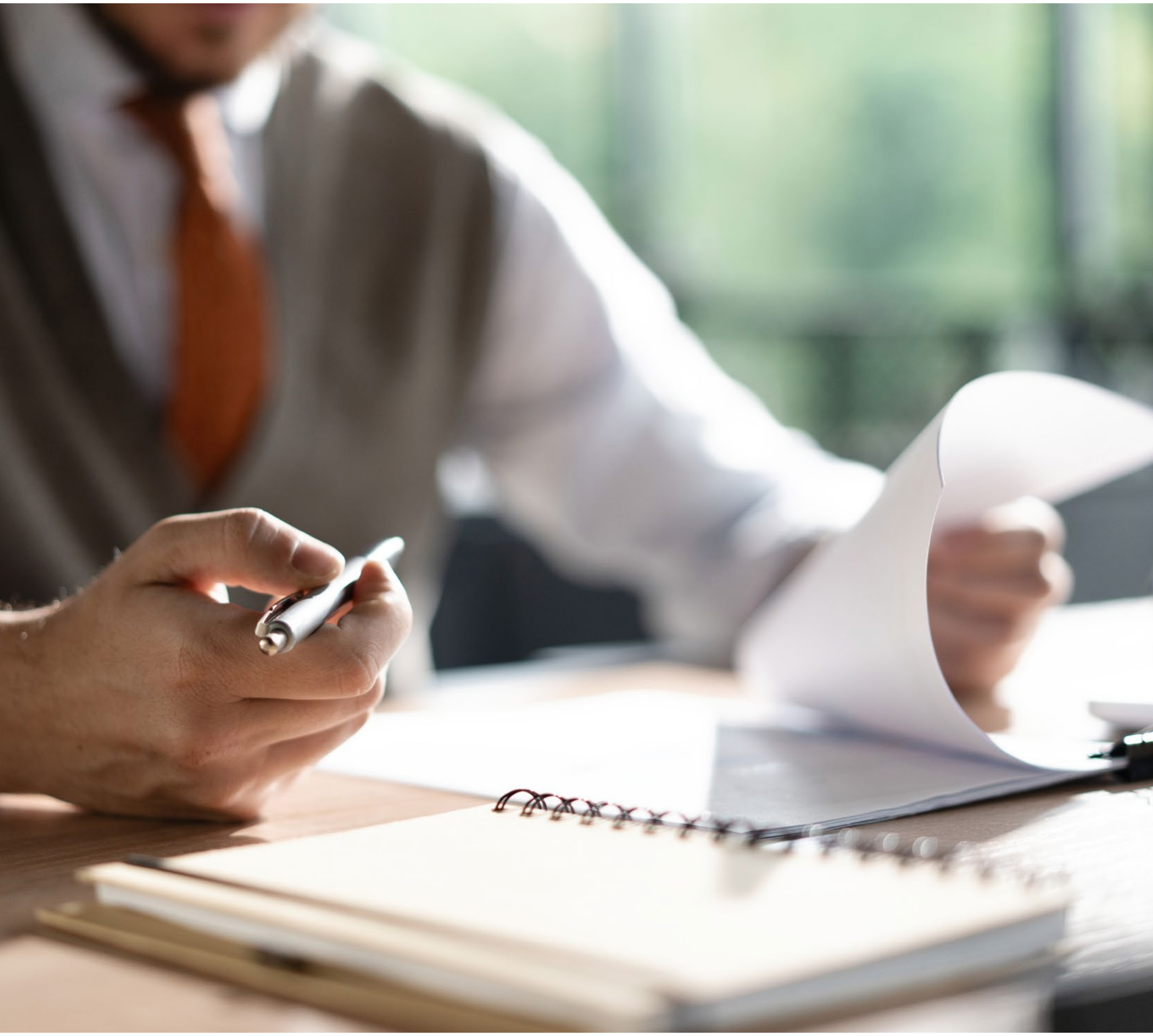
Anbang Belgium Holding

2023 RISK REPORT



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0. Introduction

Anbang Belgium Holding NV ("ABBH") is a financial holding company in Belgium with one operating subsidiary: Bank Nagelmackers ("BN" or the "Bank"). ABBH is indirectly wholly owned by Dajia Insurance Group (the "Shareholder"). The Shareholder has its headquarters in Beijing, China and has established a presence in selected countries and regions around the world. The focus of the Belgian operations is to provide private banking and investment advice services but also personal banking services to core customers (private persons, liberal professions, self-employed, SME and institutional clients).

0.1. Highlights in 2023

The highlights of the risk profile and financial performance of 2023:

- On the consolidated level, ABBH has realized a net profit of EUR 9,8 mln in 2023. The decrease compared to last year is due to the reverse impact over time (pull to par effect) of the interest rate evolution in 2023 on the valuation of Bank Nagelmackers' hedging derivatives for which no hedge accounting is applied at ABBH level. Bank Nagelmackers' operational results, on the other hand, made a strong positive contribution.
- ABBH's consolidated capital ratio strengthened to 29,55% at the end of 2023, as a result of the addition of the 2022 profit on the one hand and a dividend payment and (anticipated) reimbursement of the Tier 2 loan on the other (payouts linked to the proceeds from the sale of Fidea in 2019). On the other hand, this capital ratio does not yet include ABBH's net profit of 2023. The capital ratio remains largely above ABBH's total Overall Capital Requirement (OCR) of 13,60% applicable as of 31/12/23, including 0,03% CCYB requirement on non-domestic exposures.
- On 31st December 2023, ABBH's consolidated Liquidity Coverage Ratio ("LCR") amounted to 268%, largely satisfying the minimum regulatory requirement in this accounting period.
- Bank Nagelmackers' IFRS net income after taxes evolved to a record EUR 28,5 mln in 2023, thanks to increased net interest income, stabilization of increased fee-income and continued cost control despite investments in IT systems and persistent inflation in the past year.
- In the absence of regulatory capital instruments under the form of AT1 and Tier 2 instruments, the bank's CET1, Tier 1 and Total Capital ratio's stood all at a solid 22,4% at 31st December 2023. These ratio's do not yet incorporate the bank's net profit of 2023, integration would increase them to 23,9%, representing a large excess capital buffer over BN's Overall Capital Requirement (OCR) of 14,08% applicable as of 31/12/23, including 0,02% CCYB requirement on non-domestic exposures.
- The bank's LCR equally maintained a strong level of 258% end of 2023, and the bank's liquidity buffer was further strengthened in the beginning of 2023 with the closing of a new on-balance securitization of mortgages.
- Thanks to the well-developed credit risk framework, BN was able to reverse provisions, but at the same time attention was paid to maintaining sufficient provisions in the event of unfavorable economic developments.
- Major initiatives have been taken in preparation for upcoming regulations such as CRR3, CSRD, DORA: gap assessments have been carried out and cross-cutting implementation projects have been set up to align existing risk management frameworks, processes and systems with the new requirements.

Below is an overview of the key metrics.

		31/12/23	31/12/22
	Available own funds (amounts)		
1	Common Equity Tier 1 (CET1) capital	616.765	571.659
2	Tier 1 capital	0	0
	Tier 2 capital	0	25.000
3	Total capital	616.765	596.659
	Risk-weighted exposure amounts		
4	Total risk exposure amount	2.087.111	2.157.351
	Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	29,55%	26,50%
6	Tier 1 ratio (%)	29,55%	26,50%
7	Total capital ratio (%)	29,55%	27,66%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)		
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	3,07%	3,07%
EU 7b	of which: to be made up of CET1 capital (percentage points)	1,73%	1,73%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	2,30%	2,30%
EU 7d	Total SREP own funds requirements (%)	11,07%	11,07%
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)		
8	Capital conservation buffer (%)	2,50%	2,50%
9	Institution specific countercyclical capital buffer (%)	0,03%	0,01%
11	Combined buffer requirement (%)	2,53%	2,51%
EU 11a	Overall capital requirements (%)	13,60%	13,57%
12	CET1 available after meeting the total SREP own funds requirements (%)	18,48%	17,77%
	Leverage ratio		
13	Total exposure measure	4.824.410	4.955.218
14	Leverage ratio (%)	12,78%	11,54%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total		
EU 14c	Total SREP leverage ratio requirements (%)	3,00%	3,00%
	Liquidity Coverage Ratio		
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	858.871	897.804
EU 16a	Cash outflows - Total weighted value	608.611	601.605
EU 16b	Cash inflows - Total weighted value	288.171	318.977
16	Total net cash outflows (adjusted value)	319.991	282.628
17	Liquidity coverage ratio (%)	268,40%	317,66%
	Net Stable Funding Ratio		
18	Total available stable funding	3.854.474	4.088.495
19	Total required stable funding	2.601.482	2.602.568
20	NSFR ratio (%)	148,16%	157,09%

0.2. Disclosure policy and scope of risk report

In line with its general communication policy, ABBH aims to be transparent when communicating to the market about its exposure to risk. Risk management information is therefore provided in the 2023 Risk Report of Anbang Belgium Holding NV.

ABBH is a financial holding company that resorts under Belgian law and is as a regulated entity under direct supervision of the National Bank of Belgium. The most important regulations governing risk and capital management are the Capital Requirements Regulation (CRR), including its applicable Regulatory Technical Standards and Implementing Technical Standards and EBA Guidelines, and the Belgian Banking law. ABBH applies the standardized approach for credit and counterparty credit risk, for market risk, for operational risk and for credit valuation adjustment risk.

The 2023 Risk Report is based on CRR2's third Pillar and compliant with the resulting disclosure requirements of the Capital Requirements Regulation (CRR). Requirements relating to activities that are not applicable/do not exist for ABBH are, therefore, not included. The disclosures mostly refer to the Basel III first Pillar risk metrics.

Information is disclosed at the highest consolidated level. As most risks at ABBH are managed at the legal entity level, additional information on Bank Nagelmackers is included. The scope of the reported information – which can differ according to the matter being dealt with – is clearly indicated. A comparison with the previous year is provided unless this is not possible due to differences in scope and/or methodology.

The information provided in this document has not been subject to an external audit. However, the disclosures have been checked for consistency with other existing reports and underwent a final screening by authorized Risk management and Finance representatives to ensure quality. In addition, the 2023 Risk Report was approved by the Executive Committee to ensure the appropriate approval of the management body as requested under Basel III.

Information disclosed under IFRS 7, which has been audited, is presented in ABBH's annual report. Broadly speaking, the information in the annual report corresponds with the information in this risk report, but a one-on-one comparison cannot always be made due to the different risk concepts used under IFRS and Basel III. In order not to compromise on the readability of this document, relevant parts of the annual report have been reproduced here.

This ABBH Risk Report is available in English on the public website of Bank Nagelmackers. As both ABBH and its subsidiary Bank Nagelmackers are non- listed (other) institutions, this disclosure report is published on an annual basis in accordance with the Capital Requirement Regulation (CRR art 433c 2.) and contains all the information relevant for assessing ABBH's risk profile and capital adequacy. Depending on market requirements, ABBH may, however, decide to provide more frequent updates.

Below table identifies the differences between accounting and regulatory scopes of consolidation in line with template EU LI1:

	a	b
Amounts in euro '000	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation
Assets		
Cash, cash balances at central banks and other demand deposits from credit institutions	781.578	751.556
Financial assets	0	0
Amortised cost	3.392.115	3.422.137
Fair value through other comprehensive income	369.471	369.472
Fair value through profit or loss	110.221	110.221
of which held for trading	99.390	99.389
of which designated at fair value through profit or loss		
of which mandatory measured at fair value through profit or loss		
of which hedging derivatives		
Fair value adjustments of hedged items in portfolio hedge of interest rate risk-		
Reinsurer's share in technical provisions of insurance contracts and investment contracts with PDF	0	0
Tax assets	1.917	1.916
Current tax assets	1.916	1.916
Deferred tax assets	0	0
Non-current assets held for sale and assets associated with disposal groups	601	601
Investments in associated companies and joint ventures	0	0,00
Property, equipment and investment property	21.197	21.197
of which investment property	0	
Goodwill and other intangible assets	8.238	8.238
Other assets	42.302	42.302
Total assets	**4.727.639**	**4.727.639**

Liabilities		
Financial liabilities		
Amortised cost	3.951.600	3.950.210
of which leasing liabilities	15.230	15.230
Fair value through profit or loss	64.600	64.600
of which held for trading	64.600	64.600
of which designated at fair value through profit or loss	0	0
of which hedging derivatives	0	0
Fair value adjustments of hedged items in portfolio hedge of interest rate risk	0	0
Technical provisions of insurance contracts and investment contracts with DPF	0	0
Tax liabilities	2.055	447
Current tax liabilities	447	447
Deferred tax liabilies	1.608	1.608
Liabilities associated with disposal groups	0	0
Provisions for risks and charges	3.313	3.313
Provisions loan commitments and financial guarantees	124	124
Other liabilities	68.445	69.835
Total equity	0	0
Share capital	365.062	365.062
Share premium	0	0
Revaluation reserves	-12.987	-12.985
Available for sale - reserve	0	0
Other comprehensive income	-13.357	-13.355
Defined benefit obligation	369	369
Owner occupied properties reserve	1	1
Other reserves (incl retained earnings)	275.560	275.558
Result of the year	9.780	9.780
Minority interests	86	86
Total liabilities & equity	**4.727.639**	**4.727.639**

1. Risk Management Governance & Diversity

1.1. Governance model

ABBH applies a risk governance model that is appropriate for its business and in line with laws and regulations. Effectiveness of the internal risk framework and the risk management function is assessed on a yearly basis by the Board of Directors.

Main elements in the ABBH risk governance model:

- The Board of Directors, supported by the Risk Committee, which decides on the risk appetite including the consolidated risk strategy. It is also responsible for oversight, the development of a sound and consistent group-wide risk culture, based on a full understanding of the risks the group faces and how they are managed, taking into account the group risk appetite.
- In order to strengthen the voice of the risk function and to ensure that the decision-making bodies of the business are appropriately challenged on matters of risk management and receive expert advice, ABBH has deployed an independent Chief Risk Officer (CRO) throughout the group. Close collaboration with the business is assured since the CRO, as CRO of the subsidiary, takes part in the subsidiary decision-making process and, if necessary, can exercise a veto. Independence of the CRO is achieved through a functional reporting line to the respective entity's Board of Directors, via the Risk Committee.
- Risks of ABBH and Bank Nagelmackers are managed at the highest level via the Executive Committees and via dedicated activity-based internal risk committees with a solid governance structure and risk awareness culture.
- Risk-aware staff act as the first line of defence for conducting a sound risk management in the group.
- Risk Management department has a number of responsibilities, including monitoring risks at an overarching level, guidance and challenge of the first line's risk management, developing risk frameworks and advising/reporting on issues handled by the Executive Committee and the risk committees.
- The risk management function of Bank Nagelmackers feeds ABBH with the necessary information.
- The independent risk management function together with the independent compliance function act as a second line of defence, while Internal Audit is the third line.
- Since September 2023, BN is the designated entity responsible for monitoring compliance with requirements applicable at the consolidated level of the Belgian group (consolidated level of ABBH.

Relevant risk management bodies:

- ABBH and Bank Nagelmackers Executive Committees:
  - make proposals to the Board of Directors about risk and capital strategy, risk appetite, and the general concept of the risk management framework;
  - decide on the integrated and risk-type-specific risk management frameworks and monitors their implementation throughout the bank;
  - act as the leading risk committee, covering material issues that are channelled via the specific internal risk committees;
  - monitor the major risk exposure to ensure conformity with the risk appetite.

- Bank Nagelmackers internal risk committees:
  - The Asset Liability Committee assists the Executive Committee of Bank Nagelmackers in the domain of (integrated) balance sheet management. It handles matters related to ALM and liquidity risk. The ALCO governance allows the second line to escalate to the Executive Committee when there is a disagreement in view of IRRBB and liquidity risks.
  - The Credit Review Committee is chaired by the CRO and responsible for 2nd line monitoring and management of the credit risk in the loan portfolios and advises the Executive Committee for the Credit Policies.
  - The Operational Risk Committee, chaired by the CRO, is responsible for the strategic and tactical follow-up and monitoring of the non-financial risks within Bank Nagelmackers. It support the Executive Committee in monitoring and strengthening the quality and effectiveness of the bank's operational and ICT risk management framework.
  - The Risk forum and the special ICT Risk forum are platforms between the Risk Management department and the first-line departments for recurring awareness-raising, monitoring and management of operational and ICT & security risks respectively.
  - When appropriate, dedicated working groups comprising risk and business-side representatives are set up to deal with emerging risks and new regulations in an integrated way (covering all risk types).

1.2. Risk culture

The Risk function within ABBH has taken several initiatives to foster a strong risk culture and to put the risk in the hearts and minds of everyone. Having a good risk culture means that risk awareness is a key element of ABBH's corporate culture.

Setting the right tone at the top is a necessary condition for a good risk culture throughout the organization. The group has appointed an independent Chief Risk Officer, who is a member of the Executive Committee as well as the Board of Directors. This ensures that the message of the risk function is always heard.

Within ABBH, the Risk Appetite Statement is discussed thoroughly at the level of the Board of Directors, assuring that the risk appetite is supported by the Executive Committee and senior management and set in a way that is understandable for the employees as well as regulatory supervisors. The risk appetite defines the boundaries of risk tolerance to be respected by the various businesses when approving new loans, investments, products, services, processes and tools or when changing existing ones.

It is important for ABBH that the incurred risks are in line with the risk appetite framework and that the appropriate mitigation measures are in place.

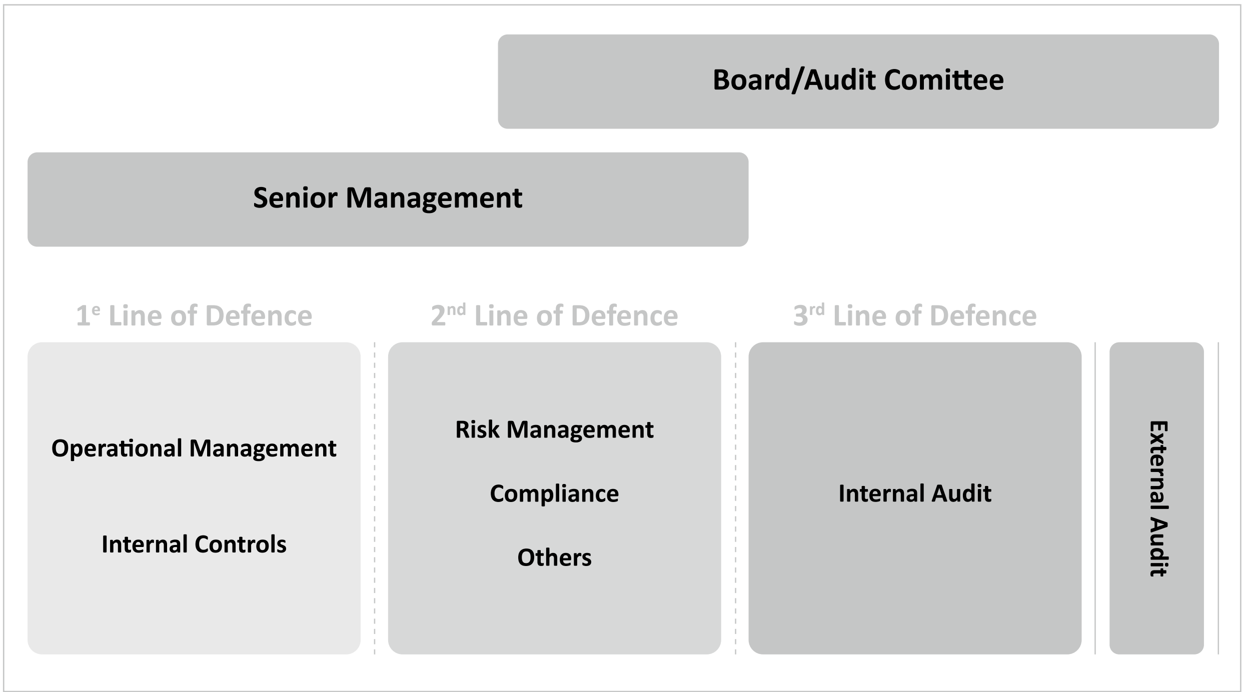
Therefore, the group applies a traditional three lines of defence model for risk management. The first line responsible for taking and managing risks is the business side of the entity. Second line Risk officers advise and support the business side on a daily basis, helping to manage the risk-return balance of their activities. This approach helps to create a strong risk culture and to make risk part of the thought process of each staff member, while also assuring the independence of the risk function.

Because the world is constantly changing, risks are screened and new upcoming risks are proactively analysed on a regular basis. In this sense, increasing attention is paid to climate change, and in a broader context ESG risk factors, as well as cyber-related risks.

Three lines of defence

The three lines of defence concept is used to implement the risk management system throughout the ABBH group. Senior management and governing bodies collectively have responsibility and accountability for setting the organization's objectives, defining strategies to achieve those objectives, and establishing governance structures and processes to best manage the risks in accomplishing those objectives. The Three Lines of Defence model is implemented with the active support and guidance of ABBH's governing body and senior management. A key focus is to strengthen compliance and risk management processes, including investments in human and IT resources, to keep pace with increasing regulation and supervisory expectations.

The roles and responsibilities of the different parties within this concept are highlighted below.



First line of defence: **operations**
The business side takes full responsibility for its risks, having to deal with them and putting the necessary controls in place. This involves allocating sufficient priority and capacity to risk topics, making sure that the quality of risk self-assessments is adequate, and performing the right controls in the right manner.

Second line of defence: **risk function**
The risk function, as part of the second line of defence, makes independent assessments of the risks ABBH faces and on the way they are mitigated and identifies, measures and reports risks. Without taking over primary responsibility from the first line, the risk function provides an adequate degree of certainty that the first-line control function is keeping risks under control. To do this consistently while adhering to high standards, the risk function develops, imposes and monitors consistent implementation of methods or frameworks and tools to identify, measure and report on risks. The second-line risk function also supports the consistent implementation of the risk policies, the risk frameworks, etc., throughout the group, and supervises how they are applied. To make sure that its voice is heard, the risk function also has a veto right that can be exercised in the different committees where major decisions are taken.

The second line of defence also includes the independent compliance function aiming to prevent the group from being exposed to AML and other compliance risks or suffering reputation risk through non-compliance with the prevailing laws, regulations or internal rules.

Furthermore, the Investigations department assures a 2nd line monitoring of compliance with internal and regulatory rules at the points of sales by means of risk-driven, standardized and documented controls.

Third line of defence: **internal audit function**
The third line of defence (internal audit) gives assurances to the Boards of Directors that the overall internal control environment is effective and that policies and processes are in place, effective and consistently applied throughout the group.

1.3. Risk appetite

The overall management responsibility of a financial institution can be defined as managing capital, liquidity, return (income versus costs) and all types of financial and non-financial risks including ICT risks, which in particular arise from the special situation of a bank's transformation role of converting deposits into loans and other assets. Taking risks and transforming risks is an integral part – and hence an inevitable consequence of – the business of a financial institution. Therefore, ABBH does not aim to eliminate all the risks involved (zero risk tolerance) but instead looks to identify, control and manage them in order to make optimal use of its available capital (i.e. risk-taking as a means of creating value).

ABBH defines risk appetite as the amount and type of risk that it is able and willing to accept in pursuit of its strategic objectives. It is a key instrument in the overall (risk) management function of the ABBH group, as it helps us to better understand and manage risks by explicitly expressing – both qualitatively and quantitatively – how much and what kind of risk the company is willing to take.

The ability to accept risk (also referred to as risk appetite or risk tolerance) is limited both by financial constraints (available capital, liquidity profile, etc.) and non-financial constraints (regulatory requirements, EU and national legislative provisions, etc.), whereas the willingness to accept risk depends on the interests of the various stakeholders (shareholders, clients, employees, management, regulators, creditors, etc.). A key component in defining risk appetite is, therefore, an understanding of the organization's key stakeholders and their expectations.

Risk appetite within ABBH is set out in a Risk Appetite Statement ("RAS"), which is produced at both group and subsidiary level. The RAS reflects the view of the Board of Directors and top management on risk-taking in general, and on the acceptable level and composition of risks that ensure coherence with the desired return. For the main risk drivers and subcategories, KRI are defined within the RAS.

The risk appetite specification and related thresholds per risk driver define the long-term upper boundary for ABBH. The limits are further cascaded down via specific limits that are consistent with the long-term upper boundary but can be set lower.

1.4. Declaration CRR article 435 (1) (e)

As required in Article 435 (1) (e) of the CRR, the Executive Committee declares that it has taken adequate risk management measures that are necessary and appropriate for the bank's profile and strategy. The risk management policies and organizational structure are considered to be appropriately designed to ensure that the risks are properly identified, analyzed, measured, monitored and managed. The Executive Committee strives to continuously improve its risk management procedures according to best practices

1.5. Diversity policy

ABBH and Bank Nagelmackers are diverse along many dimensions. Our diversity encompasses differences in ethnicity, gender, language, age, sexual orientation, religion, socio-economic status, physical and mental ability, thinking styles, experience, and education. Diversity is expressed through management's commitment to equality and the treatment of all individuals with respect. When the Bank selects candidates for employment, promotion, training or any other benefit, it is on the basis of their aptitude, ability, skills and merits.

Commitment to diversity is led by the Board of Directors. The Executive Committee is responsible for ensuring that our diversity policy is articulated in the day to day running and the strategic direction of the Bank.

The Nomination Committee is responsible for setting a target for the representation of the under-represented gender in the Board of Directors. For July 2026 the target minimum for the underrepresented gender in the Board of Directors is set at least 33%. The gender diversity target is considered "soft" in the sense that no replacements or additions will be forced solely for the purpose of achieving the gender diversity target. As of 31/12/22, 2 out of 8 Directors of ABBH and 2 out of 9 directors of Bank Nagelmackers are female.

2. Capital adequacy

Capital adequacy (or solvency) risk is the risk that the capital base of the group or the bank would fall below regulatory capital requirements or below a level needed to cover economic risks. In practice, this entails checking solvency against the minimum regulatory requirements and internally defined minimum solvency targets. Capital adequacy is approached from both a regulatory and internal perspective.

2.1. Solvency at the group level

We report the solvency of the group and the bank based on IFRS data and according to the rules imposed by the regulator. For the ABBH group, this implies that we calculate our solvency ratios based on CRR II/CRD V.

The minimum Pillar 1 solvency ratios required under CRR II/CRD V are 4,5% for the common equity tier-1 (CET1) ratio, 6% for the tier-1 capital ratio and 8% for the total capital ratio.

As a result of its Supervisory Review and Evaluation Process (SREP), the competent supervisory authority (ABBH is directly supervised by the NBB) can require that higher minimum ratios be maintained (= Pillar 2 requirements) because, for instance, not all risks are appropriately reflected in the regulatory Pillar 1 calculations. NBB's SREP decision of 25/1/22 still applicable at 31/12/23 sets the Pillar 2 requirement at 3,07%, to be covered by at least 56,25 % CET1 capital and 75 % additional Tier 1 capital. The NBB does not impose any Pillar 2 guidance as the capital depletion of the supervisory stress test is limited and does not cause any breach or any capital shortfall based on regulatory capital requirements.

The capital conservation buffer stands at 2,5%, and the countercyclical buffer for Belgium remains 0% at 31/12/23. ABBH and its subsidiary are considered to be financial institutions that are not domestically systemically important and therefore no additional capital buffer for systemically importance applies.

Altogether, this brings the CET1 requirement 31 December 2023 to 8,73%, the Tier 1 required capital to 10,80% and the minimum required total capital ratio to 13,57%. ABBH largely exceeds this requirement: at year-end 2023 the CET1 and Total capital ratio came to 29,55%, which represents an excess capital buffer of EUR 333 mln relative to its minimum overall capital requirement (including CCyB for non-domestic exposures) of 13,60%.

ABBH is a holding company with no direct banking business or customers. It has a capital policy to provide financial security through solid capitalization in its operating subsidiary.

A detailed calculation of the ABBH group's solvency ratios is given below:

Solvency calculations	**ABBH**		**ABBH**	
IFRS euro '000	**dec/23**		**dec/22**	
Total eligible own funds		**616.765**		**596.659**
Tier I capital		**616.765**		**571.659**
Tier II capital		**0**		**25.000**
Capital requirements				
-Credit risk	1.881.341		1.923.979	
-Market risk	64.257		114.282	
-Operational risk	134.488		112.148	
-CVA	7.025		5.042	
-DTA	0		1.900	
Total		**2.087.111**		**2.157.351**
Solvency ratio		**29,55%**		**27,66%**
Tier I – ratio		**29,55%**		**26,50%**
Common tier I		**29,55%**		**26,50%**
Leverage ratio		**12,78%**		**11,54%**

The own funds were impacted by the addition of the 2022 profit and a decrease of the unrealized losses in the bond portfolio on the one hand, and the pay-out of a dividend (of EUR 50 mln) and the anticipated repayment of the Tier 2 loan on the other hand. The dividend payment and repayment of the Tier 2 loan (on March 26, 2024) are made from the proceeds and capital gain from the sale of Fidea in 2019. The own funds and solvency ratio still increase after these transactions.

The RWA for credit risk decreased slightly together with the loan portfolio of Bank Nagelmackers and the decrease in deposits at other banks after the dividend. Market risk is related to the reinvestment of the remaining proceeds from the sale of Fidea, and also decreased after the dividend. The proceeds are partially invested in foreign currencies and in an equity fund, in line with the treasury preferences of the Shareholder. ABBH nor BN have any trading activities.

The difference in the solvency ratio outcome between BN and ABBH is driven partly by the absence of hedge accounting in ABBH and the adjustment for the so-called Purchase Price Adjustment, a correction that arose from the acquisition of BN at a price below the book value. The latter is included in the retained earnings, and results in a higher regulatory capital.

Below is the composition of regulatory own funds according to template EU CC1:

Common Equity Tier 1 capital: instruments and reserves		
1	Capital Instruments and the related share premium accounts	365.061,50
	of which : voting ordinary shares	365.061,50
2	Retained earnings	275.558,50
3	Accumulated other comprehensive income (and other reserves)	-12.898,96
6	Common Equity Tier 1 capital before regulatory adjustments	627.721,04
Common Equity Tier 1 capital: regulatory adjustments		
8	Intangible assets (net of related tax liability) (negative amount)	8.237,76
9	(-) Value adjustments due to the requirements for prudent valuation	544,29
24	(-) CET1 capital elements or deductions - other	2.174,23
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	10.956,29
29	Common Equity Tier 1 (CET1) capital	616.764,74
Additional Tier 1 capital: instruments		
36	Additional Tier 1 (AT1) capital before regulatory adjustments	0,00
Additional Tier 1 capital: regulatory adjustments		
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	0,00
44	Additional Tier 1 (AT1) capital	0,00
45	Tier 1 capital (T1 = CET1+AT1)	616.764,74
Tier 2 (T2) capital: instruments and provisions		
46	Capital instruments and the related share premium accounts	
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subjet to phase out from T2	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in row 5 or 34) issued by subsidiaries and held by third parties	
49	of which: instruments issued by subsidiaries subject to phase out	
50	Credit risk adjustments	
51	Tier 2 (T2) capital before regulatory adjustments	0,00
Tier 2 (T2) capital: regulatory adjustments		
57	Total regulatory adjustments to Tier 2 (T2) capital	0,00
58	Tier 2 (T2) capital	0,00
59	Total capital (TC = T1 + T2)	616.764,74
60	Total risk weighted assets	2.087.111,00
Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	29,55%
62	Tier 1 (as a percentage of total risk exposure amount)	29,55%
63	Total capital (as a percentage of total risk exposure amount)	29,55%
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation buffer and countercyclical buffer requirements plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)	13,60%
65	of which: capital conservation buffer requirement	2,50%
66	of which: countercyclical buffer requirement	0,03%
67	of which: systemic risk buffer requirement	0,00%
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0,00%
68	Common Equity Tier 1 available to meet buffers ((as a percentage of total risk exposure amount))	18,48%
Amounts below the thresholds for deduction (before risk weighting)		
Applicable caps on the inclusion of provisions in Tier 2		
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		

[1] This table does not include ABBH's of EUR 9,8 mln net profit of 2023

Below is an overview of the total risk exposure amounts according to template EU OV1:

		Total risk exposure amounts (TREA)		Total own funds requirements
		a	b	c
		31/12/23	31/12/22	31/12/23
1	Credit risk (excluding CCR)	1.881.341	1.923.979	150.507
2	Of which the standardised approach	1.881.341	1.923.979	150.507
6	Counterparty credit risk - CCR	7.025	5.042	0
EU 8b	Of which credit valuation adjustment - CVA	7.025	5.042	562
20	Position, foreign exchange and commodities risks (Market risk)	64.257	114.282	5.141
21	Of which the standardised approach	64.257	114.282	5.141
23	Operational risk	134.488	112.148	10.759
EU 23b	Of which standardised approach	134.488	112.148	10.759
25	Other risk exposure amounts	0	1.900	0
29	**Total**	**2.087.111**	**2.157.351**	**166.969**

2.2. MREL ratio

ABBH and BN fall under the application of the BRRD via the Banking Law.

For LSI's, the NBB acts as the National Resolution Authority under the Single Resolution Mechanism. ABBH itself is not submitted to a MREL (Minimum Requirement for Own Funds and Eligible Liabilities).

The MREL requirement of Bank Nagelmackers applies to the statutory level. MREL requirements for Bank Nagelmackers are set both in terms of Total Risk Weighted Exposure (TREA) and Leverage Ratio Exposure (LRE) and are calibrated as follows:

	TREA	LRE
MREL requirement	14,00%	4,25%
Combined Buffer Requirement (CBR)[2]	2,50%	
MREL requirement + CBR	16,52%	

The MREL requirement applies as of 1/1/24. The Bank complies with them with its Common Equity Tier 1 capital. At 31/12/23, BN's Own Funds and Eligible Liabilities represented 23,00% in terms of TREA and 9,39% in terms of LRE, significantly higher than the MREL requirements.

[2] Applicable as of 31/12/2023, including CCyB of 0,02% for non-domestic exposures
[3] This table does not include Bank Nagelmackers' EUR 28,5 mln net profit of 2023

2.3. Solvency of Bank Nagelmackers

In the table below, we have provided summarised solvency information for Bank Nagelmackers. As is the case for the ABBH group, the solvency of Bank Nagelmackers is calculated based on the applicable Capital requirements Regulation and the transposition of applicable CRD provisions into Belgian legislation. Credit risk is the main source of capital requirements, there is no market risk at the level of Bank Nagelmackers.

Solvency calculations	Bank Nagelmackers		Bank Nagelmackers	
IFRS euro '000	dec/23		dec/22	
Total eligible own funds		**416.227**		**408.260**
Capital requirements				
-Credit risk	1.692.516		1.717.780	
-Market risk	n.a.		n.a.	
-Operational risk	134.488		112.148	
-CVA	7.025		5.042	
-DTA	23.731		35.567	
Total		**1.857.760**		**1.870.537**
Solvency ratio		**22,40%**		**21,83%**
Tier I – ratio		**22,40%**		**21,83%**
Common tier I		**22,40%**		**21,83%**
Leverage ratio		**8,83%**		**8,58%**

Solvency stands at a high level and further strengthens due to a slight decrease of RWA for credit risk together with the smaller loan portfolio, while the capital gains from a decrease of unrealized losses in the bond portfolio. These evolutions impacted the leverage ratio in a similar way.

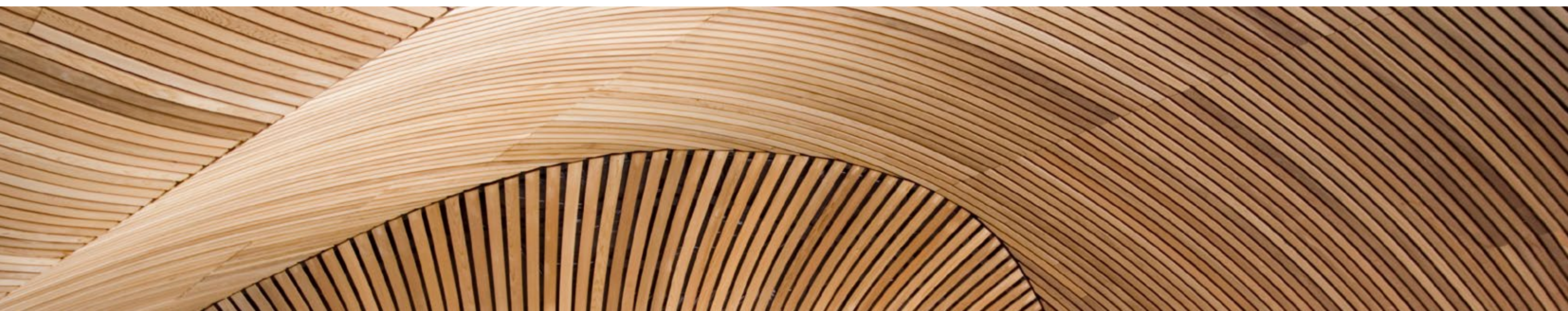
2.4. ICAAP

Bank Nagelmackers and ABBH have an internal capital adequacy assessment process to assess that the Bank and the holding hold sufficient capital to cover their risks. This process is embedded in the business planning and risk management processes.

The ICAAP starts from the risk appetite and risk profile of the Bank and the holding. The risk appetite indicates to what extent BN and ABBH are willing and capable to take risks in the pursuit of their (business) objectives. The risk appetite is defined in the Risk Appetite Statement approved by the Board of Directors. The risk profile is the actual level of risk the group is exposed to. This is observed through the quantitative and qualitative risk monitoring and reported to the Risk Committee and Board of Directors. If the risk profile exceeds the risk appetite, remedial actions must be taken.

Capital serves as a buffer to absorb extreme losses that fall outside the "normal" expectations. In the ICAAP a number of representative stress events are developed in line with the risk appetite and risk profile of BN and ABBH for the different types of risk. BN and ABBH thus determine the amount of its internal required economic capital, namely the capital must be at least equal to the loss of value or income arising from the various simulated stress events.

The ICAAP also includes an exhaustive assessment of the potential impact of different physical and transition risks due to climate change on the asset quality and foresees economic capital for the most material risks.
The economic capital requirement calculated using these stressed scenarios indicates that the Economic Capital is below the regulatory Total Capital Requirement that BN and ABBH are exposed to, where the first Pillar is based on the standardized approach.



2.5. Stress testing

Stress testing is an important risk management tool that adds value both to strategic processes and day-to-day risk management (risk identification, risk appetite, and limit setting, etc.). As such, stress testing is an integral part of our risk management framework, and an important building block of our ICAAP and ILAAP. In addition, certain stress testing is prescribed by various regulators. The most relevant of these are the LSI stress test performed by the NBB and various ad-hoc requests by the NBB.

We define stress testing as a management decision supporting process that encompasses various techniques which are used to evaluate the potential negative impact on the (financial) condition of ABBH and/or its subsidiary, caused by specific event(s) and/or movement(s) in risk factors ranging from plausible to extreme, exceptional or implausible.

As such, it is an important tool in identifying sources of vulnerability and hence in assessing whether available capital and liquidity is adequate to cover the risks. That is why business planning also includes sensitivities to critical assumptions used in the base case plan. These sensitivities and stress tests are designed to provide assurance that:

- the decisions regarding the financial plan and regarding risk appetite and limit setting are not only founded on a base case but that they also take account of the impact of deviations from macroeconomic and financial market assumptions;
- capital and liquidity at a group level remain acceptable under adverse conditions.

The resulting capital and liquidity ratios are compared to internal and regulatory capital targets.

Even more severe scenarios and sensitivities – both with idiosyncratic and macro-economic dimension - are calculated in the context of the recovery plan. These scenarios focus on events that lead to a (near-) breach of the regulatory capital requirements. As such, the recovery plan provides another insight into key vulnerabilities of the group and the mitigating actions that management could implement should the defined stress materialize.

Numerous other stress tests are run within ABBH that provide valuable information for assessing the capital and liquidity adequacy of the group. They include regulatory stress tests, ad hoc integrated and risk-type or portfolio-specific stress tests at the subsidiary level. Stress tests relate among others to credit risks, interest risks, operational risks, liquidity risks, and more recently comprehensive stress testing of ESG risk drivers was developed. Relevant stress test impacts are valuable inputs for defining sensitivities in business planning and risk appetite statements, completing the feedback loop.

Most stress tests are executed on the level of the operational subsidiary, where the operational business takes place, next to specific stress tests on the level of ABBH. It is taken into consideration that stress tests performed by the Bank have generally a similar impact on the capitalization of ABBH.

3. Credit Risk Management

3.1. Credit risk management

Credit risk is the potential negative deviation from the expected value of a financial instrument arising from the non-payment or non-performance by a contracting party (for instance a borrower), due to that party's insolvency, inability or lack of willingness to pay or perform, or to events or measures taken by the political or monetary authorities of a particular country (country risk).

3.1.1. Management of the loan portfolio

Largely three-quarters of the loan portfolio are mortgage loans. Mortgage lending is highly collateralized: 95,4% has an indexed LTV below 80% per 2023 year-end. Additionally to our prudent practices on the LTV, BN sets high importance to the repayment capacity of the borrower in our credit approval process.

Non-mortgage lending mainly concerns professional loans (investment credits and straight loans) and is focused on liberal and self-employed professions, family run SMEs whose management is personally known, and institutional entities. Professional loans are only granted within our knowledge and risk limits, and are subject to an individual creditworthiness analysis based on quantitative and qualitative elements.

For the large majority of loans, the credit approval process is organized independently from the commercial function. After the assessment of the application, a staged decision-making structure is applied whereby the Credit Committee intervenes for higher amounts or deviations from limits in the credit policy. Some mortgages and consumer loans are approved by the commercial function with the support of an internal scoring system. The credit department, which is independent of the point of sales, calibrates this scoring model and controls the completeness and accuracy of this type of mortgage loan applications.

The annual review process consists of an individual credit quality assessment for a risk-based selection of our loan portfolio. Depending on the review Credit department may choose to convert mandates, reduce limits, revalue collateral, recognise manual unlikeliness-to-pay (UTP) triggers etc. The outcome of these reviews is reported to the Credit Review Committee.

Late payments are monitored by a specific department Pre-Litigation. The main delays are reported to the Pre-Litigation Committee that supervises the timely termination of the contract and the transfer to the Litigation department . They also initiate collateral revaluation and conversion of mandates and assess UTP triggers. The Litigation department sets and adjusts specific provisions and is responsible for the recovery. For a part of BN's mortgage portfolio, these activities were carried out by Stater until the end of 2023 (with regular data feed to and monitoring by BN), but this portfolio has been insourced again since 2024.

Risk Management is responsible for the 2nd line monitoring of the loan portfolio and reports to management in the Credit Review Committee. The 2nd line monitoring focusses on portfolio composition, internal ratings, collateral position, LTVs, real estate prices, arrears, forbearance, non-performing loans, litigations, provisions, and loan loss ratio for the main segments (mortgages and non-mortgages). Other metrics are included if deemed relevant. Credit policy is tightened in case negative signals are observed.

ESG

The development of an ESG risk management framework for on-balance activities is driven by the Credit Review Committee, with a focus on the potential impact of climate-related and environmental risk drivers on credit risk. A materiality assessment has been performed, identifying transition risk related to real estate and sectors with high levels of greenhouse gas emissions, as well as flood risk as most significant.

As part of the development of the ESG risk management framework for the loan portfolio, efforts further focus on the collection and supplementing of more and better data to analyze, monitor, stress test and report climate-related and environmental risks. Obtaining EPC for new mortgage loans is a regulatory requirement, and EPC proxies have been acquired for the existing real estate loans. Also with regard to flooding risk, the bank enriched its databases. At the same time, measures are also taken to manage potential risks, such as the requirement of a higher residual income and stricter LTV limits when purchasing a less energy-efficient house.

3.1.2. Management of the investment portfolio and financial counterparties

BN has implemented a clear governance structure on the management and follow-up of the investment portfolio:

- The investment policy of Bank Nagelmackers is defined by the Executive Committee, within the Risk Appetite set by the Board of Directors.
- The investment portfolio does not have a trading objective and is, therefore, part of the Banking Book.
- Within this framework and the guidelines from the Alco, investments are proposed and approved in the Treasury Committee and are executed by the department ALM & Treasury.
- The back-office securities checks if the transactions reported by the department ALM & Treasury are in line with the transactions presented by the counterparties.
- The composition of the investment portfolio is reported to the monthly ALM committee and the intermediate Treasury Committee, who carefully reviews the portfolio composition and ratings.

Also exposures to financial counterparties are managed and monitored according to well-defined governance:

- The financial counterparty policy defines maximum exposure limits in function of the rating of the counterparty.
- Transactions can only be conducted with financial counterparties approved by the ALM committee.
- Derivative and repo transactions are only conducted with counterparties for which an ISDA, CSA and/or GMRA have been signed. As all outstanding interest rate swaps are centrally cleared, the credit risk on these instruments is marginal. This is also the case for the back-to-back interest rate cap concluded in the context of the B-Arena V securitization.
- The exposures to financial institutions linked to the daily cash management as well as financial derivatives and deposits at banks are reported to the Treasury Committee and the ALM committee.

3.2. Breakdown credit risk per asset category

	31/12/2023	31/12/2022
euro '000	Exposure Value	Exposure Value
Lending Portfolio	3.047.687	3.304.168
Loan commitments	129.756	166.813
Investment Portfolio	705.199	393.585
Other	828.278	1.178.451
TOTAL	**4.710.920**	**5.043.017**

Exposures are based on Corep and reported gross, after application of (i) guarantees by substitution, (ii) the Credit Conversion Factor, and before collateral application.

3.2.1. Credit exposure in the lending portfolio

Amounts in euro '000	31/12/2023 Exposure Value	31/12/2022 Exposure Value
Mortgage loans	2.339.117	2.528.207
Term Loans	456.188	491.538
Straight loans	178.218	198.374
Other loans	74.164	86.049
Subtotal on balance	**3.047.687**	**3.304.168**
Loan commitments	119.580	166.900
TOTAL	**3.167.267**	**3.471.067**

Loan commitments contains assets whose contract is not booked on the balance sheet, eg undrawn part of a mortgage loan or credit line, bank guarantees; the latter are however not included in above figures
The loan portfolio decreased in 2023 reflecting the impact of the strategic focus on private banking and assets under management. The loan portfolio is almost entirely concentrated in Belgium.

3.2.2 Credit exposure in the investment portfolio

Amounts in euro '000		31/12/2023	31/12/2022
		Exposure Value	Exposure Value
16	Central governments or central banks	233.386	276.731
17	Regional governments or local authorities	24.434	-
21	Institutions	329.743	24.989
22	Corporates	66.311	59.130
30	Covered bonds	39.956	18.747
32	Collective investments undertakings	10.860	13.479
33	Equity exposures	509	509
36	**Total**	**705.199**	**393.585**

The investment portfolio consists of debt instruments, mainly EU sovereign and local government bonds, certificate of deposits, corporate bonds, and covered bonds. The strong increase witnessed of BN's investment portfolio in 2023 results mainly from the purchase of certificates of deposits to 1) optimize the income from its cash buffer and 2) hedge the increasing outstanding of term deposits.

ABBH has invested part of the remaining proceeds from the sale of Fidea in liquid bonds and deposits at financial counterparties, next to a previous investment as seeding money in an equity fund launched by BN.

All securities are EUR denominated, and almost all are ECB-eligible.

3.2.3. Other credit exposure

Amounts in euro '000	31/12/2023	31/12/2022
	Exposure Value	Exposure Value
Deposits financial institutions (incl NBB)	624.593	945.402
Derivatives & cash collateral	44.221	141.256
Tax assets & cash	105.441	34.910
Property, plant & equipment	21.085	25.192
Other assets & accrued income	32.938	31.691
TOTAL	**828.278**	**1.178.451**

The biggest part of other credit exposures consists of deposits at the NBB and nostro accounts, deposits at other banks and counterparty credit related exposures linked to derivatives. The latter exposure has decreased due to the evolution of the market value of the IRS in parallel with the interest rate evolution and because netting with collateral is being applied for the first time this year.

For monitoring purposes, ECL provisions and capital calculations related to the investment portfolio and financial counterparties, reference is made to ratings from Moody's, S&P or Fitch. In the case of split ratings, the second best rating is determining, and a bond specific rating has priority over the issuer rating. All securities in the investment portfolio are investment graded, except a small non-rated position. All exposures to financial counterparties concern investment graded banks, only NBB has no rating.

3.3. Breakdown credit risk per exposure class

	Amounts in '000	31/12/2023	31/12/2022
7	Central governments or central banks	746.901	936.528
8	Regional governments or local authorities	24.434	0
9	Public sector entities	16	16
12	Institutions	577.145	482.056
13	Corporates	336.171	316.842
14	Retail	612.260	695.150
15	Secured by mortgages on immovable property	2.243.148	2.443.195
16	Exposures in default	30.498	33.997
17	Items associated with particularly high risk	28.828	40.931
18	Covered bonds	39.956	18.747
20	Collective investments undertakings	10.860	13.479
21	Equity exposures	509	509
22	Other exposures	60.193	61.566
24	**Total**	**4.710.920**	**5.043.017**

The table in the this section shows the exposure calculated via the Standardised approach broken down per exposure type. The exposure types are those defined for the purpose of regulatory reporting according to the Standardised approach:

- **Sovereign**: claims on central authorities and governments and other assets weighted at 0% (such as Cash and Cash at central banks).
- **PSE**: claims on Public Sector Entities.
- **Institutions**: claims on banks.
- **Corporates**: claims on all corporations, including small and medium-sized enterprises that are treated as corporate clients.
- **Retail**: claims on retail clients (including SMEs not qualifying for treatment as corporate clients). Most of these claims are related to the part of mortgage loans secured by a mortgage mandate.
- **Secured by real estate**: claims that are (fully) covered by real estate collateral via mortgages. These are extracted from the above categories (mostly retail or corporate).
- **Default**: all exposure that it is more than 90 days in arrears or considered unlikely to pay. All default exposure is extracted from all the other categories.
- **High risk**: includes by definition claims on buy/build-to-sell real estate projects. Past due and equity exposure are excluded.
- **CIU**: claims on Collective Investment Undertakings.
- **Equity**: Shares.
- **Other**: all other claims (e.g. other assets).

3.4. Credit risk mitigation

Next to a thorough assessment of the creditworthiness of loan applications, the Bank also applies a strict policy with regard to required collateral to further secure the credit risk in its lending portfolio. Most collateral consists of mortgage inscriptions and mortgage mandates on real estate. The mandates do not qualify for a lower risk weight under the standardised approach of the CRR. BN uses the risk weights of 35% and 50% for the part of its loans that are secured by mortgage inscription on respectively residential and commercial real estate up to LTV of 80% and 60%.

Other types of movable collateral such as pledge on private banking portfolios represent a smaller but increasing part of the obtained collateral, and for these types of collateral, BN does not apply credit risk mitigation for regulatory capital purposes, meaning that, despite the presence of economic movable collateral, the risk weighted assets are calculated in a very conservative way.

3.5. Credit quality

Forbearance measures

In order to avoid a situation where an obligor facing temporary financial difficulties ends up defaulting, the bank can decide to renegotiate its loans and grant forbearance measures in accordance with internal policy guidelines.

Forbearance measures consist of concessions towards a borrower facing, or about to face, financial difficulties. In most cases, it involves a temporary capital moratorium.

After a forbearance measure has been decided upon, a forbearance tag is attached to the file in the credit systems for identification, monitoring and reporting purposes.

In accordance with IFRS 9 requirements, a facility tagged as “forborne” will always be allocated to “Stage 2” (please note that this only applies to non-defaulted clients, since defaulted clients are always classified in “Stage 3”). Forborne exposures should be classified as ”in default” if they become more then 30 days past-due (instead of 90 days for “normal” exposures).

The forbearance classification shall be discontinued and the forbearance-flag disappears automatically 24 months after a “probation period” during which there has been no >30 days past-due incident for the concerned contract. Also in case of a second restructuring, the probation period starts again from the date of the latest forbearance measure.

At the end of 2023 forborne loans accounted for 0,43% (2022: 1,03%) of our total loan portfolio.

Template EU CQ1: Credit quality of forborne exposures

	Amounts in euro '000	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		Collateral 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								
010	Loans and advances	11.835	1.250	1.163	1.250	-27	-301	12.744	949
020	*Central banks*								
030	*General governments*								
040	*Credit institutions*								
050	*Other financial corporations*								
060	*Non-financial corporations*	904	280	280	280	-9	-185	990	95
070	*Households*	10.931	969	883	969	-17	-116	11.754	853
080	Debt Securities								
090	Loan commitments given								
100	***Total***	11.835	1.250	1.163	1.250	-27	-301	12.744	949

Exposures based on Finrep[4]

Non-performing and impaired credit risk exposure

The default definition used under IFRS 9 Stage 3 and the default definition used for ABBH’s RWA Credit Risk under the standardized approach are consistent[1] and in line with EU Regulation 2018/171 for the materiality threshold for credit obligations past due and the EBA Guidelines 2016/07 on the application of the default definition.

[4] due to timing differences in the reporting processes, minor differences may still arise between figures based on Finrep and figures based on Corep

Template EU CQ3: Credit quality of performing and non-performing exposures by past due days

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
	Amounts in euro '000		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	748.199	748.199										
010	Loans and advances	3.050.245	3.048.693	1.552	42.245	15.460	1.711	3.006	3.192	4.805	2.836	11.235	39.035
020	*Central banks*												
030	*General governments*	249	249										
040	*Credit institutions*	30.327	30.327										
050	*Other financial corporations*	62.195	62.195		249							249	249
060	*Non-financial corporations*	577.476	577.370	106	24.027	10.314	409	1.998	482	720	1.929	8.175	21.134
070	*Of which SMEs*	569.196	569.090	106	23.992	10.314	407	1.998	482	720	1.929	8.142	21.101
080	*Households*	2.379.998	2.378.552	1.446	17.969	5.147	1.302	1.008	2.709	4.085	907	2.811	17.652
090	Debt securities	722.576	722.576										
100	*Central banks*												
110	*General governments*	307.034	307.034										
120	*Credit institutions*	327.464	327.464										
130	*Other financial corporations*	15.859	15.859										
140	*Non-financial corporations*	72.220	72.220										
150	Off-balance-sheet exposures	207.523			303								303
160	*Central banks*												
170	*General governments*	5.190											
180	*Credit institutions*	10											
190	*Other financial corporations*	44.472											
200	*Non-financial corporations*	100.542			218								218
210	*Households*	57.308			85								85
220	***Total***	**4.728.543**	**4.519.469**	**1.552**	**42.548**	**15.460**	**1.711**	**3.006**	**3.192**	**4.805**	**2.836**	**11.235**	**39.338**

Exposures based on Finrep

Template EU CR1: performing and non-performing exposures and related provisions

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Amount in euro '000	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	748.199	748.199													
010	Loans and advances	3.050.245	2.551.732	498.513	42.245	863	41.382	-3.078	-666	-2.412	-10.118	-9	-10.108		2.860.613	25.797
020	*Central banks*															
030	*General governments*	249	214	35				0	0	0					187	
040	*Credit institutions*	30.327	30.327													
050	*Other financial corporations*	62.195	8.428	53.766	249		249	-1.103	-4	-1.099	-249		-249		9.151	
060	*Non-financial corporations*	577.476	387.096	190.380	24.027	326	23.701	-934	-178	-756	-6.308	-1	-6.307		509.736	11.882
070	*Of which SMEs*	569.196	379.316	189.880	23.992	326	23.668	-932	-177	-755	-6.276	-1	-6.275		501.704	11.882
080	*Households*	2.379.998	2.125.667	254.331	17.969	537	17.432	-1.041	-484	-557	-3.560	-8	-3.552		2.341.540	13.916
090	Debt securities	722.576	706.092	5.652				-179	-83	-96						
100	*Central banks*															
110	*General governments*	307.034	307.034													
120	*Credit institutions*	327.464	327.464					-65	-65							
130	*Other financial corporations*	15.859	15.859					-1	-1							
140	*Non-financial corporations*	72.220	55.735	5.652				-113	-17	-96						
150	Off-balance-sheet exposures	207.523	169.093	38.430	303		303	119	23	97	5		5			
160	*Central banks*															
170	*General governments*	5.190	5.183	7				2	1	1						
180	*Credit institutions*	10	10					0	0							
190	*Other financial corporations*	44.472	24.472	20.000				1	1							
200	*Non-financial corporations*	100.542	84.679	15.863	218		218	102	13	89	5		5			
210	*Households*	57.308	54.749	2.560	85		85	15	8	6						
220	***Total***	***4.728.543***	***4.175.116***	***542.595***	***42.548***	***863***	***41.685***	***-3.138***	***-727***	***-2.412***	***-10.113***	***-9***	***-10.103***		***2.860.613***	***25.797***

Exposures based on Finrep

The decrease of provisions on non-performing loans (in litigation) is explained by the reversal of past provisions on loan litigations based on realized recoveries and more limited provisions for new loan litigations based on good collateral. ECL provisions remain at the same level taking into account uncertainties regarding the economic outlook, and a number of cyclically sensitive economic sectors have therefore been transferred to stage 2 taking into account a greater chance of a potential increase in credit risk, even if there is currently no real increase in the credit risk involved.

As a result thereof, the loan loss ratio in 2023 was again negative with -6,8% because reversal of provisions outweighed new provisions.

4. Securitisations

The Bank issues securitizations through its securitization vehicle B-Arena. At the end of 2023, the outstanding (amortizing) B-Arena V transaction comprises a pool of EUR 896,5 mln mortgage loans. The notes issued to fund the mortgages are kept on-balance by the Bank and the senior notes which are ECB eligible can serve as a means for generating additional liquidity. End of 2023 these notes had a liquidity value of EUR 692 mln.

These fully retained securitization transactions do not aim a significant risk transfer but are done to strengthen the liquidity buffer. Hence, no capital relief is pursued and capital requirements are calculated for the securitized loans instead of the issued notes. The interest rate risk of the securitized loans also remains with the Bank which is achieved by a cap structure between the Bank and B-Arena.

BN and ABBH hold no investments in other RMBS or ABS.

5. Non-financial risks

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes, but is not limited to, fraud related risk, legal risk, model risk and ICT risk.

Bank Nagelmackers applies the standardized approach to calculate capital requirements for operational risk. For that purpose, the Bank's gross income is allocated to 4 business lines: Retail banking, Commercial banking, Retail brokerage, and Asset Management. The capital charge of EUR 10,8 mln represents 12,5% of the total gross income in 2023.

Bank Nagelmackers provides conventional banking services with a focus on investment services and asset management, but also related to savings, lending and payments. These are activities and processes the Bank has ample experience with, and for which measures have been taken for adequate control of operational risks, following the 3 lines of defense approach.

5.1. Operational and IT risk

The primary responsibility for managing operational risks lies with the business, who is responsible to identify and monitor its operational risks and implement the necessary mitigating measures such as documenting processes in procedures, applying separation of duties and 4 eyes controls, automating processes and embedding controls in the design of the IT applications.

For more systematic identification of operational incidents, better prioritization of remediation and general strengthening of the risk awareness, the Risk Management department implemented an incident database in which all operational incidents are reported by a network of risk correspondents in all business departments and the sales network.

The data are processed and presented during the monthly Riskforum meeting of line managers, attended by the 2nd and 3rd line risk functions including the CRO as well. Significant operational incidents and identified gaps in the control framework are discussed and remediation is decided and monitored. The presentation to / minutes of the Riskforum are presented to the Executive Committee.

Risk assessment is also integrated when developing or adapting new products, services, distribution channels and when starting material new projects, for which specific procedures have been drafted that define the governance for development and approval of product and projects, provide templates for a structured process, and that ensure that the risk functions are involved. Final approval to launch a product or project can only be given by the Executive Committee, on the basis of a completed file. A process of periodic review of products is also set up and for the most material projects a post project review is foreseen in case of significant budget overrun or delay in delivering the project.

The control of outsourced activities, including use of cloud computing, is set up in the procurement procedure which defines the criteria and process for assessing and contracting outsourcing. Final decision on outsourcing is taken by the Executive Committee. A register of outsourcing is established and a periodic evaluation of outsourcings is initiated and challenged by Risk Management who reports on the results of the evaluation to the Executive Committee. This framework is now being further adapted to meet the expectations regarding third party risk management for critical IT suppliers under DORA.

Particular attention is paid to the risks related to IT and IT Security, which are followed in the ICT Riskforum. This is a monthly meeting of IT managers, with Risk Management and Internal Audit, which discusses IT (security) risk and control issues and advises IT Management. The bank has a dedicated IT Security officer and team that is responsible for collection, analysis and remediation of security incidents and performance of regular security scans. The IT Security officer is also assisted by an external security partner for monitoring external threats and evolutions, and vulnerability assessments. IT security controls include among other things, secure configuration of hard- and software and regular patching, multi layered malware inspection, firewalls (application and network), authentication and role based access control, controlled use of administrator privileges, penetration tests, and network segmentation. In further strengthening the IT control framework, the bank has also appointed a CISO and started a project to meet the further requirements of DORA.

The bank features a BCP/DRP that is updated on a regular basis reflecting enhancements and other amendments within the BCP/DRP. The BCP/DRP procedures are updated with changes in the IT architecture and completed with additional risk scenarios. The BCP is approved by the Executive Committee, which discusses also the test planning and results, and an annual reporting on business continuity management is presented to the BoD.

Risks regarding the accuracy of financial reporting are governed by a set of controls, and the reporting is audited by the Auditor.

An overarching Operational Risk Committee has been established for a strategic and tactical follow up and monitoring of the non-financial risks within BN under the umbrella of operational risk. This committee meets on a quarterly basis and includes next to the risk functions also the Executive Committee, with their greater involvement and support for operational risk management in the bank and its continued development.

5.2. Compliance and conduct risk

Bank Nagelmackers has developed a framework to follow-up and manage compliance risks. Bank Nagelmackers has a dedicated compliance officer who monitors all changes in legislations within his domain and pro-actively advocates these within the bank.

For AML, the bank has procedures, systems and operational processes in place, that are aligned with AML V and supplemented with regular awareness-raising memos and training courses:

- The client identification and KYC system and control is centralized, with account blocking on which the various client applications (payments, loans, insurance) automatically join and also portfolio management contracts can only be drafted if the client identification is (still) OK.
- The risk scoring methodology is also implemented in the IT systems.
- Automated controls as to whether new clients are listed on any UN, EU, OFAC or Belgian sanctions list take place in real time in Fronteo. NetReveal monitors on a daily basis compliance of all clients with the UN, EU, OFAC and Belgian sanctions lists.
- Full ex-ante screening is performed with the Safer Payments application for all (standard) outgoing payments against international sanctions and embargos. Incoming payments in USD are also screened ex ante against OFAC. On D+1, NetReveal still controls ex-post all (standard) outgoing and incoming payments.
- With respect to our investment products, check with international sanctions and embargos is performed with Bloomberg data.
- Procedures, work instructions, audit trails, and controls on the proper functioning of the systems are in place.

- Specific risk situations, namely large cash deposits, depositing of securities and repatriation of assets are embedded in the operational processes.
- Compliance realizes the FIU notifications independently. Every year, Compliance issues an AML report to the Executive Committee and the Board of Directors.
- Compliance has implemented a periodical Enterprise Wide Risk Assessment (EWRA) process.

An important point of attention is compliance with MIFID and regulation related to investment sales in general. Investment advice is supported by applications in which controls are embedded to ensure Mifid-compliance. A dedicated Mifid-team is appointed who is 1st line responsible for maintaining the Mifid control framework, reporting on the Mifid risks and coordinating implementation of the necessary adjustments in response to new regulation. A Mifid steering with business and risk functions together with the CCO oversees the Mifid control framework, based, among other things, on a set of Mifid indicators.

GDPR compliance is also an important priority and continuous efforts to ensure protection of personal data in all processes and IT systems of the bank are guided by the bank's DPO with support from the Compliance department. Annual transversal action plans are defined with responsibilities and actions set towards the first line. Its execution is closely monitored and reported to the Executive Committee by the DPO. Projects which may give raise to significant privacy risks are subject to an analysis by the DPO (and eventually a DPIA).

In the context of the emphasis on the sustainable character of BN and its product offering, compliance with SFDR is prominent in the activities of the Asset Management department. Requirements of SFDR have been implemented, and further elaboration of the sustainability framework continues under the guidance of the Sustainability Committee (SC) within the Asset Management department. The SC is responsible for determining the Responsible Investment and Sustainability Risk Policy, including exclusions, proxy voting, stewardship & engagement. The SC defines the sustainable investment methodology and is responsible for monitoring, controlling and reporting that investment solutions (funds/portfolios) are aligned with the committee decisions, as defined in the Sustainability Risk Policy. At the end of 2023, 83% of the in-house funds were classified as funds with sustainability features (SFDR art 8).

5.3. Second line and Third line control activities

Next to the follow-up of operational incidents and risks through the incident database, Risk Management as a 2nd line department also organizes bank wide risk and control self-assessments. The self-assessments are structured around key processes and control objectives (CO) which aim to cover all risks to be controlled and all regulation to comply with. Each CO is assigned to the manager responsible for the concerned controls and for the self-assessment of the adequacy and execution of these controls and the definition of remedial measures in case of gaps in the control framework. The quality of the self-assessments is challenged by the control functions, the implementation of remediation is monitored by Risk Management. The Report of the senior management on the assessment of the internal control (VIC, Verslag Interne Controle) is drafted on the basis of these self-assessments.

Risk Management also performs a 2nd line monitoring of the investment management of the in-house funds and client portfolios by Asset Management. Monitoring of the regulatory and prospectus limits of the funds is supported by Caceis and the monitoring of internal risk appetite limits is done via Bloomberg, and reported to the Board of Directors of the funds. The switch to a new management system at Asset Management has been used to define stronger 1st and 2nd line controls on the discretionary management of client portfolios. The integration of these enhanced controls into the IT system will be completed in 2024.

The Investigations department assures a 2nd line monitoring of compliance with internal and regulatory rules at the points of sales (including private bankers) by means of risk-driven, standardized and documented controls. Results are reported to the POS and commercial management, with close follow-up of remediation in case of bad score. A half-yearly high-level reporting of the main observations by Investigations is presented to the Executive Committee. Investigations also gives particular attention to the risk of fraud in its control program.

The 2nd line management of compliance risks is conducted by the Compliance department. Key aspects include AML, Mifid, market integrity and conflicts of interest, and GDPR.

The management of legal risks - e.g. regarding the drafting of contracts - is regulated in a procedure defining the interaction between the Legal department and the other departments. Legal disputes are governed by centralization in the Legal department and collaboration with expert lawyers.

Finally, the management of risks is assessed in 3rd line by Internal Audit, performing audits in all departments of the bank according to a risk-driven audit plan covering all activities, processes and major projects. Audits on IT are outsourced to a specialized service provider. On that basis Internal Audit gives an independent opinion on the bank's risk management and formulates recommendations where necessary, of which they follow up the implementation.

The 2nd and 3rd line risk functions regularly report to the Executive Committee and to the Board of Directors (and more specifically to the Risk Committee and the Audit Committee), enabling these bodies to direct and to monitor the bank's (operational) risk profile and risk management. Recurring reporting to the BoD and its committees includes:

- quarterly reporting of the main operational incidents and risks of the bank by Risk Management to the Risk Committee and annual reporting of the VIC
- annual reporting of the compliance risk and control assessment and compliance plan to the BoD, and half yearly reporting on progress of execution of the compliance plan
- quarterly reporting of the main audit observations and progress of remediation by Internal Audit to the Audit Committee.

6. Market Risk Management

Given that neither ABBH nor BN have trading activities, market risk management comments in this section are related to the banking book (non-trading book) .

6.1. Market risk management

Market risk can be defined as the risk of losses in on and off-balance sheet positions arising from adverse movements in market prices.
BN has no trading activities. Regulation (EU) No 575/2013 defines the trading portfolio as "all positions in financial instruments and commodities taken by an institution, either with the intention to trade or to hedge positions that are taken with the intention to trade. " When we look at the balance sheet of ABBH BN, there are no financial assets or liabilities held for trading side.
Since BN has no trading book exposures, there are no capital requirements for market risk as a result of trading activities. The main market risk is the interest rate risk in the banking book. The IRS concluded to hedge the IRRBB are accounted as trading assets/liabilities at ABBH holding level because the holding does not apply hedge accounting.
At the holding level, additional market risk arises from the reinvestment of the remaining proceeds from the sale of Fidea, which is partially invested in foreign currencies and in an equity fund. A part is also invested in a bond portfolio.

6.2. Exposure to interest rate risk

A governance process has been established by the bank in order to ensure timely identification, measurement, reporting and management of interest rate risk exposures of the bank. The following process has been developed within Bank Nagelmackers:

- Finance is in charge of the production of IRRBB indicators. As per EBA's guidelines on the management of IRRBB, those indicators include:
  - Economic value (SOT EVE) and net interest income (NII SOT) based indicators
  - Regulatory and internal modelling based indicators
  - Sensitivities and stress scenarios.
- The level of interest rate risk is monitored against the regulatory and internal limits which have been set in the Risk Appetite Statement.
- ALM & Treasury is in charge of the operational implementation of the interest rate management strategies. Hedging of the interest rate risk is done primarily by the opening or unwinding of interest rate swaps or via duration management of the bond portfolio. It is noteworthy that ALM & Treasury cannot act on its own; any hedging transaction needs to be approved by the ALCO prior to its execution. ALM & Treasury is also in charge of setting out the IRRBB hedging policy.
- Risk Management is responsible to provide the bank with a complete and accurate insight into interest rate risk in its banking book. It designs the IRRBB indicators produced by MID/Finance and followed up by the ALCO, owns the IRRBB models (mortgage loans prepayments, non-maturing deposits) and sets out the ALM governance and IRRBB monitoring policy.
- ALM Committee: is composed of the Executive Committee members and the heads of ALM & Treasury, Risk

Management and Finance, with an input from the Chief Economist on markets and economy. The ALCO is in charge of IRRBB management, which includes closely monitoring it and also deciding upon actions to hedge it. When a hedging actions needs to be executed, the ALCO grants a precise execution mandate to ALM & Treasury
- The final responsibility in IRRBB management lies within the Executive Committee who validates all policies (ALM governance, IRRBB hedging, IRRBB risk monitoring), and decisions of the ALCO.

The Bank uses an externally developed ALM-tool (RiskPro) to quantify interest rate risk. RiskPro allows a precise calculation of the interest rate risk of the Bank and allows us to perform a wide variety of scenario simulations. RiskPro is used within the bank to calculate the evolution of the NPV and expected earnings of the Bank, under diverse portfolio- and interest rate scenarios and the results are evaluated. Calculations include a dynamic CPR-model, a tariff function forecasting client rates on saving accounts in function of the market rates, and a NMD-model for internal calibration of the duration of saving and sight accounts.

The level of interest rate risk is monitored against the regulatory and internal limits which have been set in the Risk Appetite Statement. The monitoring of interest rate risk has been aligned in the past year with the updated EBA Guidelines and NBB Circular on IRRBB and CSRBB.

By means of the regulatory Standardized Outlier Test (SOT) banks need to assess the impact of a number of interest rate change scenario's (both parallel shifts and non-parallel interest change scenario's) on the value of its assets and liabilities. The interest rate scenarios used are the different scenarios prescribed by EBA.

The results of the regulatory reporting with regard to the sensitivity of NPV, are provided below (31/12/2023 data, for both BN and ABBH). Calculations are performed with the internal durations for sight and saving accounts, and with cashflows including the commercial margin.

Scenarios	*BN*	ABBH
EBA Parallel +200BP	-8,8%	-6,0%
EBA Parallel -200BP	-10,3%	-6,8%
EBA Short Rates Up +250BP	1,0%	0,5%
EBA Short Rates Down -250BP	-1,4%	-0,8%
EBA Steepening -250BP/+100BP	-4,9%	-3,2%
EBA Flattening +250BP/-100BP	2,1%	1,3%

For internal monitoring of the SOT, product-specific discounting is applied.

The regulatory reporting also includes a NII SOT, which showed the following results on 31/12/23:

Scenarios	*BN*	
	NII sensitivity (EUR, mio)	NII sensitivity (%)
+200bps	1,5	0,4%
-200bps	-3,4	-0,8%
	ABBH	
+200bps	2,7	0,4%
-200bps	-4,5	-0,7%

The risk management framework also includes identification, monitoring, stress testing, reporting and managing of CSRBB, and has been further aligned with the updated EBA Guidelines and NBB Circular on IRRBB and CSRBB. The monitoring includes the individual and global impact on NPV, NII and EaR of different shocks of different spreads on different products.

6.3. Exposure to other market risks

Except for interest rate risk and spread risk, the group also is exposed to potential losses stemming from an unfavorable evolution of FX and stock markets. At Bank Nagelmackers, there is a limited risk appetite for FX and equity risk and there are no material positions in the forex nor equity markets. ABBH's risk policy sets an appetite for FX risk and equity risk at holding level for the reinvestment of the remaining proceeds from the sale of Fidea, in line with the shareholders preferences.

6.3.1. FX risk

Forex transactions at Bank Nagelmackers are only concluded in order to hedge client positions. Intraday- and overnight limits for the total risk positions in foreign currency are very limited. The net exposure at 31/12/2023 was EUR 0,06 mln as currency positions are largely offset.

At ABBH, there was currency risk resulting from interbank term deposits in USD (EUR equivalent 51,8 mln end of 2023, down from 100,7 mln last year after the dividend payment).

6.3.2. Equity risk

Bank Nagelmackers has a very tiny equity participation in other companies (5 in total). On 31/12/2023, total value of the equity participations is around EUR 0,2 mln.

Limited investments in mutual funds only happened to support the introduction by the bank of a new mutual fund. On 31/12/2023, the total position in mutual funds amounted to EUR 0,03 mln. The bank invested in 18 own Nagelmackers funds, and solely for voting rights.

ABBH invested seeding money in an equity fund launched by BN in 2021. This investment has a value of EUR 10,8 mln at 31/12/23.

7. Liquidity Risk Management

7.1. Liquidity risk management

7.1.1. Liquidity risk profile

The Bank is almost entirely funded by client deposits. To address the risk of significant outflows of client deposits, the Bank invests part of its funding in a liquidity buffer consisting of highly liquid securities (investment portfolio) and cash in order to be able to quickly generate liquidity if necessary. The investment portfolio consists of EU sovereign bonds, certificates of deposit, corporate bonds and covered bonds, which are (almost) all ECB-eligible, investment graded and EUR denominated. These securities allow for quick liquidity creation by secured lending or outright sales.

The liquidity of the Bank is exposed to market movements (of interest rates and spreads) which can decrease the value of the liquidity buffer and generate (cash) collateral outflows (both impacts can offset each other partially).

In order to strengthen its liquidity position, the Bank collateralizes part of its loan portfolio via an SPV (B-Arena) that issues RMBS that are kept on-balance as collateral for possible ECB financing. The outstanding B-Arena V securitization has a liquidity value of EUR 692 mln end of 2023. Covered lending through securitization is the principal additional funding option next to client deposits.

A 3-year funding plan is drafted with a forecast of client and non-client assets and liabilities to ensure future sufficient funding and liquidity of the Bank.

At the level of ABBH Holding, the remaining proceeds from the sale of Fidea are deposited at short term or invested in liquid bonds and a fund, which can rapidly be monetized.

7.1.2. Liquidity risk governance

The risk management processes for liquidity and funding are designed under the final responsibility of the Board of Directors, who defines and monitors the risk strategy and appetite, which are implemented by the Executive Committee.

First line management responsibility for liquidity and funding risk is attributed to the ALM & Treasury department that is in charge of (intra)daily treasury management, management of the liquidity buffer and the non-client funding. ALM & Treasury department also performs forward-looking monitoring of expected liquidity evolutions for timely identification of possible funding needs and initiation of control measures such as securitization.

Second line monitoring responsibility is attributed to the Risk Management department that is in charge of monitoring and stress testing of the liquidity and funding risks and their management, including compliance to regulatory and internal limits.

Monitoring and management of liquidity risks are discussed at the bi-weekly Treasury Committee and the monthly and ad hoc ALM Committee that makes policy advice to the Executive Committee.

7.2. LCR and NSFR

The LCR is monitored and discussed in each monthly ALM committee. In this ratio, the High-Quality Liquid Assets are compared with a stressed net outflow (1-month horizon). The outflow percentages per client group are given by the regulator. The minimum regulatory requirement is to have an LCR ratio of above 100%. As shown by the table below, the LCR ratio was comfortably above the minimum regulatory requirement per year-end, and this was also the case on a continuous basis during the year.

Expected LCR evolution under the business and funding plan is assessed and stress tested to ensure ongoing compliance with the regulatory and internal limits. The bank has also developed its own comprehensive liquidity stress tests within its ILAAP, and wants to keep its LCR above the regulatory minimum even after such hypothetical stress events.

Liquidity Coverage Ratio

	31/12/2023	31/12/2022
Bank Nagelmackers	258%	258%
ABBH	268%	318%

Next to the regulatory liquidity ratio, the bank also monitors the Comprehensive Liquidity Buffer Ratio which ensures that the available liquidity that can be monetised within a time span of 3 months is sufficient to still meet the minimum required LCR after the occurrence of a severe internal stress scenario defined in the ILAAP.

In the NSFR, the stable funding is compared with the medium-to-long term assets (1-year horizon). This ratio is reported and monitored in the ALM Committee. At year-end 2023, the NSFR was 148% and comfortable above the minimum requirement of 100% expected by the regulator.

Net Stable Funding Ratio

	31/12/2023	31/12/2022
Bank Nagelmackers	144%	157%
ABBH	148%	157%

7.3. Asset encumbrance

The Bank only encumbers assets when required for margining of derivatives, drawing upon credit lines and secured funding transactions. The Bank has a liquidity line at the NBB based on the collateral that is posted at the NBB, but the collateral is only “encumbered” to the extent the credit line is really used.

BN also renders part of its mortgages liquid via the creation of RMBS (via B-Arena) that are fully retained on the balance sheet.

Possible encumbrance must always respect the limits for the broad and narrow Asset Encumbrance Ratio. End of 2023, the bank’s broad and narrow AER amounted to respectively 155% and 138%, well above the applicable regulatory early warning thresholds of 135% and 100%.

7.4. Internal Liquidity Adequacy Assessment Process

Within the ILAAP, the Bank assesses the liquidity and funding risks that it is exposed to and the measures to monitor and manage those risks. The ILAAP describes and assesses the liquidity risk governance framework, the liquidity risk profile and metrics, liquidity buffer management, intraday liquidity management, the funding plan, stress testing, and the contingency funding plan. The ILAAP is a process where all stakeholders are involved and which allows taking appropriate actions when needed.

The ILAAP concludes that the liquidity and funding position of the Bank remains sound with an ample liquidity buffer and a deposit portfolio that evolves in line with the strategic focus on off-balance services. The liquidity risk management framework is embedded in the Bank’s governance and business and is adequate taking into account the risk profile.

8. Leverage

The CRR requires credit institutions to calculate, report and monitor their leverage ratios. The leverage ratio is a supplementary, non-risk based measure to contain the build-up of leverage. It is calculated as a percentage of Tier-1 capital relative to the total on and off-balance sheet exposure (not risk-weighted). The legal minimum leverage ratio is 3%, the actual leverage ratio of ABBH consolidated at 2023 year-end was 12,8%, and 8,8% for BN, indicating a low level of leverage.

9. Remuneration Policy

9.0. Introduction
Both ABBH and BN further referred to as “Institution”, have a well-managed, compliant and sustainable remuneration policy. This section gives disclosures on the remuneration rules and guidelines and is applicable to both Institutions.

9.1. Regulatory Framework
The Remuneration Policy has been established in compliance with the applicable rules and regulations covering remuneration at credit institutions as summarized by the NBB Circular NBB_2021_30 of 7 December 2021 on sound remuneration policies.

In compliance with these applicable rules and regulations, the Bank rewards performance while:
- promoting sound and effective risk management and risk culture;
- promoting compliance with legislation, regulations, internal policies, corporate culture and values;
- taking into consideration sustainability aspects, including the implementation of relevant ESG risk factors according to the sustainability risk policy;
- preventing risks being taking exceeding the Institution’s tolerance levels including environmental, social and governance (ESG) risk-related objectives;
- matching the Institution’s strategy, goals, values and long-term interest; and
- preventing conflict of interest.

Furthermore, the Remuneration policy is gender neutral. It respects the principle of equal pay for male and female workers for equal work or work of equal value.

9.2. Governance

9.2.1. The Board
The Board of Directors of the Institution (the Board) has adopted this Remuneration Policy and is responsible for (i) maintaining it, as well as (ii) overseeing its implementation.

In particular, the Board shall determine and oversee the remuneration of the Executive Committee members.

9.3.2. The Remuneration Committee
The Remuneration Committee’s responsibilities are listed in the Banking Act of 25 April 2014 and in the Corporate Governance Memorandum of the Bank and in section 2.4.21 of the EBA Guidelines on sound remuneration policies under the CRD.

In addition to the support, advice, and preparation of the Board’s decisions in connection with this Remuneration Policy, the Remuneration Committee will directly oversee the remuneration of identified staff, and recommend to the Board accordingly, as required by the Banking Act of 25 April 2014 and by the Corporate Governance Memorandum.

The Remuneration Committee collaborates with other committees of the Board, in particular the Risk Committee in relation to matching the remuneration policies and practices of the Institution with the Institution’s risk, capital, liquidity as well as the likelihood and timing of earnings, as required by the Banking Act of 25 April 2014 and by the Corporate Governance Memorandum.

The Remuneration Committee ensures that the input from the following functions provides additional safeguards with respect to compliance with this Remuneration Policy and with the relevant regulations:
- the HR function;
- the Risk function;
- the Compliance function;
- the Internal Audit function.

9.2.3. The Risk Committee

The Risk Committee examines whether the incentives in terms of variable remuneration are coherent with the sound management of risks, the own funds requirements and liquidity, taking into account the profitability prospects.

9.3. Identified staff

It is the responsibility of the Institution to identify members of staff of which the professional activities have or may have a material impact on the risk profile of the Institution. The Institution will annually conduct a self-assessment in this regard.

The self-assessment shall be performed at the initiative of the HR function, aided and advised by the Risk and Compliance functions. The self-assessment will be submitted to and approved by the Executive Committee and discussed within the Risk committee and Remuneration Committee. Final approval is given by the Board of Directors.

In the identification process, the criteria as set out in in the European Commission Delegated Regulation 2021/923 dated 25 March 2021 will apply.

9.4. Ratio fixed/variable remuneration and ratio cash/other instruments

Fixed remuneration reflects the relevant experience and organizational responsibilities in accordance with the function profile. The fixed remuneration in itself allows the Institution to guarantee a fully flexible variable remuneration policy, allowing the possibility not to pay variable remuneration.

Variable remuneration are all components for which it is not possible to allocate them to Fixed Remuneration. Variable Remuneration is not limited to KPI-based performance but could also in some cases contain parts of other payments (severance fee, retention bonus, …).

There is a balanced distribution between the Fixed and Variable component of the total remuneration.

The variable remuneration for every individual is in any case limited per calendar year to the higher of these to amounts:
- 50% of the fixed remuneration or
- 50.000 EUR provided that this amount doesn't exceed the annual Fixed Remuneration.

9.5. Performance criteria and risk alignment

Variable Remuneration is based on a combination of the assessment of the performance of the individual and of the overall results of the Institution. The evaluation takes into account all sorts of existing and future risks of the Institution. When assessing individual performance, financial and non-financial criteria are taken into account

Variable Remuneration is dependent on performance criteria reflecting a viable and risk-adjusted return, as well as performance over and above the performance described in the function profile.

Performance criteria should be
- set as to not incentivize excessive risk-taking or mis-selling of products;
- risk-sensitive and risk-adjusted;
- closely linked to the decisions to be made by the Identified Staff member and have an appropriate impact on the Identified Staff member's behavior

9.6. Pay-out

9.6.1. Deferral and retention periods

To the extent the Variable Remuneration exceeds an amount of EUR 50.000 related to one performance year, the payment of a part amounting to at least 50% of the Variable Remuneration, and at least 60% for an amount equal to EUR 200.000 in performance year, shall be deferred proportionally over a period of four years.

As regards the Variable component, when deferral is required, Identified Staff will receive 50% - applied equally to the non-deferred and the deferred part - in cash and 50% in an instrument that can be fully written down and is fully compliant with the European Commission Delegated Regulation (EU) No 527/2014 of 12 March 2014[5] ("Other Instruments").

[5] Commission Delegated Regulation (EU) No 527/2014 of 12 March 2014 supplementing CRD with regard to regulatory technical standards specifying the classes of instruments that adequately reflect the credit quality of an institution as a going concern and are appropriate to be used for the purposes of variable remuneration

9.6.2. Risk adjustment: malus & claw-back

The Remuneration Committee confirms, prior to any pay-out of variable amount, that no malus or claw back should be applied on the deferred amounts and validate the yearly pay-out of these amounts.

During the deferral period and without prejudice to the general principles of national contract or labour law, the bank reserves the right to reduce variable remuneration (i) not yet obtained, or (ii) granted but deferred ("Malus") and the right to reclaim up to 100% of the net amount of the already paid portion of the variable remuneration (claw back) over a period of four years, within the meaning of article 8, §2 of Annex II of the Banking Act of 25 April 2014.

9.7. Personal hedging

Identified staff members are prohibited from entering into transactions that enable the transfer of downside risks of Variable Remuneration to another party through hedging or certain types of insurance.

9.8. Quantitative information

amounts in euro '000		MB Supervisory + Management function	Other identified staff
Fixed remuneration	Number of identified staff	9 (5 non-executive, 4 executive)	9
	Total fixed remuneration	1.850	1.267
	Of which: cash-based	1.850	1.267
Variable remuneration	Number of identified staff	9	9
	Total variable remuneration	301	123
	Of which: cash-based	174	
	Of which: deferred	64	
	Of which: other instruments	127	
	Of which: deferred	63	
	Of which: other forms (stock options)		123
	Of which: deferred		
Total remuneration (2 + 10)		2.151	1.390

There were no guaranteed variable remunerations nor severance payments for Identified Staff in 2023 and none has a remuneration above EUR 1 mln.