Degroof Petercam

2020 Risk Report

Updated Covid-19 special semi-annual disclosure (as of June 30, 2021)

Pillar 3 disclosures

Bank Degroof Petercam S.A.
Rue de l'Industrie 44
1040 Bruxelles
TVA BE 0403 212 172

RPM Bruxelles
FSMA 040460 A
degroofpetercam.com

Contents

1. Introduction

PRESENTATION

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

- Re-engineering private banking
- Further growing asset management
- Integrating and boosting investment banking
- Upgrading and developing asset services
- Redesigning our operating model
- Becoming a love brand

At the international level, following the sale of our Spanish subsidiary finalized in February 2021, Degroof Petercam is continuing to simplify its activities in France.

PURPOSE OF PILLAR 3 DISCLOSURES – BASEL FRAMEWORK

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

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

The Pillar 3 disclosure requirements from the Basel framework have been implemented in the European Union law via part Eight of Regulation (EU) N° 575/2013 of 26 June 2013 (the CRR), Directive 2013/33/EU of 26 June 2013 (CRD IV), and in Belgium also via Circular NBB_2017-25 based on EBA orientation (EBA/GL/2016/11) and Circular NBB_2019-11 based on EBA orientation on NPE (EBA/GL/2018/10).
These requirements have been complemented by a guideline on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis on June 2020 (EBA/GL/2020/07).
Finally the EBA/GL/2020/11 and EBA/GL/2020/12 guidelines give disclosure requirements on the implementation of CRR "quick fix" as part of a series of measures to mitigate the impact of the COVID-19 pandemic on institutions across the EU Member States.

OVERVIEW KEY RATIOS 2020

- Common equity tier-1 ratio (Basel III fully loaded based on Danish compromise) of 21.16% at year-end;
- Fully loaded Basel leverage ratio – based on CRR – of 6.56% at year-end;
- Strong liquidity position at year-end (NSFR at 157% and LCR at 266%).

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

HEALTH CRISIS COVID-19

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

As soon as the first containment measures were implemented, the Group immediately activated its teleworking processes - already largely operational before the crisis - thus ensuring full operational and IT continuity.

During this period of containment, the Group closely monitors the different risks to which it is exposed on a daily basis (Liquidity, Market, Credit, Asset Management, ...). The Executive Committee and the Board of Directors are regularly kept informed of any development.

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

No significant impact on the solvency ratio has been noted, due in particular to compliance with the ECB's recommendation to reduce the dividend payout and to the resilience of our results.

Lending activity has not been significantly impacted by the current crisis, given the very high level of collateral existing on our “Lombard loans” (i.e. loans secured by investment portfolios), which account for the vast majority of our customer loans. Indeed, the Bank does not provide traditional loan products targeting retail and commercial customer segments, such as unsecured consumer loans (loans made primarily for personal use for the consumption of goods and services), and standard business loans. Mortgage loans also remain limited in our portfolio and are reserved solely for our private banking clients (16% of the total loan portfolio as of 31/12/2020) and the Bank grants very few unsecured loans (only 3.4% of the total portfolio as of 31/12/2020).

While the level of collateralization on these Lombard loans has been directly impacted by the fall in the stock markets at the end of the first quarter of 2020 (generating a material increase in margin calls on clients), most of these margin calls were quickly honored allowing the Bank to regain comfortable collateralization levels and avoid having to realize the pledged portfolios.

As a result, the Bank has not experienced any defaults or credit losses as a result of the pandemic to date, nor has it issued any loans that qualify for government payment moratorium measures.

The Bank remains extremely attentive to the current crisis caused by the COVID-19 pandemic. Since March 2020, the Bank has continuously reviewed and strengthened its Credit Risk Management practices to effectively and quickly address any financially distressed obligor in the current pandemic environment.

The revenues of the Bank also showed good resilience to the crisis as detailed in the annual report.

In conclusion, the effect of the health crisis on the Bank's risk profile was limited during 2020. Nevertheless, the Bank remains attentive to the evolution of the situation and the potential impacts on Risk Management in the event of an increased and prolonged crisis.

SEMI ANNUALLY DISCLOSURE OF EXPOSURES SUBJECT TO MEASURE APPLIED IN RESPONSE TO THE COVID-19 CRISIS

In line with the situation on 31 December 2020, on the date of 30 June 2021:

- The Bank does not hold on its balance sheet loans and advances that have been subject to legislative and/or non-legislative moratoria;
- The Bank has not originated loans and advances under newly applicable public guarantee schemes introduced in response to the COVID-19 crisis.

DISCLOSURE POLICY

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

Regulatory ratios with regard to Bank Degroof Petercam Luxembourg, Bank Degroof Petercam France,Bank Degroof Petercam Spain and Bank Degroof Petercam Switzerland are provided in Appendix 2.
These disclosure documents are not required to be, and have not been, audited by our independent auditors. They have been reviewed by Risk Management and Finance representatives of the Bank and formally approved by the Management Committee of Bank Degroof Petercam[1] and the Board of Directors.

Disclosure documents are available in English/French/Dutch on the Degroof Petercam website and located at https://annualreport.degroofpetercam.com/2020 "Reports/Full Annual Report or Financial Statements". They complete the annual report chapter dedicated to Risk Management. They are updated every year, subject to Degroof Petercam's assessment of the need for update of any relevant items more frequently than annually.
The Bank Degroof Petercam disclosure policy has been validated by the Board of Directors.

CROSS-REFERENCES

To avoid unnecessary duplication of certain information and in order to make risk disclosures as clear as possible, we refer to the 2020 annual report of Degroof Petercam, insofar possible.

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

Topics	Reports
Information regarding governance arrangements	Corporate governance section of the annual report and Management Report (IV Management Report – 12 Governance) Internet site: www.degroofpetercam.com/ « About us / Governance section »

[1] Also named in this document Degroof Petercam or the Bank or the Group

Remuneration policies	The full text on www.degroofpetercam.com/ « About us / Governance section »
IFRS9 (ECL)	Financial Statements (VI Consolidated financial statements 3.3 and 5.6 used in this document)
IFRS5	Financial Statements (VI Consolidated financial statements 7.20 used in this document)
Liquidity risk	Financial Statements (VI Consolidated financial statements Chapter 5.4)
Hedge accounting Methodology	Financial Statements (VI Consolidated financial statements Chapter 3.4 and 7.3)

2. Scope of application

Information disclosed in this Risk Report is dated December 31st, 2020 and expressed in thousands of euros (unless otherwise specified). The scope of consolidation for the purpose of these disclosures is the same as the consolidation scope of our financial statements as published in our annual report. Some figures in this report may not tally exactly due to rounding.

In-scope entities are listed below and the table provides information on the consolidation method applied for each entity within the accounting and the regulatory scopes of consolidation:

	a	b	c	d	e	f
Name of the entity	Method of accounting	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
Banque Degroof Petercam SA	Full consolidation	X				Credit Institution
Degroof Petercam Finance SA	Full consolidation	X				Other Financial Institution
Degroof Petercam Asset Management France SA	Full consolidation	X				Other Financial Institution
Banque Degroof Petercam Luxembourg SA	Full consolidation	X				Credit Institution
Banque Degroof Petercam France SA	Full consolidation	X				Credit Institution
Cobimmo SA	Full consolidation	X				Other company
Degroof Petercam Corporate Finance SA	Full consolidation	X				Other Financial Institution
Degroof Petercam Corporate Finance Spain	Full consolidation	X				Other Financial Institution
Degroof Petercam Asset Management SA	Full consolidation	X				Other Financial Institution
Degroof Petercam Asset Services SA	Full consolidation	X				Other Financial Institution
Degroof Petercam Insurance Broker SA	Full consolidation	X				Other Financial Institution
Imofig SA	Full consolidation	X				Other company
Industrie Invest SA	Full consolidation	X				Other Financial Institution
Immobilière Cristal Luxembourg SA	Full consolidation	X				Other Financial Institution
Banque Degroof Petercam (Suisse) SA	Full consolidation	X				Credit Institution
Orban Finance SA	Full consolidation	X				Other Financial Institution
3P (L) SARL	Full consolidation	X				Other Financial Institution
Bank Degroof Petercam Spain, S.A.U.	Full consolidation	X				Credit Institution
Degroof Petercam, S.G.I.I.C	Full consolidation	X				Other Financial Institution
Promotion Partners SA	Full consolidation	X				Other Financial Institution
Degroof Petercam Asset Management Suisse	Full consolidation	X				Other Financial Institution
Amindis SA	Equity Method			X		Other company
Arvestar Asset Management SA	Equity Method			X		Other Financial Institution
BDG & Associés	Equity Method			X		Other Financial Institution
Le Cloître SA	Equity Method			X		Other company
Stairway to Heaven SA	Equity Method			X		Other Financial Institution

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

These scopes are strictly identical.

The table furthermore highlights a breakdown of how the amounts disclosed were allocated to the different risk frameworks laid out in part three of the CRR.

	a	b	c	d	e	f	g
			Carrying values of items				
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	No subject to capital requirement or subject to deduction from capital
Assets							
Cash, balances with central banks and other demand deposits	2,300,923	2,300,923	2,300,923				
Financial assets at fair value through profit or loss	264,659	264,659	39,849	175,082		49,728	
Financial assets held for trading	*224,810*	*224,810*		*175,082*		49,728	
Others financial assets	*39,849*	*39,849*	*39,849*				
Financial instruments for hedge	45	45	45				
Financial assets at fair value through other comprehensive income	1,354,780	1,354,780	1,354,780				
Equity instruments	*9,626*	*9,626*	*9,626*				
Debt instruments	*1,345,154*	*1,345,154*	*1,345,154*				
Financial assets at amortised cost	4,111,680	4,111,680	4,013,134		98,546		
Loans and advances to credit institutions	*27,338*	*27,338*	*27,338*				
Loans and advances to customers	*2,037,442*	*2,037,442*	*2,037,442*				
Debt instruments	*2,046,900*	*2,046,900*	*1,948,353*		*98,546*		
Property and equipment	113,329	113,329	113,329				
Goodwill and other intangible assets	330,592	330,592					330,592
Investments in entities accounted for using the equity method	4,026	4,026	4,026				
Current tax assets	11,352	11,352	11,352				
Deferred tax assets	11,684	11,684	*4,184*				7,500
Other assets	180,458	180,458	178,577				1,881
Non-current assets and disposal groups classified as held for sale	108,937	108,937	108,937				
Total assets	**8,792,466**	**8,792,466**	**8,129,137**	**175,082**	**98,546**	**49,728**	**339,973**
Liabilities							
Financial liabilities held for trading	226,270	226,270					226,270
Financial instruments for hedge accounting	77,672	77,672					77,672
Deposits from credit institutions	93,743	93,743					93,743
Deposits from customers	6,493,000	6,493,000					6,493,000
Other financial liabilities	663,701	663,701					663,701
Provisions	52,257	52,257					52,257
Current tax liabilities	18,402	18,402					18,402
Deferred tax liabilities	4,094	4,094					4,094
Other liabilities	147,462	147,462					147,462
Liabilities included in disposal groups classified as held for sale	76,771	76,771					76,771
Equity							
Issued capital	34,212	34,212					34,212
Share premium	417,366	417,366					417,366
Reserves and retained earnings	447,645	447,645					447,645
Revaluation reserves	49,454	49,454					49,454
Treasury shares (-)	-49,627	-49,627					-49,627
Net profit for the period	40,044	40,044					40,044
Minority interests	0	0					0
Total Liabilities and Equity	**8,792,466**	**8,792,466**	**0**	**0**	**0**	**0**	**8,792,466**

The following table provides information on the main sources of differences (other than those due to different scopes of consolidation, which are shown in the previous table) between the financial statements' carrying value amounts (subject to capital requirement) and the exposure amounts used for regulatory purposes.

Degroof Petercam

	a	b	c	d	e
	Total	Items subjects to			
		Credit Risk Framework	CCR Framework	Securitisation Framework	Market Risk Framework
Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	8,452,493	8,129,137	175,082	98,546	49,728
Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	0	0	0	0	0
Total net amount under the regulatory scope of consolidation	**8,452,493**	**8,129,137**	**175,082**	**98,546**	**49,728**
Off-balance sheet amounts	357,940	357,940			
Securities financing transactions	0	0			
Differences in valuations	11,623		11,623		
Others differences	11,435	11,435			
Exposure amounts considered for regulatory purposes	**8,833,491**	**8,498,512**	**186,705**	**98,546**	**49,728**

3. Risk Management governance

3.1 Governance - General principles

Degroof Petercam is managed by a Board of Directors whose composition is based on the following rules:

The composition of the Board of Directors is compliant with the following rules:

- The composition of the Board as a whole must enable it to function effectively, efficiently and in the best interest of the company;
- It shows a diversity and a complementarity of experience and expertise;
- No individual member nor group of directors is able to control the decision-making of the Board;
- The Board shall be composed of at least 8 members;
- The majority of directors are non-executive;
- The Board includes four independent directors among its members as of 31 December 2020.

In accordance with Article 17 of its Articles of Association and Article 24 of the Belgian banking law, the Board of Directors has set up a Management Committee within its ranks.

The Board of Directors of Degroof Petercam includes the members of the Management Committee and the non-executive directors.

The Management Committee shall work within the framework of the general policy defined by the Board of Directors, overseeing the effective management of the company and the Group. It shall exercise all powers granted to it by law.

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

The composition of the Management Committee is determined on the basis of the following principles:

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

The Board of Directors established **five** specialized committees to assist it in its tasks: Audit Committee, Risk Committee, Nomination Committee, Remuneration Committee and IT Committee, composed exclusively of **non-executive** directors.

In accordance with Article 27 of the Banking Law, at least one member of the Remuneration, Nomination and Risk Committee is independent within the meaning of article 7 :87 of the Companies and Associations Code. The Audit Committee is composed of a majority of independent members. Directors can be member of maximum three legal specialized committees.

The Board of Directors has also set up an IT Committee, composed of at least three non-executive directors of which one must be independent.

The composition of the Board on December 31, 2020 and the actual knowledge, skills and expertise of its members are described below (the collective and individual knowledge of the specialized committees' members are described in the Management Report):

Board of Directors	Non executive directors	Management Committee	Independent directors	Audit Committee	Risk Committee	Remuneration Committee	Nomination Committee	IT Committee	End of mandate	Main Degree	Expertise
Ludwig Criel[2]	x*		x	x		x*	x		2021	Degree in Applied Economics, and Degree in management (Vlerick)	Business Administration, Banking and Finance
Gilles Samyn	x*		x	x		x*			2024	Degree in commercial engineer (Solvay)	Strategy, Equity, Financing, liquidity, cash management and Risk Management
Bruno Colmant, CEO		x*							2021	Commercial engineer Master in Business administration; Master in Tax Science; Doctorate in Applied Economics and Certified tax-accountant (CFA-FRM)	Macro/microeconomics, accounting, tax & finance
Nathalie Basyn, CFO		x							2021	MBA Finance/International Business; Graduate School of Business, Chicago, IL.	Financial Management, Business Planning Capital Management, Banking.
Gautier Bataille de Longprey		x							2022	Civil engineer, applied mathematics for the economy ; General Management Program (INSEAD)	ALM, treasury, Asset valuation, Asset management, Private Equity, Financial Products, Credit and Derivatives.
Gilles Firmin, CRO		x							2022	Economics ; G.A.S. Europees en international recht	Risk control, compliance, regulatory

[2] Ludwig Criel was replaced by Gilles Samyn on the 21st January 2021

Board of Directors	Non executive directors	Management Committee	Independent directors	Audit Committee	Risk Committee	Remuneration Committee	Nomination Committee	IT Committee	End of mandate	Main Degree	Expertise
François Wohrer		x							2024	Politic Sciences DEA in International economics; Msc. In Economics	Banking, M&A, Strategy, Monetary economics.
Véronique Peterbroeck	x						x		2021	Candidate in economics State-certified stockbroker	Associative and social sector, development cooperation and management of private foundation.
Jean-Baptiste Douville de Franssu	x				x			x	2021	Graduate from ESC Group Business School (Rheims); European Business Administration (University of Middlesex); Post graduate degree in actuarial science	Asset Management, Financial Expertise, business administration , and risk-Audit management.
Miguel del Marmol	x			x		x			2021	Degree in business engineering	Experience in international general management.
Jean-Marie Laurent Josi	x			x			x	x	2022	MBA from Solvay Business	Corporate strategy; Financial analyses (accounts, P&L, cash flow statement); Risk / return analyses of financial instruments
Frank van Bellingen	x			x	x*				2022	Master's degree in economics; Master's degree in international relations; Certified accountant and tax expert until 2006	Business administration, Banking/Finance, Shipping, Real estate, accounting and Energy
Jacques-Martin Philippson	x				x		x		2022	Admission examination for agricultural engineer	Private Equity, Finance Management & Marketing, Governance & Management of family business
Gaëtan Waucquez[3]	x					x			2023	Master of Laws from UCL; Degree in Supplementary Studies of Business Administration from VUB; Post-Graduate	Law, Marketing and Finance (Treasury and accounting)

[3] Gaëtan Waucquez was appointed as Board member at the Shareholders meeting on 26th May 2020 with an effective entry into service on 13th January 2021.

Board of Directors	Non executive directors	Management Committee	Independent directors	Audit Committee	Risk Committee	Remuneration Committee	Nomination Committee	IT Committee	End of mandate	Main Degree	Expertise
										in Management from CEPAC; International Executive Program (INSEAD)	
Guido Vanherpe	x		x	x		x	x*		2024	Degree in applied economics Antwerp (Belgium); DESS in applied marketing Aix-Marseille (France); Master in Business Administration:Major Finance (USA)	Strategic & operational Business management expertise in international context Corporate finance, Governance structures for growing family businesses.
Kathleen Ramsey	x		x	x	x		x	x*	2022	Bachelor of Arts (University of Tulsa); MBA Multinational (ESADE); Master European Community (legal framework) ICADE Institute Business Administration; MBA/MIM International Business Thunderbird School of Global Management	Technology and Operations, Risk Management, Art
Yvan De Cock	x		x	x*	x	x			2022	Master's degree in Law and Finance Management	Banking, audit, accounting and management

* President

RECRUITMENT POLICY & DIVERSITY POLICY WITHIN THE BOARD OF DIRECTORS

The Nomination Committee makes proposals for the composition of the Board of Directors and the Management Committee, defines the profile of their members and takes part in the processes of selection of them. The Nomination Committee makes recommendations for the appointment and renewal of the directors and the members of the Management Committee, taking into account proposals done by the shareholders and by the Management Committee. The Nomination Committee makes regularly, in particular for the renewals of mandates, recommendations to the Board of Directors related to the size, the structure and the composition of the Board of Directors.

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

The diversity policy must ensure to maintain an appropriate balance of competencies, experiences, and carrier path in order to formulate a constructive criticism of the propositions/decisions submitted to the Board and to be open to innovating and creative ideas.

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

The objective established by the Board of Directors in terms of gender is to have at least 15% of women within the Board in 3 years (i.e. after the General Shareholder's meeting which will approve the 2023 annual accounts).

In the framework of the selection of a candidate, the Nomination Committee analyses the files in function of the experience, expertise, carrier path, and taking into account the diversity criteria supra. The Nomination Committee ensures, as far as possible, to identify potential candidates of both genders. If the quantitative objective is not yet reached, the Nomination Committee advises by preference female candidates. However, the Nomination Committee ensures to always recommend the best candidate for the mandate to the Board.
The Nomination Committee takes also into account the conclusions of the periodical assessment of the Board regarding its size, composition, individual and collective knowledge of its members when a vacancy arises or when a renewal must be decided.
The diversity policy and its results are reviewed regularly by the Nomination Committee following the annual assessment of collective knowledge and the update of succession plan, in order to be updated if needed.

As from December 31, 2020, the Board of Directors is composed by:

Board of Directors	Number of members	16
	Number of Women	3
	Number of Independent Directors	4
Non-executive Directors	Number of members	11
	Number of Women	2
	Main degree qualifications	Business administration Business international Economics/Public Finance Tax/Accounting Law Commercial engineer Actuariat Marketing
	Ages	40-49 : 1 50-59 : 6

		60-69 : 4
	Nationalities	Belgian (9) - French (1) – American (1)
Executive Directors	Number of members	5
	Number of Women	1
	Main degree qualifications	Economics Business Administration/Business international Civil engineer Tax/Accounting Law Risk management in banking
	Ages	40-50 : 1 50-60 : 4
	Nationalities	Belgian (4) - French (1)

GROUP GOVERNANCE

Each entity of the Group Degroof Petercam is a separate legal entity with the appropriate governance and adequate resources to operate on a standalone basis:

- Support functions such as Human Resources, Tax, Legal, Finance, Audit, Compliance and Risk Management are duplicated at the local level, with and adequate level of interaction and a functional reporting line to the Group;
- The Group wants to evolve towards more integration and coordination of the business lines and support functions throughout the various countries and the subsidiaries of the Group. By doing so, Board and top management want to reach in a practical way, better integrated strategies, costs efficiencies, optimal synergies, improved coherency and control;
- Each Banking, Asset Management or Corporate Finance entity has an executive committee and the adequate resources locally.

The Bank ensures the consistency and proper integration of governance processes and mechanisms, in close cooperation with the Group entities. Group policies adopted by the Bank are adopted and implemented locally through the local Board of Directors, taking local laws and local regulatory constraints into account, where appropriate.

Group strategy is defined by the Board of Directors and implemented at the level of the subsidiaries through the local Board of Directors, management committees and executive committees.

Coordination is ensured by the presence of at least one member of the CoDir on the Board of Directors of each operational subsidiary. Furthermore, the participation of the CEOs of DPAM and BDPL to the Management Committee of BDPB, also generates (upstream) consistency.

3.2 Risk Management - General principles

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

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

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

RISK APPETITE FRAMEWORK

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

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

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

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

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

The Bank has set up a task force and a working group to gradually incorporate the ESG (Environmental, Social and Governance) risks, including climate-related risk, into its governance and risk framework.

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

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

In order to ensure the risk appetite framework is correctly implemented, other key Risk Management processes are in place such as:

- Product approval process: ensures new approved products, services or changes are consistent with the relevant risk strategy, risk appetite and corresponding limits or that necessary revisions are made;
- New Initiative risk approval process : assess the criticality of any new change initiative in order to guarantee that these initiatives are executed and delivered with an oversight proportionate to their assessed impact on the operational risk profile of the Bank;
- ICAAP: ensures the adequacy of capital in relation to the identified material risks;
- ILAAP: ensures the adequacy of liquidity in relation to the identified material risks;
- Stress-testing: ensures that the results of stress-testing exercises (internal and external) are used as input to better understand Bank's risk profile and its ability to withstand extraordinary effects resulting from internal or external difficulties while remaining within the limits of the approved risk appetite. They also serve as the basis for an early warning system to detect any deterioration or warning signals in commercial and operational activities. They can help to improve capital and liquidity management processes and understand the sensitivities surrounding the basic assumptions of strategic, capital and liquidity plans;
- Recovery plan: details "near-default" scenarios in order to identify a list of indicators and recovery actions to restore financial strength and viability when the Bank comes under such severe stress.
- Internal Control Framework : recurrent independent controls on business activities or processes.

3.3 Risk and Compliance organization

The Risk Management function is an independent control department, reporting directly to the Chief Risk Officer. The separation of tasks and functions is essential to avoid any conflict of interest with commercial and operational activities.

From an organizational point of view, in order to guarantee the independence of the function and conform to the Banking Law, the Chief Risk Officer is a member of the Management Committee and the Board of Directors and is invited to the Risk Committee.

The main tasks of the Group Risk Management are to:

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

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

- “Financial Risk Management” covers all risks relating to activities carried out on behalf of the Bank (such as IRRBB, liquidity risk, market risk and counterparty risk) and monitors the legal, contractual and internal constraints governing the Bank's operational activities, mainly in Private Banking, Fund Management and Private Equity;
- “Operational Risk Management” is responsible for identifying the various operational risks facing the Bank and ensuring that these risks are properly managed;
- “IT Risk Management” is in charge of risks related to information processing (including cyber risk events), as well as risks arising from instable or unavailable IT services or from technology obsolescence;
- “Credit Risk Management” is mainly responsible for monitoring the risk profile of credit exposures (e.g. mainly Lombard loans) granted by the Bank to High Net Worth Individuals and professionals.

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

The Chief Risk Officer is responsible for the proper management of the subsidiaries' risks.

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

These managers are responsible for:

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

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

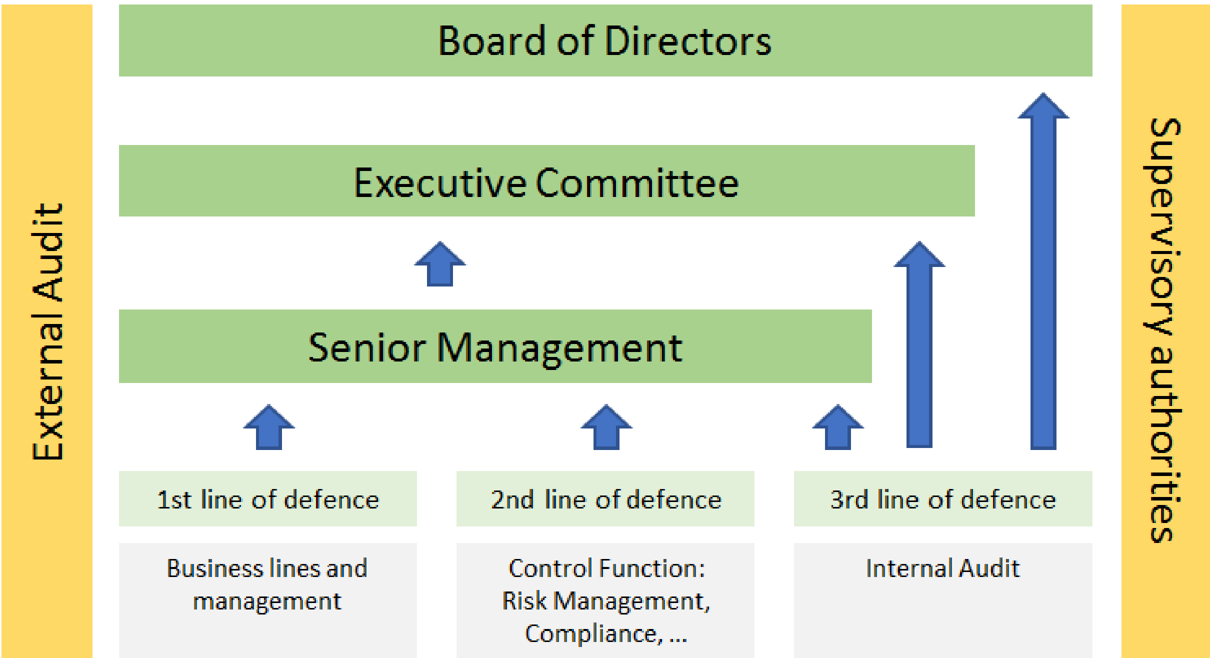
To ensure coherence and constant dialogue, the Chief Risk Officer receives the agendas and minutes of all entities' Board of Directors and delegated committees if any (i.e. Risk and Audit Committees). The Chief Risk Officer may, if necessary, be invited ad hoc to these committees.

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

The Chief Risk Officer team is completed by two transversal teams, "Regulatory Coordination" and "CRO Projects and Operations".

3.4 Three lines of Defense Model

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



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

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

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

3.5 Risk Governance structure

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

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

Hence the Board of Directors shall amongst other:

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

The Board of Directors met eleven times during the year.

The Audit Committee assists the Board of Directors with regard to :

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

The Audit Committee also receives the minutes of the Audit and Risk Committees of the subsidiaries. It also serves as the main interface between the Board of Directors, the internal auditor and the statutory auditor.

The Audit Committee met nine times during the year. It systematically reported to the Board of Directors on its activities.

The Risk Committee deals with the Group's main risk strategies. It receives specific outcomes from the relevant managers, and examines control processes on specific risks such as market, credit and liquidity risks.

The Risk Committee assists and reports to the Board of Directors mainly with regard to:

- The monitoring of the overall risk strategy and risk appetite, both current and future, taking into account all types of risks, to ensure that they are consistent with the Bank's economic strategy, objectives, culture and values;
- The implementation of the risk strategy and the corresponding limits set by the Management Committee;
- The implementation of capital and liquidity management strategies and other relevant risks, such as market risk, credit risk, operational risk and reputational risk, to assess their adequacy in relation to the risk appetite and risk strategy that have been approved;
- The necessary adjustments to the risk strategy resulting from, among others, changes in the Bank's model, market developments or recommendations made by the Risk Management function;
- The recruitment of external consultants to whom the Board of Directors may decide to engage for advice or support;
- The review of various possible scenarios, including stress scenarios, to assess how the Bank's risk profile would respond to external and internal events;
- The alignment of all significant financial products and services offered to clients with the Bank's business model and risk strategy;
- The evaluation of the recommendations of internal or external auditors and monitoring the appropriate implementation of the measures adopted;
- The definition of the nature, volume, form and frequency of information concerning the risks to be transmitted to it;
- The review at least once a year of the procedures for monitoring compliance with laws, regulations and compliance principles to ensure that the main risks are properly identified, managed and brought to its attention;

- The review of the comments on internal control and Risk Management included in the annual report;
- The review of ICAAP, ILAAP, Compliance Officer and Operational Risk activity reports;
- The assurance of effective follow-up of Risk Management defaults;
- The reception of regular reporting and communication from the CRO and other relevant functions regarding the risk tolerance defined by the Bank, the current state of the Bank's risk culture, limits, exceeding limits, risk mitigation plans;
- The review of risk policies at least annually and monitoring of the implementation of processes by the management to promote the Bank's compliance with approved risk policies.

The Risk Committee cooperates with other committees whose activities may have an impact on risk strategy (e.g. the Audit Committee and the Remuneration Committee) and communicates regularly, in particular with the Risk Management function. To this end, it has direct access to the CRO for instance.
The Risk Committee shall, without prejudice to the tasks of the Remuneration Committee, consider whether the incentives set out in the remuneration policies and practices take into account risk, capital and liquidity as well as the probability and timing of profits.

The Risk Committee met eleven times during the year. It systematically reported to the Board of Directors on its activities.

The Remuneration Committee assists the Board of Directors in order to:

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

The Remuneration Committee met six times during the year. It systematically reported to the Board of Directors on its activities.

The Board of Directors has also set up an **IT Committee**, the main role and mission of the committee are:

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

The IT Committee met six times during the year. It systematically reported to the Board of Directors on its activities.

The Board of Directors has set up a **Management Committee**, which meets weekly. Ad hoc meetings may be convened at the request of a member.
The Management Committee is vested by the Board of Directors with decision-making powers and powers of representation of the company in its relations with employees, customers, other credit institutions, the economic and social environment and the authorities, as well as with decision-making powers with regard to the representation of the company with its subsidiaries and with the companies in whose capital it has an interest.

More precisely, the Management Committee is, among other things, in charge of:

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

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

- ***ALMAC***: The ALMAC Committee manages the ALM and liquidity risks of the various banking entities. It meets on a monthly basis;
- ***Credit Committee***: The Credit Committee grants agreements for new credit lines (or renewals). It meets on a weekly basis;
- ***Group Credit Committee***: The Group Credit Committee approves decisions to grant credit lines (or renewals) of more than EUR 10 mln to the Group's banking entities. It meets on an ad-hoc basis;
- ***Credit Monitoring Committee***: The Credit Monitoring Committee reviews the existing credits files. It meets on a monthly basis;
- ***Limits Committee***: The Limits Committee manages the Group's counterparty risks, particularly with regard to banking, institutional and custodian counterparties. It meets on a monthly basis;
- ***Impairment Committee***: The Impairment Committee manages decisions relating to individual and collective provisions at Group level. It meets on a quarterly basis;
- ***Engagement approval Committee and Underwriting approval Committee***: Those committees evaluate, approve and monitor commitments in capital market transactions. It meets on an ad-hoc basis;

- ***Internal Control Group Committee***: This committee implements the Risk Management policy within the subsidiaries. It ensures alignment between the three lines of defense within the Group. It meets on a quarterly basis;
- ***Litigation Committee***: The Litigation Committee ensures compliance with the application of provisioning procedures related to disputes & complaints on the basis of proposals from the legal department. It meets on a monthly basis;
- ***Data Management Committee***: This committee defines and executes the Group's Data strategy, monitors the Roadmap and the related Governance. It meets on a monthly basis;
- ***Local Diligence Committee***: In line with the onboarding police, this committee ensures the revision of high risk anti-money laundering files and decides to accept the file or eventually to forward it to the Group Due Diligence Committee
- ***Group Due Diligence Committee***: in line with the new onboarding policy, the committee reviews the very high anti-money laundering files as well as the files submitted by the Local Diligence Committee and decides whether to accept the file. It meets on an ad-hoc basis;
- ***Operational Risk Committee***: This committee monitors the adequacy of the effective operational risk taken by the organization and ensures that appropriate measures are undertaken to operate according to the operational risk appetite defined. It meets on quarterly basis;
- ***Control Unit Estate Planning Committee***: This committee ensures that the identification and the assessment of risks in the Estate Planning Business, including International Patrimonial Services, at Belgian, French and Luxembourgish level;
- ***Group Asset Allocation Committee:*** The committee defines of the asset management strategy;
- ***Group Digital Committee:*** This committee takes care of the development of digitalization within the Group;
- ***Regulatory Project Steering Committee:*** This committee aims at ensuring a correct implementation of the news laws, directives, circulars and regulations and to respond to requests from regulators;
- ***Internal Risk Committee:*** This committee monitors market risk, risk dashboard, RWA and equity, large exposures and validates investments in support portfolios**.**

3.6 Risk Measurement Methodology

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

This process is reviewed at least annually or on an ad hoc basis (when significant changes are made to the governance, organization or structure of the risk framework). The objective is to assess whether it remains appropriate and sufficient. The results are translated into recommendations, if necessary.
The Bank has a procedure for breaches of limits, including an escalation process.
In addition, day-to-day management and monitoring of limits are carried out by Risk Management. This ensures that, among others, market, liquidity, credit/counterparty, wealth management and operational risks are thoroughly followed up.

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

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

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

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

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

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

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

This limit hierarchy ensures that Key Risk indicators are respected and that the Bank's management is in line with the Board of Directors' risk appetite statements.

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

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

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

Monitoring involves communicating the processes and findings throughout the organization. It includes regular and periodic reporting and risk monitoring by the various levels of committees to ensure that all relevant departments receive accurate, concise and understandable reports in a timely manner and can share relevant information on risk identification, measurement or evaluation, monitoring and management. Effective risk reporting requires proper internal assessment and communication of risk strategy, risk appetite and relevant risk data.

The Internal Control Framework evaluates the set of controls in place to mitigate risks throughout the Bank, allowing the risk profile to remain within the risk appetite and compliance standards defined by the Board of Directors.

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

In order to cover all the risks linked to the Bank’s activities, apart from the regulatory reporting (Corep, Finrep), all liquidity (LCR and NSFR reporting), ALM (Banking book), Interest Rate Risk Banking book, Trading / Fair Value (both for IFRS reporting (CVA / DVA, fair value derivatives and fair value hierarchy) and regulatory reporting (CVA, AVA, trading book reporting)) related data are under the supervision of the Risk department.

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

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

Degroof Petercam

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

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

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

4. Own Fund and Capital Adequacy

4.1 Own funds according to the CRD

Shareholders' funds used for the purpose of Basel III regulatory calculations amounted to EUR 567 mln; they comfortably exceeded the minimum levels (8% without buffers) required under prudential standards with the CET1 ratio (phased-in) reaching 21.16 % as of 31/12/2020.

The movements in regulatory capital ratios compared to the previous financial period (increase of CET1 ratio by 1.7%) are characterized by the following:

- The Bank's risk-weighted volume decreased slightly compared to last year (- EUR 66mln), primarily driven by a decrease in the Credit risk RWA caused by a reduction of the size of the loan portfolio;
- The increase in Tier 1 capital (+ EUR 32 mln) is mainly justified by the decrease in the book value of intangible assets to be deducted from Tier 1 capital and by the result of the financial year 2019 which has not been distributed.

This ratio does not take into account the share of the result of the year 2020 which will not be distributed.

During the last quarter of 2019, the management of Bank Degroof Petercam has formalized its plan to sell the Spanish entities. As at 31 December 2020, the closing of the sale was not finalized yet (Bank Degroof Petercam still had to receive the green light from the European and Spanish supervisory authorities), the application of the IRFS 5 standard has therefore continued until the closing date of the transaction on 25 February 2021.

As in 2019, application of IFRS 5 for the Spanish subsidiaries does not have an impact on the treatment in the Credit risk calculation in 2020. The explanation of these impacts is included in note 7.20 of our consolidated annual report.

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

In the context of the COVID-19 pandemic, the European Institutions took a series of measures and amended the CRR (with effect on 26 June 2020 - the CRR 'quick fix') to mitigate the impact of this crisis on institutions across EU Member States. The CRR 'quick fix' introduces certain adjustments to the CRR, including temporary measures, intended to enhance credit flows to companies and households, thereby supporting the EU's economy.

At end 2020, the Bank did not apply any 'quick fix' adjustment.

Degroof Petercam

Common Equity Tier 1 capital : instruments and reserves	
Capital instruments and the related share premium accounts	401,951
of which 10.842.209 ordinary shares	34,212
of which share premium	417,366
of which direct holdings of ordinary shares	-49,627
Retained earnings	220,956
Accumulated other comprehensive income and other reserves	276,143
Common Equity Tier 1 (CET1) capital before regulatory adjustments	899,050
Common Equity Tier 1 (CET1) : regulatory adjustments	
Additional value adjustments	-1,927
CET1 capital elements or deductions - other *	-1,881
Intangible assets (net of related tax liability)	-320,613
Deferred tax assets that rely on future profitability excluding those arising from temporary differences	-7,500
Common Equity Tier 1 (CET1) regulatory adjustments	-331,921
Common Equity Tier 1 (CET1) capital	**567,129**
Additional Tier 1 (AT1) capital	
Additional Tier 2 (AT2) capital	0
Total Capital	**567,129**
Total Risk Weighted assets	**2,679,932**

Capital ratios and buffers	
Common Equity Tier 1	21.16%
Tier 1	21.16%
Total Capital	21.16%
Institution specific buffer requirement	2.57%
of which capital conservation buffer requirement	2.50%
of which countercyclical buffer requirement	0.07%
Common Equity Tier 1 available to meet buffers	10.59%

Amounts below the thresholds for deduction (before risk weighting)	
Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities	11,386
Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	2,848
Deferred tax assets arising from temporary differences	12,568

*(* only deduction regarding Irrevocable payment commitments. No deduction needs to be made in relation with the NPL backstop regulation)*

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

The pillar 2 requirement (P2R) 2020 for Bank Degroof Petercam (also applicable in 2021) amounts to 3.00%, of which 1.69% must be met with CET1 capital. The pillar 2 Capital Guidance (P2G) amounts for Bank Degroof Petercam to 1%.

The Common Equity Tier 1 available of 10.59% comfortably exceeded the P2R et P2G buffers.

4.2 Countercyclical Capital Buffers

The countercyclical buffer requirement (CCB) represents 0.07% of the risk weighted assets per 31/12/2020.

The following table shows the breakdown of credit exposures relevant for the calculation of the CCB by country.

Countercyclical capital buffer rate set by the Designated Authority *	Country				TOTAL
	Luxembourg	Norway	Hong Kong	Other **	
	0.250%	1.000%	1.000%	0.000%	
Relevant credit exposures - Credit Risk	**432,628**	**94,992**	**11**	**2,430,024**	**2,957,655**
Exposure value under the Standardised Approach	432,628	94,992	11	2,430,024	2,957,655
Exposure value under the IRB Approach	0	0	0	0	0
Relevant credit exposures – Market risk	**888**	**0**	**0**	**1,262**	**2,150**
Sum of long and short positions of trading book exposures for standardised approaches	888	0	0	1,262	2,150
Value of trading book exposures for internal models	0	0	0	0	0
Relevant credit exposures – Securitisation	**32,489**	**0**	**0**	**66,046**	**98,535**
Exposure value of securitisation positions in the banking book under the Standardised Approach	32,489	0	0	66,046	98,535
Exposure value of securitisation positions in the banking book under the IRB Approach	0	0	0	0	0
Total standardised approach	**466,004**	**94,992**	**11**	**2,497,333**	**3,058,340**

** Countercyclical capital buffer rate set for the country in question by the Designated Authority of that country in accordance with Article 136, 137, 138 and 139 CRD*

*** The "other" countries mainly consist in Belgium, France*

4.3 Capital requirements by type of risk

The below table shows an overview of the components of the denominator of the risk-based capital requirements calculated in accordance with the Basel III/CRD framework at year-end 2020. More details on each of the material components can be found in the remainder of this document.

	RWAs		Minimum capital requirements (8%)
	2020	2019	2020
Credit risk (excluding CCR)	**1,516,615**	**1,622,587**	**121,329**
Of which the standardised approach	1,516,615	1,622,587	
Of which the foundation IRB approach	0	0	
Of wich the advanced IRB approach	0	0	
Of which the foundation IRB approach	0	0	
Of wich equity IRB under the simple risk-weighted approach or the IMA	0	0	
CCR	**112,680**	**96,591**	**9,014**
Of which mark to market	76,309	71,145	
Of which original exposure	0	0	
Of which the standardised approach	0	0	
Of which internal model method	0	0	
Of which risk exposure amount for contributions to the default funf of a CCP	0	0	
Of which CVA	36,371	25,446	
Settlement risk	**4**	**0**	**0**
Securitisation exposures in the banking book (after the cap)	**13,550**	**21,676**	**1,084**
Of which IRB approach	0	0	
Of which IRB supervisory formula approach (SFA)	0	0	
Of which internal assessment approach (IAA)	0	0	
Of which the standardised approach	13,550	21,676	
Market Risk	**104,304**	**88,278**	**8,344**
Of which the standardised approach	104,304	88,278	
Of which IMA	0	0	
Large exposures	**0**	**0**	**0**
Operational Risk	**894,243**	**879,257**	**71,539**
Of which basic indicator approach	894,243	879,257	
Amounts below the thresholds for deduction (subject to 250% risk weight)	**38,535**	**37,674**	**3,083**
Floor adjustment	**0**	**0**	**0**
TOTAL	**2,679,932**	**2,746,062**	**214,395**

The risk weighted exposure of the Bank has decreased over the year 2020, primarily as a result of the decrease in the volume of the credit portfolio (- EUR 226 mln) leading to a reduction in credit risk RWA. Compared to end of 2019, a larger share of the portfolio is held in low-risk assets (higher share in central bank exposures, lower share in credits to customers).

The RWA for operational risk and market risk increased slightly in 2020, due respectively to an average increase in gross income for the last 3 years (2018 to 2020) and an increase in market price risk sensitivity (vega risk) on the stock options portfolio.

4.4 Leverage Ratio

CRR/CRD IV requires credit institutions to calculate, report and monitor their leverage ratio. This ratio is calculated as a percentage of Tier-1 capital relative to the total of on and off-balance sheet exposure (not risk-weighted).

The leverage ratio is calculated based on Article 429 of CRR. Although the CRR/CRD IV currently does not prescribe a mandatory minimum leverage to comply with, a legislative proposal published in November 2016 by the European Commission suggests an introduction of a minimum leverage ratio of 3%.

The ratio is monitored on an ongoing basis, reported on a quarterly basis in the Risk Management report and provided to the Board of Directors.

The leverage ratio of the Bank is structurally stable at 6.56% per 31/12/2020. In comparison, as at 31/12/2019, it was equal to 6.39%. The transition to 6.56% does not demonstrate any major changes in its composition but reflects an improvement in the own funds of the Bank.

As at 31/12/2020, the leverage ratio consisted of the following components (note that the Bank did not apply any exclusion of central bank exposures related to 'CRR quick fix' for the calculation of the ratio at end 2020):

Total derivatives					**186,705**	1
Total SFT exposures					**0**	2
Total other assets					**8,617,339**	3
	Other assets belonging to the trading book			*49,728*		
	Other non-trading book exposures (a+b+c+d+e+f+g+h+i+j+k)			*8,567,610*		
	a	Covered bonds	*1,268,355*			
	b	Central governments and central banks	*2,845,341*			
	c	Regional governments and local authorities	*269,344*			
	d	MDBs and International organisations	*248,259*			
	e	PSEs	*409,160*			
	f	Institutions	*288,567*			
	g	Secured by mortgages of immovable properties	*80,513*			
	h	Retail exposures	*442,951*			
	i	Corporate	*1,728,216*			
	J	Exposures in default	*29,672*			
	k	Other exposures; of which:	*957,233*			
		Securitisation exposures	98,535			
Total off-balances					**216,453**	4
(-) Asset amount deducted - Tier 1 - fully phased-in definition					**-379,667**	5
(-) Asset amount deducted - Tier 1 - transitional definition					**-379,667**	6
Total Leverage ratio exposure (transitional definition)					**8,640,830**	7 = (1+2+3+4+5)
Total Leverage ratio exposure (fully phased-in definition)					**8,640,830**	8 = (1+2+3+4+6)
Tier 1 capital - fully phased-in definition					***567,129***	9
Leverage Ratio - using a fully phased-in definition of Tier 1 capital					***6.56%***	(9/7)
Tier 1 capital - transitional definition					***567,129***	10
Leverage Ratio - using a transitional definition of Tier 1 capital					***6.56%***	(10/8)

5. Credit risk

5.1. Credit Risk Management and Governance

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

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

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

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

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

As described in section 1, the impact of the COVID-19 crisis on the credit risk of the Bank has been limited in 2020 (considering the specific nature of the lending activity - mostly in the form of Lombard loans). Most margin calls resulting from declines in stock market during 2020 could be honored quickly, allowing the Bank to regain comfortable collateralization levels and avoid having to realize the pledged portfolios.

The Bank however remains very attentive to the evolution of the crisis and potential events that could trigger a deterioration of the credit quality of the counterparties in case of a prolonged crisis. To that end, the Bank has continuously reviewed and strengthened its Credit Risk Management practices to effectively and quickly address any financially distressed obligor in the current pandemic environment.

The following table shows a detail of the minimum capital requirements for credit risk by exposure class*

	Net value of exposures at the end of the period					
	On balance sheet exposures subject to credit risk	Off balance sheet exposures subject to credit risk	Total	Exposure Value	RWA	Capital requirements
Central governments or central banks	2,845,341		2,845,341	2,845,341	0	0
Regional governments or local authorities	269,344		269,344	269,344	0	0
Public sector entities	409,160		409,160	409,160	13,532	1,083
Multilateral Development Banks	202,717		202,717	202,717	0	0
International Organisations	45,542		45,542	45,542	0	0
Institutions	288,567	3,583	292,150	292,150	49,346	3,948
Corporates	1,715,462	298,383	2,013,845	881,586	871,421	69,714
Retail	444,482	48,391	492,873	70,383	52,787	4,223
Secured by mortgages on immovable property	80,513	93	80,606	69,698	24,427	1,954
Exposures in default	40,896	100	40,996	11,998	16,018	1,281
Items associated with particular high risk	36,214	7,390	43,604	38,867	58,301	4,664
Covered bonds	1,268,355		1,268,355	1,268,355	126,836	10,147
Claims on institutions and corporates with a short-term credit	71,555		71,555	71,555	14,912	1,193
Collective investments undertakings (CIU)	29,201		29,201	29,201	29,201	2,336
Equity exposures*	2,600		2,600	2,600	2,600	208
Other exposures*	375,211		375,211	375,211	257,233	20,579
Total standardised approach	**8,125,158**	**357,940**	**8,483,098**	**6,883,707**	**1,516,615**	**121,329**

*excluding amount subject to 250% risk weight; also excluding derivatives

5.2. Credit Risk Exposure Overview

This chapter presents the credit risk exposures of the Bank using several breakdowns:

- by exposure class
- by country (residence of the counterparty)
- by industry
- by residual maturity
- by credit quality step

These breakdowns illustrate the concentration of the exposures of the Bank. As shown in the next sections, the Bank has a diversified exposure profile, reflecting the conservative approach taken to mitigate concentration risk.

The conservatism of the Bank risk appetite in terms of credit risk is also reflected in the quality of the counterparties Bank (client's deposit and the Bank's capital are mainly reinvested in liquid and high quality assets).

CREDIT RISK EXPOSURE BY EXPOSURE CLASS

The following table provides the total (as of 31/12/2020) and the average amount of net credit exposures (over 2020) by exposure class (excl. derivatives). Compared to figures per end 2019, the increase of the Bank credit exposure (+ EUR 214mln) is mainly observed in low-risk asset classes (increase in central bank and covered bonds exposures, while exposures to corporate clients decreased).

	a	b
	Net value of exposures at the end of the period	Average net exposures over the period
Central governments or central banks	2,845,341	2,837,019
Regional governments or local authorities	269,344	284,020
Public sector entities	409,160	442,764
Multilateral Development Banks	202,717	172,428
International Organisations	45,542	42,528
Institutions	292,150	363,797
Corporates	2,013,845	2,067,389
Retail	492,873	499,682
Secured by mortgages on immovable property	80,606	89,966
Exposures in default	40,996	37,232
Items associated with particular high risk	43,604	43,326
Covered bonds	1,268,355	1,256,271
Claims on institutions and corporates with a short-term credit assessment	71,555	75,401
Collective investments undertakings (CIU)	29,201	29,649
Equity exposures	4,047	3,988
Other exposures	389,178	387,301
Total standardised approach	**8,498,512**	**8,632,762**

CREDIT RISK EXPOSURE BY COUNTRY

	Total	Country BE	Country FR	Country LU	Country ES	Rest EMU	Rest of the World
	Net value						
Central governments or central banks	**2,845,341**	1,320,151	170,497	726,189	127,758	232,409	268,338
Regional governments or local authorities	**269,344**	139,517	0	0	0	25,732	104,094
Public sector entities	**409,160**	89,606	103,801	0	0	127,073	88,681
Multilateral Development Banks	**202,717**	0	0	0	0	0	202,717
International Organisations	**45,542**	0	0	0	0	0	45,542
Institutions	**292,150**	6,418	40,020	42,276	18,427	77,156	107,853
Corporates	**2,013,845**	1,174,623	284,502	280,255	62,425	62,981	149,059
Retail	**492,873**	395,743	34,893	23,525	14,486	7,470	16,756
Secured by mortgages on immovable property	**80,606**	14,031	28,877	34,265	0	0	3,434
Exposures in default	**40,996**	9,727	13,394	4,874	1	18	12,982
Items associated with particular high risk	**43,604**	6,543	383	32,371	0	838	3,469
Covered bonds	**1,268,355**	273,968	521,053	0	0	210,327	263,008
Claims on institutions and corporates with a short-term credit assessment	**71,555**	17,733	19,459	6,298	1,453	3,116	23,496
Collective investments undertakings (CIU)	**29,201**	791	5,895	22,515	0	0	0
Equity exposures	**4,047**	3,770	177	0	0	100	0
Other exposures	**389,178**	57,510	9,145	120,166	0	141,072	61,284
Total standardised approach	**8,498,512**	**3,510,131**	**1,232,095**	**1,292,734**	**224,549**	**888,291**	**1,350,711**

CREDIT RISK EXPOSURE BY INDUSTRY

This following tables provide a breakdown of net credit exposures by industry (NACE code) and exposure classes.

	Total	A Agriculture, forestry and fishing	B Mining and quarrying	C Manufacturing	D Electricity, gas, steam and conditioning supply	E Water supply	F Construction	G Wholesale and retail trade	H Transport and storage	I Accommodation and food service activities	K Financial and nsurance activitie	J Information and communication	L Real estate activities	M Professional, scientific and technical activities	N Administrative and support service activities
Central governments or central banks	**2,845,341**										2,275,754				
Regional governments or local authorities	**269,344**														
Public sector entities	**409,160**														
Multilateral Development Banks	**202,717**										202,717				
International Organisations	**45,542**										45,542				
Institutions	**292,150**										292,150				
Corporates	**2,013,845**		2,023	9,653		15	10,575	40,836	12,707	4,001	570,808	1,560	308,421	159,098	8,850
Retail	**492,873**				240		1,161	883	361	906	20,631	500	13,523	9,972	13
Secured by mortgages on immovable property	**80,606**						166		50		11,191		46,590	2,203	
Exposures in default	**40,996**	121						3			6,459		11,528	1	545
Items associated with particular high risk	**43,604**						20,831				20,158		2,615		
Covered bonds	**1,268,355**										1,268,355				
Claims on institutions and corporates with a short-term credit assessment	**71,555**										71,555				
Collective investments undertakings (CIU)	**29,201**										29,201				
Equity exposures	**4,047**							4			**4,042**		1		
Other exposures	**389,178**										246,620	4,007	97,559		40,086
Total standardised approach	**8,498,512**	**121**	**2,023**	**9,653**	**240**	**15**	**32,733**	**41,726**	**13,118**	**4,907**	**5,065,182**	**6,067**	**480,238**	**171,274**	**49,493**

	Total	N Administrative and support service activities	O Public administration and defence, compulsory social security	P Education	Q Humane health services and social work activities	XX Activities of households	R Arts, entertainment and recreation	S Other services
Central governments or central banks	**2,845,341**		569,587					
Regional governments or local authorities	**269,344**		269,344					
Public sector entities	**409,160**		409,160					
Multilateral Development Banks	**202,717**							
International Organisations	**45,542**							
Institutions	**292,150**							
Corporates	**2,013,845**	8,850		5	2	792,896	11,244	81,150
Retail	**492,873**	13			507	442,771		1,405
Secured by mortgages on immovable property	**80,606**					19,031		1,375
Exposures in default	**40,996**	545				22,328		12
Items associated with particular high risk	**43,604**							
Covered bonds	**1,268,355**							
Claims on institutions and corporates with a short-term credit assessment	**71,555**							
Collective investments undertakings (CIU)	**29,201**							
Equity exposures	**4,047**							
Other exposures	**389,178**	40,086						905
Total standardised approach	**8,498,512**	**49,493**	**1,248,091**	**5**	**509**	**1,277,026**	**11,244**	**84,847**

CREDIT RISK EXPOSURE BY RESIDUAL MATURITY

	a	b	c	d	e	(a+b+c+d+e)
	Net value					
	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
Central governments or central banks	1,935,236	278,252	261,340	131,210	239,302	**2,845,341**
Regional governments or local authorities	0	20,081	97,010	152,252	0	**269,344**
Public sector entities	0	20,069	200,025	104,215	84,851	**409,160**
Multilateral Development Banks	0	55,180	147,537	0	0	**202,717**
International Organisations	0	0	16,530	29,013	0	**45,542**
Institutions	148,004	144,146	0	0	0	**292,150**
Corporates	200,254	424,458	915,569	460,111	13,454	**2,013,845**
Retail	40,680	84,327	238,165	129,394	307	**492,873**
Secured by mortgages on immovable property	0	12,600	43,255	24,752	0	**80,606**
Exposures in default	0	22,748	2,431	176	15,641	**40,996**
Items associated with particular high risk	0	0	0	0	43,604	**43,604**
Covered bonds	0	0	693,823	574,532	0	**1,268,355**
Claims on institutions and corporates with a short-term credit assessment	71,555	0	0	0	0	**71,555**
Collective investments undertakings (CIU)	0	0	0	0	29,201	**29,201**
Equity exposures	0	0	100	2,316	1,631	**4,047**
Other exposures	83,175	3,233	33	0	302,737	**389,178**
Total standardised approach	**2,478,904**	**1,065,093**	**2,615,817**	**1,607,970**	**730,727**	**8,498,512**

The Bank's exposure is for nearly 42% of the portfolio with a residual maturity less than one year term. This minimizes the Bank's risk exposure (in terms of default risk and risk of a rise in interest rates).

CREDIT RISK EXPOSURE BY CREDIT QUALITY STEP

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

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

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

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

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

	EXPOSURE CLASSES for WHICH each ECAI or ECA is used	RWA OF WHICH: WITH A CREDIT ASSESSMENT BY A NOMINATED ECAI	RWA OF WHICH: WITH A CREDIT ASSESSMENT DERIVED FROM CENTRAL GOVERNMENT	Approach used to map ECAI rating with CQS
Central governments or central banks	X	0	0	EBA Standard association
Regional governments or local authorities	X	0	0	EBA Standard association
Public sector entities	X	13,532	0	EBA Standard association
Multilateral Development Banks	X	0	0	EBA Standard association
International Organisations	X	0	0	EBA Standard association
Institutions	X	59,170	742	EBA Standard association
Corporates	X	161,434	0	EBA Standard association
Retail				
Secured by mortgages on immovable property				
Exposures in default				
Items associated with particular high risk				
Covered bonds	X	108,117		EBA Standard association
Claims on institutions and corporates with a short-term credit assessment	X	14,912		EBA Standard association
Collective investments undertakings (CIU)				
Equity exposures				
Other exposures				
TOTAL		**363,680**	**742**	

The following tables show the credit risk exposures before and after risk mitigation (see section 5.6 describing the mitigation techniques applied) split by credit quality step (where CQS1 is the best rating and CQS4, the worst).

		Exposure value after credit risk mitigation	CQS1	CQS2	CQS3	CQS4	ALL OTHER CQS	UNRATED
Central governments or central banks	1	**2,845,341**	2,728,194	117,147	0	0	0	0
Regional governments or local authorities	2	**269,344**	269,344	0	0	0	0	0
Public sector entities	3	**409,160**	409,160	0	0	0	0	0
Multilateral Development Banks	4	**202,717**	89,896	0	0	0	0	112,820
International Organisations	5	**45,542**	45,542	0	0	0	0	0
Institutions	6	**292,150**	275,752	15,569	830	0	0	0
Corporates	7	**881,586**	0	23,074	99,384	12,905	0	746,223
Retail	8	**70,383**	0	0	0	0	0	70,383
Secured by mortgages on immovable property	9	**69,698**	0	0	0	0	0	69,698
Exposures in default	10	**11,998**	0	0	0	0	0	11,998
Items associated with particular high risk	11	**38,867**	0	0	0	0	0	38,867
Covered bonds	12	**1,268,355**	1,268,355	0	0	0	0	0
Claims on institutions and corporates with a short-term credit assessment	13	**71,555**	69,550	2,005	0	0	0	0
Collective investments undertakings (CIU)	14	**29,201**	0	0	0	0	0	29,201
Equity exposures	15	**4,047**	0	122	2,371	0	0	1,553
Other exposures	16	**389,178**	52,620	0	0	0	0	336,558
Total standardised approach		**6,899,121**	**5,208,412**	**157,916**	**102,585**	**12,905**	**0**	**1,417,303**

		Net value of exposures at the end of the period	CQS1	CQS2	CQS3	CQS4	ALL OTHER CQS	UNRATED
Central governments or central banks	1	**2,845,341**	2,728,194	117,147	0	0	0	0
Regional governments or local authorities	2	**269,344**	269,344	0	0	0	0	0
Public sector entities	3	**409,160**	409,160	0	0	0	0	0
Multilateral Development Banks	4	**202,717**	89,896	0	0	0	0	112,820
International Organisations	5	**45,542**	45,542	0	0	0	0	0
Institutions	6	**292,150**	273,325	15,569	830	0	0	2,426
Corporates	7	**2,013,845**	0	23,074	99,384	12,905	0	1,878,482
Retail	8	**492,873**	0	0	0	0	0	492,873
Secured by mortgages on immovable property	9	**80,606**	0	0	0	0	0	80,606
Exposures in default	10	**40,996**	0	0	0	0	0	40,996
Items associated with particular high risk	11	**43,604**	0	0	0	0	0	43,604
Covered bonds	12	**1,268,355**	1,268,355		0	0	0	0
Claims on institutions and corporates with a short-term credit assessment	13	**71,555**	69,550	2,005	0	0	0	0
Collective investments undertakings (CIU)	14	**29,201**	0	0	0	0	0	29,201
Equity exposures	15	**4,047**	0	122	2,371	0	0	1,553
Other exposures	16	**389,178**	52,620	0	0	0	0	336,558
Total standardised approach		**8,498,512**	**5,205,986**	**157,916**	**102,585**	**12,905**	**0**	**3,019,120**

5.3. Defaulted – non-defaulted exposures

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

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

Note that an exposure is considered "past-due" if it incurs a delay of payment (interest or principal).
This is consistent with the definition used for internal credit Risk Management purposes for the relevant financial instrument.

The Impairment Committee is responsible for deciding on write-offs on a file-by-file basis taking into account various factors:

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

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

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

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

Stage	Trigger	ECL = impairment
Stage 1 = « performing »	Initial recognition	12 months expected credit loss (= 12 months ECL)
Stage 2 = « under-performing »	Significant credit risk increase (without recognized loss) since initial recognition	Lifetime expected credit loss (= LEL)
Stage 3 = « non-performing »	Loss event	

More details on these methodologies are given in the Annual Report (title 5.6 Credit Risk)

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

All these above information are presented in the following tables by:

- class
- industry
- country (residence of the counterparty)

In the context of the ECB's supervisory work on non-performing loans (NPL), specific guidance[4] to banks on non-performing loans was published including expectations with regard to NPL-related disclosures, additional to the information required under part eight of the CRR (article 431).

Due to a gross NPL ratio[5] of 1.65% on 31/12/2020 the Bank should only disclose the four templates applicable to all credit institutions.

These templates show the volumes and levels of NPLs, forbone and foreclosed assets in their balance sheets, with the aim of fostering transparency, providing meaningful information to market participants on the quality of credit institutions' assets and addressing any potential asymmetries of information.

The first one (Template NPE1) on the credit quality of forbone exposures is presented in chapter 5.4 Forbeance.

The other templates are presented in this chapter under the NPL disclosures sub titles:

- Template NPE3 : credit quality of performing and non-performing exposures by days past due;
- Template NPE4 : performing and non-performing exposures and related provision;
- Template NPE9 : collateral obtained by taking possession and execution processes.

[4] EBA/GL/2018/10 and NBB circular BNB_2019_11

[5] NPL ratio is the ratio of the gross carrying amount of NPLs and advances to the total gross carrying amount of loans and advances subject to the NPE definition – as defined in template NPE3

BY EXPOSURE CLASS

	Gross carrying values of							
	Defaulted exposures		Non-defaulted	Specific credit risk	General credit	Accumulated	Credit risk adjustments	Net values
	Impaired	of which : Past due > 90 days	exposures	adjustment	risk adjustment	write-offs	charges of the period	
	a	b	c	d	e	f	g	(a+c-d-e)
Central governments or central banks	0	0	2,845,414	0	73	0	0	2,845,341
Regional governments or local authorities	0	0	269,374	0	31	0	0	269,344
Public sector entities	0	0	409,201	0	41	0	0	409,160
Multilateral Development Banks	0	0	202,739	0	23	0	0	202,717
International Organisations	0	0	45,547	0	5	0	0	45,542
Institutions	0	0	292,150	0	0	0	0	292,150
Corporates	0	0	2,015,409	0	1,564	0	0	2,013,845
Retail	0	0	492,926	0	53	0	0	492,873
Secured by mortgages on immovable property	0	0	80,631	0	25	0	0	80,606
Exposures in default	55,543	47,982	0	14,547	0	1,656	-1,501	40,996
Items associated with particular high risk	20,295	0	23,309	0	0	0	0	43,604
Covered bonds	0	0	1,268,447	0	92	0	0	1,268,355
Claims on institutions and corporates with a short-term credit assessment	0	0	71,555	0	0	0	0	71,555
Collective investments undertakings (CIU)	0	0	29,201	0	0	0	0	29,201
Equity exposures	0	0	4,047	0	0	0	0	4,047
Other exposures	0	0	389,286	0	108	0		389,178
Total standardised approach	**75,838**	**47,982**	**8,439,236**	**14,547**	**2,015**	**1,656**	**-1,501**	**8,498,512**
Of which: Loans	72,267	47,982	4,306,179	14,547	1,350	1,656	-1,501	4,362,547
Of which: Debt securities	0	0	3,395,311	0	665	0	0	3,394,646
Of which: Off-balance-sheet exposures	3,572	0	369,944	0	0	0	0	373,516

The Bank exposure in default primary exists within the loan portfolio and remains pretty limited, reflecting the overall good credit quality of the Bank loan portfolio and tight underwriting standards of the lending activity.

BY INDUSTRY

	Gross carrying values of Defaulted exposures		Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustments charges of the period	Net values
	Impaired	of which : Past due > 90 days						
	a	b	c	d	e	f	g	(a+c-d-e)
Agriculture, forestry and fishing	121	121	0	0	0	0	0	**121**
Mining and quarrying	0	0	2,034	0	11	0	0	**2,023**
Manufacturing	0	0	9,657	0	4	0	0	**9,653**
Electricity, gas, steam and conditioning supply	0	0	240	0	0	0	0	**240**
Water supply	0	0	15	0	0	0	0	**15**
Construction	20,831	0	11,902	0	0	0	0	**32,733**
Wholesale and retail trade	303	303	41,775	300	52	0	0	**41,726**
Transport and storage	0	0	13,141	0	23	0	0	**13,118**
Accomodation and food service activities	0	0	4,907	0	0	0	0	**4,907**
Financial and insurance activities	15,047	14,404	5,059,658	8,591	932	0	379	**5,065,182**
Information and communication	59	59	6,057	50	0	0	50	**6,067**
Real estate activities	13,003	11,458	469,101	1,475	391	0	533	**480,238**
Professional, scientific and technical activities	2,067	2,067	171,346	2,066	73	1,656	-96	**171,274**
Administrative and support service activities	0	0	49,493	0	0	0	0	**49,493**
Public administration and defence, compulsory social security	0	0	1,248,182	0	91	0	0	**1,248,091**
Education	0	0	5	0	0	0	0	**5**
Humane health services and social work activities	0	0	509	0	0	0	0	**509**
Activities of households	24,001	19,162	1,254,936	1,671	240	0	-2,355	**1,277,026**
Arts, entertainment and recreation	0	0	11,254	0	10	0	0	**11,244**
Other services	407	407	85,022	396	187	0	-12	**84,847**
Total standardised approach	**75,838**	**47,982**	**8,439,236**	**14,547**	**2,015**	**1,656**	**-1,501**	**8,498,512**

Degroof Petercam

BY COUNTRY

	Gross carrying values of							
	Defaulted exposures		Non-defaulted	Specific credit risk	General credit	Accumulated	Credit risk adjustments	Net values
	Impaired	Past due>90 days	exposures	adjustment	risk adjustment	write-offs	charges of the period	
	a	b	c	d	e	f	g	(a+c-d-e)
Country BE	12,767	9,779	3,501,730	3,604	763	1,656	-754	**3,510,131**
Country FR	19,423	16,972	1,219,065	6,028	365	0	859	**1,232,095**
Country LU	27,738	5,321	1,267,703	2,134	573	0	6	**1,292,734**
Country ES	0	0	224,569	0	19	0	0	**224,549**
Rest UEM	2,786	2,786	888,248	2,604	138	0	0	**888,291**
Rest of the World	13,124	13,124	1,337,921	178	156	0	-1,612	**1,350,711**
Total standardised approach	**75,838**	**47,982**	**8,439,236**	**14,547**	**2,015**	**1,656**	**-1,501**	**8,498,512**

The Group’s main defaulted exposures stem from Belgium, Luxembourg and France, which are the core countries of activity for the Group.

EVOLUTION OF PROVISIONS DURING 2020

The table below identifies the changes in the Bank's stock of general and specific credit risk adjustments held against loans and debt securities (including securitisation exposures) that are defaulted or impaired (between 01/01/2020 opening balance and 31/12/2020 closing balance).

		a Accumulated specific credit risk adjustment	b Accumulated general credit risk adjustment
1	**Opening balance**	**-18,159**	**-1,558**
2	Increases due to amounts set aside for estimated loan losses during the period	-729	-674
3	Decreases due to amounts reversed for estimated credit risk adjustments	5,420	238
4	Decreases due to amounts taken against accumulated credit risk adjustments	1,656	0
5	Transfers between credit risk adjustments		
6	impact of exchange rate differences		
7	Business combinations, including acquisitions and disposals of subsidiaries		
8	Other adjustments	-2,735	-21
9	**Closing balance**	**-14,547**	**-2,015**
10	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss		
11	Specific credit risk adjustments directly recorded to the statement of profit or loss		

The decrease in the stock of specific provisions observed during 2020 is caused on one hand by the closing of several credit files in default without loss for the Bank (or with an actual loss lower than estimated provisions), and on the other hand by the high level of collateral existing on credit files transferred to defaulted status during the year. The provisioning policy of the Bank can be considered as prudent, as no additional provision must be booked on top of the provisions already considered, in the context of the new "NPL backstop" regulation (implying minimum level of coverage ratios for defaulted exposures).

THE EVOLUTION OF THE DEFAULT

The table below identifies the changes in the Bank's stock of defaulted loans and debt securities (between 01/01/2020 opening balance and 31/12/2020 closing balance)[6]. The increase in the stock of defaulted assets is primarily due to credit files under review from Compliance department, causing a payment delay of more than 90 days. Per 31/12/2020, no credit file presented a significant increase in credit risk due to the COVID-19 situation (as already described in section 1). No client of the Bank requested the application of an EBA-compliant moratoria, and no exposure was under public guarantee scheme.

[6] Note that a difference exists with the table presented previously, "by exposure class", due to off-balance sheet elements not included in this evolution table.

Degroof Petercam

		Gross carrying value defaulted exposures
1	**Opening balance**	**37,313**
2	Loans and debt securities that have defaulted or impaired since the last reporting period	58,238
3	Returned to non-defaulted status	-21,629
4	Amounts written off	-1,656
5	Other changes*	0
6	**Closing balance**	**72,267**

** This line includes partial repayments of loans and debt securities*

NPL DISCLOSURE - CREDIT QUALITY OF PERFORMING AND NON-PERFORMING EXPOSURES BY PAST DUE DAYS

This template provides an overview of credit quality of non-performing exposures, as per Commission Implementing Regulation (EU) No 680/2014.

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

	a	b	c	d	e	f	g	h	i	j	k	l
	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
		Not past due or past due <= 30 days	Past due > 30 days <= 90 days		Unlikely to pay that are not past due or are past due <= 90 days	Past due > 90 days <= 180 days	Past due > 180 days <= 1 year	Past due > 1year <= 2 years	Past due > 2 years <= 5 years	Past due > 5 years <= 7 years	Past due > 7 years	of which defaulted
Loans and advances	**4,306,179**	**4,282,393**	**23,786**	**72,267**	**24,285**	**2,423**	**20,719**	**10,538**	**456**	**8,706**	**5,139**	**72,267**
Central banks	*2,297,959*	*2,297,959*										
General governments	*133*	*133*										
Credit institutions	*27,338*	*27,338*										
Other financial corporations	*371,527*	*353,935*	*17,592*	*10,199*	*41*	*0*	*3,401*	*5*	*3*	*4,627*	*2,121*	*10,199*
Non-financial corporations	*533,042*	*533,042*	*0*	*38,167*	*19,505*	*129*	*2,763*	*9,918*	*304*	*2,533*	*3,015*	*38,167*
of which SMEs	*95,628*	*95,628*		*20,763*	*18,904*	*129*	*92*	*346*	*304*	*988*	*1*	*20,763*
Households	*1,076,178*	*1,069,985*	*6,193*	*23,901*	*4,738*	*2,294*	*14,555*	*616*	*148*	*1,546*	*3*	*23,901*
Debt securities	**3,395,311**	**3,395,311**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Central banks												
General governments	*1,080,702*	*1,080,702*	*0*									
Credit institutions	*1,723,680*	*1,723,680*	*0*									
Other financial corporations	*462,474*	*462,474*	*0*									
Non-financial corporations	*128,454*	*128,454*	*0*									
Off-balance-sheet exposures	**369,944**	**369,944**		**3,572**	**3,572**							**3,572**
Central banks	*226*											
General governments												
Credit institutions	*10,081*											
Other financial corporations	*108,454*											
Non-financial corporations	*114,130*			*3,472*								*3,472*
Households	*137,053*			*100*								*100*
Total	**8,071,433**	**8,047,648**	**23,786**	**75,838**	**27,857**	**2,423**	**20,719**	**10,538**	**456**	**8,706**	**5,139**	**75,838**

NPL DISCLOSURE - PERFORMING AND NON-PERFORMING EXPOSURES AND RELATED PROVISION

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

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

The stages reported in this template refer to stages according IFRS9 methodology as described in the introduction of this chapter and in the Annual Report title 5.6.

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative							Collateral and financial	
	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			Accumulated partial write-off	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			
Loans and advances	**4,306,179**	**4,208,173**	**98,005**	**72,267**	**0**	**72,267**	**-1,350**	**-1,212**	**-139**	**-14,547**	**0**	**-14,547**		**1,329,202**	**39,220**
Central banks	*2,297,959*	*2,297,959*					*0*	*0*						*0*	
General governments	*133*	*133*					*0*	*0*						*0*	
Credit institutions	*27,338*	*27,338*					*0*	*0*						*41,737*	
Other financial corporations	*371,527*	*355,218*	*16,310*	*10,199*		*10,199*	*-621*	*-530*	*-91*	*-5,815*		*-5,815*		*89,474*	*3,932*
Non-financial corporations	*533,042*	*499,682*	*33,360*	*38,167*		*38,167*	*-498*	*-496*	*-2*	*-7,061*		*-7,061*		*330,310*	*25,518*
of which SMEs	*95,628*	*93,412*	*2,216*	*20,763*		*20,763*	*-110*	*-108*	*-2*	*-1,698*		*-1,698*		*49,918*	*13,882*
Households	*1,076,178*	*1,027,843*	*48,336*	*23,901*		*23,901*	*-232*	*-186*	*-46*	*-1,671*		*-1,671*		*867,682*	*9,769*
Debt securities	**3,395,311**	**3,392,204**	**3,107**				**-665**	**-636**	**-29**	**0**				**378,501**	
Central banks	*0*	*0*					*0*	*0*	*0*						
General governments	*1,080,702*	*1,080,702*					*-91*	*-91*	*0*						
Credit institutions	*1,723,680*	*1,723,680*					*-143*	*-143*	*0*					*378,501*	
Other financial corporations	*462,474*	*459,367*	*3,107*				*-179*	*-150*	*-29*						
Non-financial corporations	*128,454*	*128,454*					*-252*	*-252*	*0*						
Off-balance-sheet exposures	**369,944**	**364,587**	**5,357**	**3,572**	**0**	**3,572**	**-24**	**-21**	**-3**					**209,449**	**100**
Central banks	*226*	*226*	*0*				*0*	*0*	*0*					*0*	
General governments		*0*	*0*				*0*	*0*	*0*						
Credit institutions	*10,081*	*10,081*	*0*				*0*	*0*	*0*					*2,289*	
Other financial corporations	*108,454*	*104,407*	*4,048*				*-9*	*-9*	*0*					*17,689*	
Non-financial corporations	*114,130*	*114,084*	*45*	*3,472*		*3,472*	*-1*	*-1*	*0*					*92,302*	
Households	*137,053*	*135,788*	*1,264*	*100*		*100*	*-14*	*-11*	*-3*					*97,169*	*100*
Total	**8,071,433**	**7,964,964**	**106,470**	**75,838**	**0**	**75,838**	**-2,039**	**-1,869**	**-170**	**-14,547**	**0**	**-14,547**	**0**	**1,917,152**	**39,320**

NPL DISCLOSURE - COLLATERAL OBTAINED BY TAKING POSSESSION AND EXECUTION PROCESSES

In the Bank, we don't foresee in our acts or we have not encountered in 2020 the "appropriation" (taking possession or acquisition of ownership) of the collateral. . In consequence the Group is not concerned by this template.

	a	b
	Collateral obtained by taking possession	
	Value at initial recognition	Accumulated negative changes
Property, plant and equipent (PP&E)		
Other than PPE		
Residential immovable property		
Commercial immovable property		
Movable property (auto, shipping, etc.)		
Equity and debt instruments		
Other		
Total	NA	NA

5.4. Forbearance

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

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

This following template provides an overview of the quality of forborne exposures as per Commission Implementing Regulation (EU) No 680/2014 (as of 31/12/2020). The gross carrying amount of forborne exposures and the related accumulated impairment, provisions, accumulated change in fair value due to credit risk, and collateral and financial guarantees received are presented according to the scope of regulatory consolidation in accordance with Chapter 2 of Title II of Part One of the CRR.

As shown in the table, the total gross carrying amount of forborne credits amounts to approx EUR 29.2 mln per 31/12/2020, consisting in 5 credit files. A specific provision is booked on non-performing forborne exposures (approx. EUR 3.7 mln). The performing forborne exposures are considered as sufficiently provisionned (and/or covered by sufficient levels of collateral).

	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
			of which defaulted	of which impaired				
Loans and advances	**7,221**	**21,976**	**21,976**	**21,976**	**-2**	**-3,681**	**25,121**	**18,294**
Central banks								
General governments								
Credit institutions								
Other financial corporations		*4,617*	*4,617*	*4,617*		*-3,681*	*936*	*936*
Non-financial coporations	*2,216*	*17,359*	*17,359*	*17,359*	*-2*		*19,573*	*17,357*
Households	*5,005*						*4,611*	
Debt securities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Loan commitments given	**0**	**0**						
Total	**7,221**	**21,976**	**21,976**	**21,976**	**-2**	**-3,681**	**25,121**	**18,294**

5.5. Counterparty Credit Risk

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

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

Credit limits are defined and established by the Limits Committee.

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

In allocating capital to counterparty credit risk, the Bank does not use an internal methodology. The capital for counterparty credit risk is calculated according to the method "Mark-to-Market" defined in Article 274 of the CRR.

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

The use and impact of mitigation techniques is described in chapter 5.6.

The following table provides a comprehensive view of the methodology used to calculate **CCR regulatory requirements** (excluding exposures to QCCPs, which are described in the next section):

	a	b	c	d	e	f	g
	Notional	Replacement cost/current market value	Potential future credit exposure	EEPE	Multiplier	EAD post CRM	RWAs
Mark to market		97,878	54,347			107,303	73,906
Original exposure							
Standardised approach							
IMM (for derivatives and SFTs)							
Of which securities financing transactions							
Of which derivatives and long settlement transactions						107,303	73,906
Of which contractual cross-product netting							
Financial collateral comprehensive method (for SFTs)							
Var for SFTs							
Total						107,303	73,906

The **CVA (Credit Valuation Adjustment) capital charge** is a regulatory capital charge to cover the volatility of expected losses due to counterparty credit risk exposure related to derivatives (over-the-counter).

The CVA capital charge is calculated according to the regulatory Standardised formula

Credit valuation adjustment capital charge 31/12/2020 (in millions of Eur)	Exposure value	RWA'S
All portfolios subject to the Standardised method	152.23	36.4
Total subject to the CVA capital charge	**152.23**	**36.4**

5.6. Use of credit risk mitigation techniques

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

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

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

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

The Bank has no recourse to any Export Credit Agency.

NETTING LEGAL AGREEMENTS

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

COLLATERAL

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

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

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

Financial collateral received is subject to regular monitoring, which includes valuation and calculation of coverage ratios between loan and collateral keeping in mind the concentration aspect.

Finally Risk Management performs liquidity tests on such pledged assets on a regular basis in order to assess the eligibility of these assets as receivable collateral in regards with the CRR regulation (we refer to Annual Report part 5.6 credit risk).

CLEARING

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

	a	b
	EAD post CRM	RWAs
Exposures to QCCPs (total)		2,403
Exposures for trade at QCCPs (excluding initial margin and default fund contributions); of which	34,480	2,403
(i) OTC derivatives	28,082	1,123
(ii) Exchange-traded derivatives	6,397	1,279
(iii) SFTs		
(iv) Netting sets where cross-product netting has been approved		
Segregated initial margin		
Non-Segregated initial margin		
Perfunded default fund contributions		
Alternative calculation of own funds requirements for exposures		
Exposures to non-QCCPs (total)		
Exposures for trade at non-QCCPs (excluding initial margin and default fund contributions); of which		
(i) OTC derivatives		
(ii) Exchange-traded derivatives		
(iii) SFTs		
(iv) Netting sets where cross-product netting has been approved		
Segregated initial margin		
Non-Segregated initial margin		
Perfunded default fund contributions		
Unfunded default fund contributions		

GUARANTEES

In exceptional circumstances, the Bank may invest in bonds guaranteed by a third party, usually a government.

In this case, the credit worthiness of the third party is assessed based on external ratings. These positions are monitored by the ALMAC in accordance with ALM and IFRS9 policies.

Degroof Petercam

DERIVATIVES TRANSACTIONS AND SECURITIES TRANSACTIONS POST CCF AND CRM (AS OF 31/12/2020)

The following table provides a breakdown of CCR exposures calculated in accordance with Part Three, Title II, Chapter 6 of the CRR and risk-weighted according to Chapter 3 of the same title, by portfolio (type of counterparties) and by risk weight (riskiness attributed according to the standardised approach).

	Risk Weight																
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Other	Deducted	Total	Of which unrated
Central governments or central banks																		
Regional governments or local authorities																		
Public sector entities																		
Multilateral Development Banks																		
International Organisations																		
Institutions			28,082		44,365		1,139										**73,587**	
Corporates										58,382							**58,382**	58,382
Retail									9,814								**9,814**	9,814
Secured by mortgages on immovable property																		
Exposures in default																		
Items associated with particular high risk																		
Covered bonds																		
Claims on institutions and corporates with a short-term credit assessment																		
Collective investments undertakings (CIU)																		
Equity exposures																		
Other exposures																		
Total			28,082		44,365		1,139		9,814	58,382							141,783	

EXPOSURE THROUGH DERIVATIVES & STRUCTURED FINANCE TRANSACTIONS

The following table provides an overview of the impact of netting and collateral held on exposures for which the exposure is measured as counterparty credit risk (CCR).

	a	b	c	d	e
	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives	263,673	76,968	186,705	44,921	141,783
SFTs	0	0	0	0	0
Cross-product netting	0	0	0	0	0
Total	263,673	0	186,705	44,921	141,783

The table below provides a breakdown of all types of collateral (cash, sovereign debt, corporate bonds, etc.) posted or received to support or reduce CCR exposures related to derivative transactions or to SFTs, including transactions cleared through a CCP (Central Counterparty).

	a	b	c	d	e	f
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
DEBT SECURITIES	0	0	0	0	0	0
EQUITIES	1,481	0	0	0	0	0
FUNDS	0	0	0	0	0	0
CASH	43,441	0	40,827	0	0	0
Total	**44,921**	**0**	**40,827**	**0**	0	**0**

CREDIT RISK EXPOSURE AND CRM EFFECTS (AS OF 31/12/2020)

The following table shows the effects of the credit conversion factor (CCF), the credit risk mitigation (CRM) and the risk-weighted assets by exposure class.

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

	a	b	c	d	e	f
	Exposures before CCF and CRM		Exposures post CCF and CRM		RWA's and RWA density	
Exposure classes	On balance sheet amounts	Off balance sheet amounts	On balance sheet amounts	Off balance sheet amounts	RWA's	RWA density
Central governments or central banks	2,845,341	0	2,845,341	0	0	0.00%
Regional governments or local authorities	269,344	0	269,344	0	0	0.00%
Public sector entities	409,160	0	409,160	0	13,532	3.31%
Multilateral Development Banks	202,717	0	202,717	0	0	0.00%
International Organisations	45,542	0	45,542	0	0	0.00%
Institutions	288,567	3,583	288,567	3,583	49,346	16.89%
Corporates	1,715,462	298,383	811,500	70,087	871,421	98.85%
Retail	444,482	48,391	65,104	5,278	52,787	75.00%
Secured by mortgages on immovable property	80,513	93	69,605	93	24,427	35.05%
Exposures in default	40,896	100	11,998	0	16,018	133.50%
Items associated with particular high risk	36,214	7,390	36,214	2,653	58,301	150.00%
Covered bonds	1,268,355	0	1,268,355	0	126,836	10.00%
Claims on institutions and corporates with a short-term credit assessment	71,555	0	71,555	0	14,912	20.84%
Collective investments undertakings (CIU)	29,201	0	29,201	0	29,201	100.00%
Equity exposures	4,047	0	4,047	0	6,216	153.62%
Other exposures	389,178	0	389,178	0	292,152	75.07%
Total	**8,140,572**	**357,940**	**6,817,426**	**81,695**	**1,555,150**	
		8,498,512		**6,899,121**		

Including amount subject to 250% risk weight

EXPOSURE BREAKDOWN POST CCF AND CRM (AS OF 31/12/2020) – RISK WEIGHT BY EXPOSURE CLASS

The following table provides the post “Credit conversion factor” and “Credit risk mitigation” exposure by risk-weight of risk-weighted asset (corresponding to the riskiness attributed to the exposure according to the Standardised Approach).

Exposure classes	Risk Weight																Total	Of which
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Other	Deducted		unrated
Central governments or central banks	2,845,341														0	0	**2,845,341**	0
Regional governments or local authorities	269,344														0	0	**269,344**	0
Public sector entities	341,498				67,662										0	0	**409,160**	0
Multilateral Development Banks	202,717														0	0	**202,717**	112,820
International Organisations	45,542														0	0	**45,542**	0
Institutions			56,775		235,375										0	0	**292,150**	0
Corporates							23,074			855,769	2,744				0	0	**881,586**	746,223
Retail									70,383						0	0	**70,383**	69,300
Secured by mortgages on immovable property						69,479	219								0	0	**69,698**	69,698
Exposures in default										3,958	8,040				0	0	**11,998**	11,998
Items associated with particular high risk											38,867				0	0	**38,867**	36,908
Covered bonds				1,268,355											0	0	**1,268,355**	0
Claims on institutions and corporates with a short-term credit assessment					69,550		2,005								0	0	**71,555**	0
Collective investments undertakings (CIU)										29,201					0	0	**29,201**	29,201
Equity exposures										2,600		1,447			0	0	**4,047**	1,553
Other exposures	117,977									257,233		13,967			0	0	**389,178**	336,558
Total standardised approach	**3,822,419**	**0**	**56,775**	**1,268,355**	**372,586**	**69,479**	**25,298**	**0**	**70,383**	**1,148,761**	**49,651**	**15,414**	**0**	**0**	**0**	**0**	**6,899,121**	1,414,262

The abscise represents the risk-weight assigned to each credit quality as stated in Article 113 to Article 114 in Part Three, Title 2, Chapter 2 of the CRR.

Degroof Petercam

UNSECURED VS. SECURED EXPOSURE

The following table shows the (net) exposures in the form of loans and debt securities, depending on whether or not they are secured. This table includes our deposits to Central banks (the loans exposures) that cannot be secured.

It gives an overview of the CRM techniques used for defaulted and non-defaulted exposure, irrespective of the regulatory approach used.

	a	b	c	d	e
	Exposures unsecured - Carrying amount	Exposures secured - Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Total loans	**2,994,125**	**1,368,422**	**1,323,145**	**45,277**	**0**
Central banks	*1,935,287*	*0*			*0*
General governments	*133*	*0*			*0*
Credit institutions	*348,274*	*41,737*	*41,737*	*0*	*0*
Other financial corporations	*281,885*	*93,406*	*90,303*	*3,103*	*0*
Non-financial corporations	*207,822*	*355,828*	*344,352*	*11,475*	*0*
Households	*220,725*	*877,452*	*846,753*	*30,699*	*0*
Total debt securities	**3,016,145**	**378,501**	**0**	**378,501**	**0**
Central banks	*0*	*0*	*0*	*0*	*0*
General governments	*1,080,611*	*0*	*0*	*0*	*0*
Credit institutions	*1,345,037*	*378,501*	*0*	*378,501*	*0*
Other financial corporations	*462,295*	*0*	*0*	*0*	*0*
Non-financial corporations	*128,203*	*0*	*0*	*0*	*0*
Total exposures	**6,010,270**	**1,746,923**	**1,323,145**	**423,778**	**0**
Of which defaulted	**18,499**	**39,220**	**31,958**	**7,262**	**0**
Loans and advances	**18,499**	**39,220**	**31,958**	**7,262**	**0**
Central banks	*0*	*0*	*0*	*0*	*0*
General governments	*0*	*0*	*0*	*0*	*0*
Credit institutions	*0*	*0*	*0*	*0*	*0*
Other financial corporations	*452*	*3,932*	*3,932*	*0*	*0*
Non-financial corporations	*5,587*	*25,518*	*24,914*	*604*	*0*
Households	*12,460*	*9,769*	*3,112*	*6,658*	*0*
Debt securities	**0**	**0**	**0**	**0**	**0**
Central banks	*0*	*0*	*0*	*0*	*0*
General governments	*0*	*0*	*0*	*0*	*0*
Credit institutions	*0*	*0*	*0*	*0*	*0*
Other financial corporations	*0*	*0*	*0*	*0*	*0*
Non-financial corporations	*0*	*0*	*0*	*0*	*0*
Households	*0*	*0*	*0*	*0*	*0*

Degroof Petercam

BREAKDOWN OF COLLATERAL AND GUARANTEES BY TYPE

		Maximum amount of the collateral or guarantee that can be considered			
		Loans collateralized by immovable property	Other collateralized loans		Financial guarantees received
	Guarantees and collateral	Residential/commercial	Cash [Debt instruments issued]	Securities	
		010	030	040	050
010	**Loans and advances**	**113,938**	**179,780**	**1,250,440**	**45,277**
020	of which: Other financial corporations	17,326	33,321	191,672	3,103
030	of which: Non-financial corporations	60,475	31,791	334,286	11,475
040	of which: Households	36,136	114,668	724,482	30,699
	Eligible collateral percentage	**70%**	**100%**	**86%**	**100%**

In terms of market or credit risk concentrations within the collateral, most of the collateral held is in the form of funds and equity instruments, which are diversified by nature hence reduce the concentration risk. Other collateral include cash, real-estate and debt instruments that are mainly issued in Belgium.

5.7. Equity Exposures in the Banking Book

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

5.8. Securitisation Exposures in the Banking Book

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

The current exposures can be described as follows:

				Senior	Mezzanine	Provisions	RWA
Securitisation	Investor	Residential mortgages	ES	3,963		0	942
Securitisation	Investor	Residential mortgages	GB	1,498		2	2,020
Securitisation	Investor	Consumer loans	DE	24,227		3	3,004
Securitisation	Investor	Consumer loans	ES	834		0	125
Securitisation	Investor	Consumer loans	FR	33,686		3	3,831
Securitisation	Investor	Consumer loans	LU	25,342		3	2,534
Securitisation	Investor	Consumer loans	NL	8,997		1	1,095
				98,546	**0**	**11**	**13,550**

5.9. Settlement Risk

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

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

This risk is extremely low.

The corresponding Risk Weighted Asset for the settlement risk is EUR 3,849 at end December 2020 (see Title 4.3 above).

6. ALM & Market risk

6.1. Policy

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

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

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

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

The exposures are daily monitored by Risk Management and reported to appropriate committees (mainly the ALMAC and Internal Risk Committee).

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

	a	b
	RWAs	Capital requirements
Outright products		
Interrest rate risk (general and specific)	15,349	1,228
Equity risk (general and specific)	82,041	6,563
Foreign exchange risk	0	0
Commodity risk	0	0
Options		
Simplified approach	0	0
Delta-plus method	6,914	553
Scenario approach	0	0
Securisation (specific risk)	0	0
Total	**104,304**	**8,344**

6.2 Interest Rate Risk

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

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

Furthermore, in accordance with Basel II, the sensitivity of the Bank's economic value is stressed on the basis of scenarios involving parallel and non parallel increase in interest rates. The result of the most penalizing shock is 7.1%. As requested in the directive, this ratio takes account of the Bank's commitments to pension funds.

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

	2019	2020
On 31/12	35,089	33,202
Average for the period	37,293	34,318
Maximum for the period	45,724	40,264
Minimum for the period	31,808	28,606

This table shows that in 2020, the interest rate risk on the balance sheet has decreased as a result of the updated assumptions on the duration of current accounts.

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

	2019	2020
on 31/12	-219	-352
Average for the period	-221	-256
Maximum for the period	-246	-357
Minimum forthe period	-196	-209

on 31/12	2019	2020
Increase of the interest rates with 200 basis points		
Increase (decrease) in net interest income over the next 12 months	35,766	16,378
Increase (decrease) in the present value of equity	-35,089	-33,202
Decrease of the interest rates with 200 basis points		
Increase (decrease) in net interest income over the next 12 months	-19,426	-14,523
Increase (decrease) in the present value of equity	7,116	5,295

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

Since 1 January 2018, the Bank has decided to apply hedge accounting in accordance with the methodology described in the hedging policies and summarized in the Annual Report in points 3.4 and 7.3. The items covered are bonds and loans. Hedging instruments are Interest Rate Swaps (IRS).

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

The values below show the impact on the economic value of the Bank of a 1-basis-point parallel upward shift of swap curves by currencies. In summary, more than 75% of the sensitivity is coming from the EUR currency.

	Global	EUR	USD	CHF	Other
Sensitivity	-239	- 182	- 56	- 4	-3

6.3 Foreign exchange risk

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

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

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

	2019		2020	
	Nominal	VAR 99%	Nominal	VAR 99%
on 31 december	2,100	31	866	6
Average for the period	2,250	28	1,193	6
Minimum for the period	1,025	7	1,193	1
Maximum for the period	19,965	451	2,650	29

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

6.4 Equity and option risk

SHORT TERM RISK EXPOSURE

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

The indicators used to monitor the daily equity risk are:

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

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

		31/12/2020	Average	Minimum	Maximum
Equity Risk	Nominal	242	335	136	625
	VAR 99%	10	14	5	24
Option Risk	Delta equivalent	119	151	-267	446
	VAR 99%	244	83	34	191

LONG TERM RISK EXPOSURE

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

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

The Legacy Portfolio is a portfolio of residual positions created at the creation of Degroof Equity. In 2019, the outstanding amount of this portfolio decreased with the sale of positions in Treetop funds.

In 2018, an Accompanying Portfolio was created containing positions of limited size held to support certain activities of the Group. This portfolio contains DPAM funds. In 2020, the increase is explained by investments in funds composed of convertible debt.

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

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

	Legacy Portfolio	Accompanying Portfolio Liquid	Accompanying Portfolio illiquid
31.12.2020	22	29,858	13,665
31.12.2019	303	11,011	15,929
31.12.2018	24,504	13,818	18,604

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

Relevant markets or indices[*]	Movement	Impact on own funds	
		31.12.2019	31.12.2020
Bel 20	10%	0	0
Other Belgian securities	10%	30	2
Other European securities	10%	1,317	3,007
The rest of th world	10%	1,377	1,345

(*) having a significant impact on the portfolio value.

6.5 Commodities Risk

The Bank is not exposed to this type of risk.

7. Liquidity risk

Liquidity risk is the risk of the Bank being unable to meet its financial commitments at their due dates at a reasonable cost.

In accordance with the Risk Appetite Framework of the Bank, and as described in the liquidity risk policy, the main objective of liquidity management is to ensure that the Group has access to sufficient funding, even during very unfavorable conditions. The liquidity strategy is managed at a consolidated level by the ALMAC on a monthly basis, with day-to-day management being delegated to the treasury departments of the Brussels and Luxembourg dealing rooms, under the supervision of Risk Management.

Risk Management ensures that the Bank is able to hold sufficient liquidity in all crisis scenarios (i.e. systemic and idiosyncratic), whether it is a general liquidity crisis on the market or a liquidity crisis specific to the Bank. The assumptions underlying these scenarios are reviewed regularly. Treasury flows must remain positive under each of the scenarios, which are monitored on a daily basis. The internal stress test scenarios are supplemented by the regulatory stress tests.

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

- A large base of customer deposits, sourced from several group entities. In this respect, the merger of Bank Degroof and Petercam has reinforced the already significant stable deposit base of Bank Degroof through the addition of deposits of Petercam's clients;
- A complete independence from interbank funding: the Bank does not need to have recourse to inter-bank funding to finance itself;
- A low 'loan-to-deposit ratio', which indicates that the volume of credits granted is substantially lower than the total of customers' deposits;
- Portfolios which are liquid and which, for the most part (83%), can rapidly be mobilized through repo operations with the European Central Bank.

In consequence, at the end of 2020, the Bank liquidity ratio stood for the LCR at 266% (liquidity buffer at EUR 4.2 mld and net outflows at EUR 1.6 mld) and for NSFR at 157%.

The table below shows the quarterly rolling 12 months average for the LCR and its components.

		Total Adjusted value (average)			
	Quarter ending on	**31/03/2020**	**30/06/2020**	**30/09/2020**	**31/12/2020**
	Number of data points used in the calculation of averages	**12**	**12**	**12**	**12**
21	Liquidity Buffer	4,564,212	4,656,419	4,678,016	4,668,449
22	Total Net Cash Outflows	1,492,346	1,530,732	1,545,215	1,594,779
23	Liquidity Coverage Ratio (%)	307%	305%	303%	293%

The table setting out the maturities of our assets and liabilities is available in our 2020 Annual Report ("5.4 Liquidity risk" section). The liquidity gap is based on contractual maturities. The calculation of the corrected liquidity gap takes into account the capacity to mobilize the bonds portfolio.

ENCUMBERED ASSETS

The encumbered assets of the Bank amounted to EUR 308 mln at end 2020 and represented 3.48% of the total assets.

The encumbered assets of the Bank Degroof Petercam relate to cash and securities provided as collateral exchanged in order to hedge credit risk exposures under the securities lending, repo and derivative transactions, and also to cash deposits towards central banks in compliance with mandatory reserving requirements.

The tables below contain median values (i.e. quarterly medians over the previous 12 months), as set out under disclosure requirements for encumbered and unencumbered assets.

The first one gives the breakdown of encumbered vs unencumbered assets (template A).

		Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
		010	040	060	090
010	**Assets of the reporting institution**	**307,728**		**8,529,010**	
030	Equity instruments	0		57,420	
040	Debt securities	111,943	111,943	3,138,930	3,138,930
050	*of which: covered bonds*	*0*	*0*	*1,226,417*	*1,226,417*
060	*of which: asset-backed securities*	*0*	*0*	*91,536*	*91,536*
070	*of which: issued by general governments*	*111,943*	*111,943*	*920,749*	*920,749*
080	*of which: issued by financial corporations*	*4,089*	*4,089*	*2,029,902*	*2,029,902*
090	*of which: issued by non-financial corporations*	*0*	*0*	*148,286*	*148,286*
120	Other assets	202,341		5,279,518	
121	of which : mortgage loans	0		185,898	

The second one gives the detail of the collateral received (template B).

		Fair value of encumbered collateral received or own debt securities issued	Unencumbered
			Fair value of collateral received or own debt securities issued available for encumbrance
		010	040
130	**Collateral received by the reporting institution**	**0**	**251,088**
140	Loans on demand	0	0
150	Equity instruments	0	0
160	Debt securities	0	0
170	*of which: covered bonds*	*0*	*0*
180	*of which: asset-backed securities*	*0*	*0*
190	*of which: issued by general governments*	*0*	*0*
200	*of which: issued by financial corporations*	*0*	*0*
210	*of which: issued by non-financial corporations*	*0*	*0*
220	Loans and advances other than loans on demand	0	0
230	Other collateral received	0	251,088
240	**Own debt securities issued other than own covered bonds or asset-backed securities**	**0**	**0**
241	**Own covered bonds and asset-backed securities issued and not yet pledged**		**0**
250	**TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED**	**307,728**	

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

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

8. Asset management risk

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

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

For the Private Banking activity, the checks (in particular with regard to diversification, capital at risk ratio, products authorized for management (including the use of derivatives) and MIFID scoring) performed focus on compliance with management constraints set by the clients ,the Executive Committee and regulations, as well as on performance monitoring.

At the level of the collective funds management activity within the Bank, the checks focus on compliance with legal requirements, prospectuses and investment processes.

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

9. Compliance risk

9.1 Definition

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

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

9.2. Governance

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

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

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

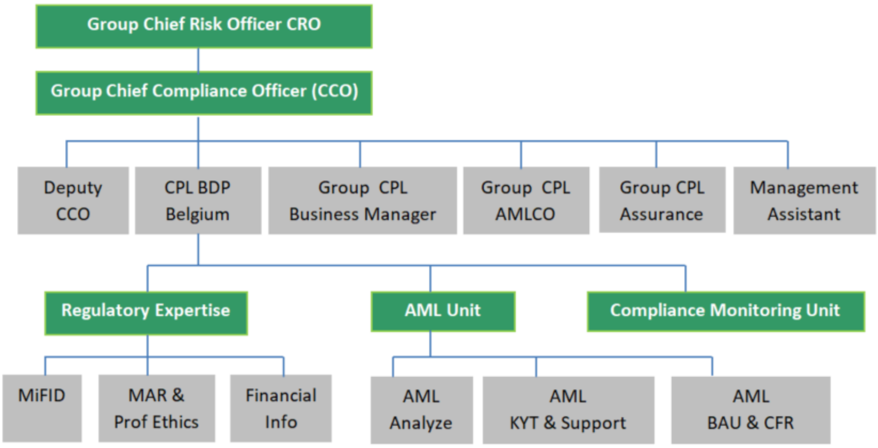
- Exist and are made known to all;
- Are in line with the objectives pursued in terms of the integrity of the Bank's activities;
- Adequately take into account new laws and regulations.

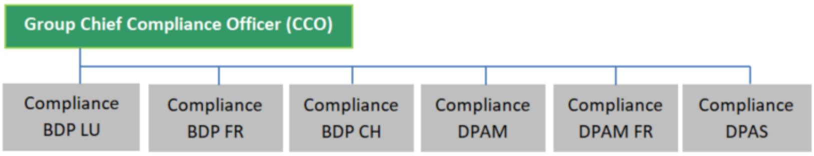
The Chief Compliance Officer reports directly to the CRO and functionally supervises the Compliance Officers of the Bank's subsidiaries.

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

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

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





9.3. Organization

At the parent company level, i.e. Bank Degroof Petercam SA/NV, the Compliance department is organized into teams based on the major areas that fall within the scope of Compliance.

Each of these teams manages compliance risks through :

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

COMBATING MONEY LAUNDERING AND TERRORIST FINANCING (AML/CFT)

The AML Unit is responsible for the prevention of money laundering and terrorist financing, the prevention in tax matters and the prevention of reputation risk. Money laundering Risk Management includes, in particular, the following activities:

- Advising businesses and operational departments in relation to the acceptance of clients with an increased level of risk;
- Screening transactions and clients against embargo and sanction lists;

- Declare to the FIU (eg for Belgium the CTIF) suspicious transactions related to money laundering or terrorist financing;
- Conducting a periodical review of all the Bank's clients;
- Score the Bank's clients for AML Risk;

The AML team has been organized into 3 different sub-units. The first unit, composed of AML analysts, is responsible for handling day to day requests. The second unit is in charge of the 2nd line AML transaction monitoring and the support functions of the AML team. The third unit is responsible for the client file review and the periodic client file review.

REGULATORY EXPERTISE

This Compliance team handles all Compliance topics other than AML/CFT. It is structured into three sub-teams: each focusing on a particular Compliance domain: (1) MiFID, (2) Financial Information, (3) Market Integrity & Professional Ethics.

MIFID AND FINANCIAL INFORMATION

The "MiFID II" Directive, transposed by the law of 21 November 2017 and the Royal Decree of 19 December 2017, as well as Regulation 600.2014 and the delegated regulations, constitutes the regulatory basis to which the MiFID team refers in order to ensure that the Bank complies with all its obligations. The main topics covered by this team include the following:

- Classification of clients;
- Clients profiling;
- Suitability / appropriateness test;
- Information to clients;
- Reporting to clients;
- Reporting to the authorities;
- Inducements.

MARKET INTEGRITY

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

The main topics are:

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

PROFESSIONAL ETHICS

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

- Conflict of interests cartography and management;
- Gift policy monitoring;
- Personal account dealing;
- Whistleblowing;
- Respect of the code of ethics.

COMPLIANCE MONITORING

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

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

9.4. Compliance Risks

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

AML/CFT RISKS

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

MIFID RISKS

- The risk of mis-selling, i.e. selling to a client a product which is not suitable or appropriate or a product for which the client does not belong to the target market of the product;
- The risk of not providing the client with the proper information he deserves in the context of its relationship with the Bank.
- The risk to publish non compliant marketing informations
- The risk of improper prevention or improper management of conflicts of interests.

MARKET ABUSE RISKS

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

- The risk to have the conditions of a legitimate behavior not respected.

DEONTOLOGICAL RISKS

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

10. Operational risk

10.1 Definition

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

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

10.2. Governance

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

Its main tasks can be described as follows:

- Ensure the development and implementation of the operational Risk Management framework and related policies ;
- Independently analyze the operational risk of the Group ;
- Advise management on remediation plans where required;
- Monitor the change management process.

An ORM framework has been defined and approved by the Board of Directors. In this context, the Management Committee appoints the Operational Risk Committee as the official body to monitor operational risk taken by the organization and to ensure that appropriate measures are undertaken to operate according to the approved operational risk appetite.

The Operational Risk Committees are composed of the following permanent members: the CRO (as president), the head of Operational Risk Management, the head of Compliance, the head of Portfolio Management Risk (when applicable), the CISO and the Data Privacy Officer. Business representatives are invited to participate in this committee as required to discuss their respective risks they are in charge of.

The Operational Risk Committee gathers at least on a quarterly basis. Group representatives mentioned above are invited to participate to the Operational Committees of the subsidiaries.

The ORM function also liaises with other control functions of the organization (e.g. compliance, data privacy office, portfolio management risk, etc.) in order to capture operational risk from those specific areas. Specific responsibilities of these functions are described in their own policies and/or frameworks.

10.3. Operational risk measurement

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

RISK APPETITE FRAMEWORK

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

INTERNAL CONTROL FRAMEWORK

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

RISK AND CONTROL SELF ASSESSMENTS

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

The RCSA objectives may be summarised as follows:

- Identify the risks encountered in the context of the activities carried out by Bank Degroof Petercam
- Assess the controls in place;
- Determine the causes of the risks and their actual impact (from a quantitative as well as from a qualitative perspective), given the controls in place;
- Determine remediation plans.

INCIDENT MANAGEMENT

Operational incidents (generating losses or not) due to systems failures, human errors, etc. are recorded within an Operational Risk Database and monitored by Risk Management in order to identify potential issues within the organization or arising from external factors (i.e. root-cause analysis).

The Bank has an escalation process enabling any incident/risk to be reported quickly and efficiently from the Business Unit/Subsidiaries to the Management Committee in order to ensure an appropriate involvement of management.

The ORM function issues monthly and quarterly incident reporting such as statistics on incidents reported over last quarter (analysis by process, error types, etc.) and description of major incidents reported over last quarter.

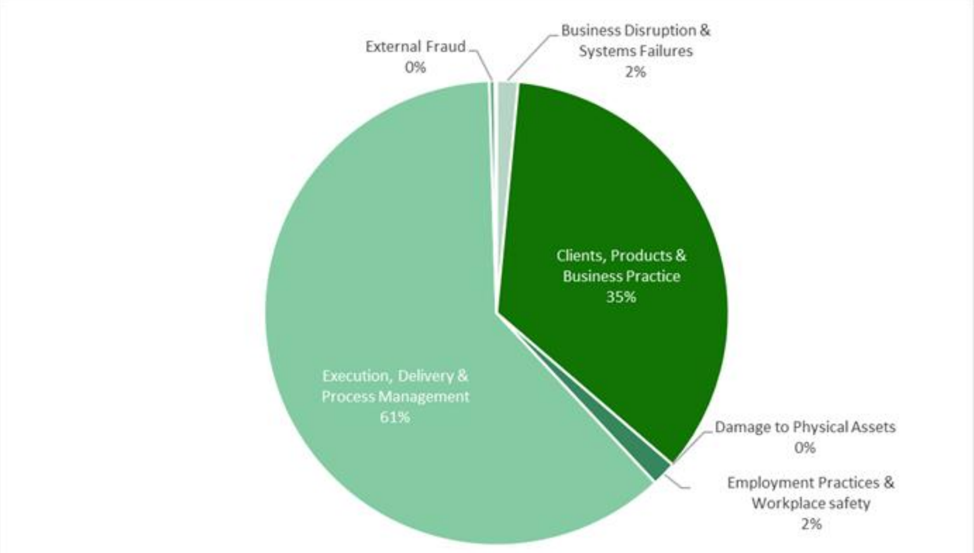


Chart Breakdown of losses according Basel Risk event types over the last 3 years

OUTSOURCING

The risks associated with outsourcing need to be managed adequately. The Outsourcing policy has been updated in accordance with the EBA Guidelines on Outsourcing Arrangements. The objectives of the policy are:

- To outline the principles and rules adopted by the Group Degroof Petercam for the assessment, approval, implementation, monitoring, review and termination of all Degroof Petercam outsourcing arrangements;
- To establish the organizational responsibilities for outsourcing management within the Group Degroof Petercam;
- To ensure compliance with laws and regulations applicable to outsourcing arrangements.

PRODUCT APPROVAL PROCESS

The Product Approval Process is both an awareness and decision-making tool for the management. It allows to be informed in due time of the envisaged launch within the group of new financial products, services or activities, their expected benefits and it makes sure they are designed, approved, marketed and managed in compliance with legal and regulatory requirements.

NEW INITIATIVE RISK PRODUCT APPROVAL PROCESS

The purpose of the New Initiative Risk Approval Process is to assess the criticality of any new change initiatives (outsourcing projects, new products, or any other projects, business or IT, with external and/or internal impacts), during their execution but also after the implementation, in order to guarantee that these initiatives are executed and delivered with an oversight proportionate to their assessed impact on the operational risk profile of the Bank. Operational risks resulting from these new initiatives are monitored, with the definition, execution and follow-up of action plans to mitigate these risks along their lifecycle until they are launched into production.

BUSINESS CONTINUITY MANAGEMENT

Business Continuity Management ensures the continuity of the Group activities and critical business processes in the event of disasters or major failures of information systems. The objectives are:

- to state Degroof Petercam's commitment to business continuity;
- to establish the organizational responsibilities for contingency planning;
- to outline principles adopted by the Group in the context of business continuity management;
- to set out the approach to the implementation and maintenance of business continuity plans within the Group.

INFORMATION RISK GOVERNANCE

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

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

In particular, extensive resources are being devoted to protection against phishing and other social engineering threats, in a context where the work patterns have suddenly evolved due to the Coronavirus crisis. In addition to technology, Information security awareness promote good practices and provide assistance to staff to react properly to adverse cybersecurity events.

In this context, the Group Information Security Committee (GISC) is the body within the Group to:

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

The GISC assumes with this respect the following responsibilities:

- The monitoring of the information security threats and vulnerabilities (risk assessment);
- The monitoring of the new "best practices" in terms of Information Security ;
- The definition of the Information Security Strategy based on the risk assessment mentioned here above ;
- The definition of the policies & guidelines adopted by the Group, i.e. the set-up of information security related policies and guidelines at Group level (+ the control/approval of specific policies and guidelines in the different entities when required);
- The control of the respect of information security principles adopted by the Group.

The GISC gathers at least on a quarterly basis, and reports on a quarterly basis to the Management Committee through the Operational Risk Committee.

In order to ensure appropriate follow-up and reporting on all Information Security aspects throughout all entities, the Group CISO organizes regular follow-up meetings with major 1st line stakeholders of Information Security domains.

These meetings enable to monitor the progress of the various ongoing projects and potential information security events encountered on a day-to-day basis. They also enable decisions within the context of existing policies and guidelines agreed.

INSURANCE POLICIES

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

11. Remuneration

11.1. Decision making process of the remuneration policy

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

- Board of Directors ;
- Remuneration Committee;
- Management Committee;
- Control Functions;
- External consultants.

Board of Directors

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

Remuneration Committee
The Remuneration Committee is composed of non-executive members of the Board of Directors.
The Remuneration Committee provides opinions and proposals for decisions to the Board of Directors relating to:

- The Remuneration Policy within Bank Degroof Petercam and any amendments thereto ;
- The global Variable Remuneration package of Bank Degroof Petercam ;
- The allocation of the envelope between the entities of Bank Degroof Petercam and the share of the envelope reserved for Identified Staff ;
- Remuneration of Identified Staff and Control Functions ;
- Remuneration of the non-executive members of the Board of Directors ;
- The possible implementation of stock option plans or capital increases reserved for Employees.

The Remuneration Committee directly supervises the Remuneration of the heads of the Control Functions.
In its opinions and decision-making, the Remuneration Committee takes into account the long-term interests of shareholders, investors and other stakeholders of Bank Degroof Petercam as well as the public interest.
Mr Ludwig Criel[7] (president), Yvan de Cock, Miguel del Marmol and Guido Vanherpe are members of the Remuneration Committee[8]. The Chief Executive Officer and the Group Chief HR Officer are invited to the Remuneration Committee meetings. The Remuneration Committee met 6 times in 2020.

Management Committee
The implementation of the remuneration policy is executed by the Management Committee.

[7] Ludwig Criel was replaced by Gilles Samyn on the 21st January 2021

[8] Yvan de Cock and Guido Vanherpe as independent directors

The remuneration policy is an integral part of the governance memorandum prepared under the responsibility of the Management Committee and approved by the Board of Directors.

Control Functions

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

External Consultants

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

11.2. Information on link between pay and performance

The following performance monitoring principles apply to all Employees:

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

11.3. Most important design characteristics of the Banks' remuneration policy

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

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

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

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

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

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

- cellular phone + data subscription
- hospitalization insurance
- pension plan
- death insurance
- disability insurance
- professional travel insurance
- business accident insurance
- extra-legal holidays
- meal vouchers

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

Sign on bonuses
For specific recruitment needs, bonuses paid in cash charged to the bonus pool for the fiscal year can be granted to new hires. These bonuses must include a claw-back clause in case the new hire leaves the Group the first year following the hire date.

Severance payment in lieu of notice

For self-employed

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

For employees

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

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

Buyout awards

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

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

11.4. Identified Staff

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

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

- 50% of the Fixed Remuneration ;
- EUR 50,000, without this amount exceeding the amount of the Fixed Remuneration.

DEFERRAL

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

It the total variable remuneration is less than EUR 75,000 gross for the Belgian employees or any other amount provided in the applicable national legislations, in accordance with the application of the principle of proportionality and for administrative reasons, the deferred portion of the bonus is paid on the date of granting. As such, Identified Staff who are allocated a variable remuneration of less than 75,000 EUR are not subject to deferral and payment in a conditional cash instrument.

In accordance with the applicable legislation, when the amount of the variable remuneration is particularly

high, i.e. above EUR 200,000, the acquisition and payment of 60% of the latter is deferred for a minimum period of five years, both for the cash part as for the part granted in a conditional cash instrument.
The acquisition and payment of 60% of variable remuneration granted to the Chief Executive Officer (CEO) of Bank Degroof Petercam is deferred for a minimum period of 5 years, both for the cash part as for the part granted in a conditional cash instrument.

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

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

STRUCTURE FOR 2020 VARIABLE REMUNERATION

Deferral Mechanism for IS having variable remuneration > 75 k€ et < 200-k€
60% payable immediately and 40 % to defer over three years

Variable	Year Y	Y+1	Y+2	Y+3	Y+4	Total
Deferral of variable in %	60%	13.33%	13.33%	13.33%		100%
Type of pay-out :						
Cash in %	50%	50%	50%	50%		
Conditional Cash Instrument en % (retention of 1 year)	50%	50%	50%	50%		
Example of variable of 100 k€						
Deferral	60	13,33	13,33	13,34		100
Cash in k€	30	6,67	6,67	6,66		50
Conditional Cash Instrument in k€		30	6,67	6,67	6,66	50

Deferral Mechanism for IS having variable remuneration > 200 k€
40% payable immediately and 60% to defer over 5 years

Variable	Year Y	Y+1	Y+2	Y+3	Y+4	Y+5	Y+6	Total
Deferral of variable in %	40%	12%	12%	12%	12%	12%		100%
Type of pay-out:								
Cash in %	50%	50%	50%	50%	50%	50%		
Conditional Cash Instrument en % (retention of 1 year)	50%	50%	50%	50%	50%	50%		
Example of variable of 200 k€								
Deferral	80	24	24	24	24	24		200
Cash in k€	40	12	12	12	12	12		100
Conditional Cash Instrument in k€		40	12	12	12	12	12	100

CONDITIONAL CASH PLAN

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

Scope

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

Conditions governing the allocation of rights stipulated in the Plan
The acquisition of the variable remuneration is subject to the following conditions:

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

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

  b) in the event of deferred remuneration over a period of 3-5 years, the date following the acquisition of every deferred part.

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

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

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

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

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

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

The assessment whether or not this condition is met will be made by the Board of Directors during the first 3 months of the calendar year following the allocation or the acquisition. The Risk Committee and the Remuneration Committee will be involved in the decision process.

The effective allocation of the rights will be made at the latest on 31 May of the calendar year following the assessment by the Board of Directors (“the Settlement Date”).

MALUS SYSTEM AND RECOVERY OF VARIABLE REMUNERATION

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

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

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

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

- (i) The Identified Staff does not comply with the applicable standards of expertise and professional integrity;
- (ii) The Identified Staff is involved with practices that have led to considerable losses for Bank

Degroof Petercam or is responsible for such practices;

(iii) The Identified Staff is involved with a special mechanism that has as its purpose or effect the promotion of fiscal fraud by third parties.

11.5. Performance criteria and parameters for variable remuneration

SENIOR MANAGEMENT

For senior management Key Performance Indicators (KPI's) are set yearly at Group Level and validated by the Remuneration Committee and Board of Directors. 5 Categories of targets are agreed upon beforehand; Financials, Customer, People, Strategic Programs and Regulatory.

The determination of the variable component is realized through the achievement of Group and business unit related objectives as well as individual related objectives, including quantitative and qualitative, financial and non-financial elements with a focus on preserving current value as well as creating future value and without incentivizing excessive risk or mis-selling of products.
For the members of the Management Committee, the variable remuneration for the year 2020 was 50% business line related, 30% Group related and 20% individual related.

ALL STAFF

At the beginning of performance period, the Employee and his line management agree on a set of performance objectives in line with Bank Degroof Petercams's strategy. All performance goals and performance evaluations are properly documented.
For 2020 three types of objectives were defined;

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

Pay-out of variable pay (if applicable) is based on the individual performance score, the Group and business unit result. The global budget available of the variable remuneration is determined by a percentage of the gross operating result.

Degroof Petercam

11.6. Aggregated quantitative information

Table 01. Information on the remuneration of all staff		MB Supervisory Function	MB Management Function	Investment banking	Retail banking	Asset Management	Corporate Functions	Independent Control Functions	All other	Total
	Codes	[001]	[002]	[005]	[010]	[015]	[016]	[017]	[020]	[025]
Performance year for which the remuneration is awarded (Year N)	0050									2020
Number of members (Headcount)	0060	20	35							
Total number of staff in FTE	0100			117.5	345.2	208.6	595.1	118.8	-	
Total net profit (+) or loss (-) in year N (in EUR)	0200									40,043,700 €
Total remuneration (in EUR)	0300	1,679,435	15,286,890	21,716,294	40,632,240	24,665,425	52,774,007	11,223,598	-	
Of which: Total variable remuneration (in EUR)	0310	-	3,328,271	5,253,407	5,250,620	4,531,280	4,876,523	1,098,172	-	

Degroof Petercam

Table 02. Information on the remuneration of identified staff		MB Supervisory Function	MB Management Function	Investment banking	Retail banking	Asset Management	Corporate Functions	Independent Control Functions	All other	Total
	Codes	[001]	[002]	[005]	[010]	[015]	[016]	[017]	[020]	[025]
Performance year for which the remuneration is awarded (Year N)	0050									2020
Members (Headcount)	0060	20	33							
Number of identified staff in FTE	0100			6.0	12.9	9.0	8.0	11.5	-	
Number of identified staff in senior management positions	0200			3.0	9.9	2.0	4.0	4.6	-	
Total fixed remuneration (in EUR)	0400	1,679,435	11,499,445	1,304,633	2,442,755	565,454	805,739	1,402,496	-	
Of which: fixed in cash	0410	1,679,435	11,499,445	1,304,633	2,442,755	565,454	805,739	1,402,496	-	
Of which: fixed in shares and share-linked instruments	0420	-	-	-	-	-	-	-	-	
Of which: fixed in other types of instruments	0430	-	-	-	-	-	-	-	-	
Total variable remuneration (in EUR)	0500	-	3,291,241	401,336	559,030	138,938	424,181	294,121	-	
Of which: variable in cash	0510	-	2,682,391	296,086	508,334	138,938	372,388	294,121	-	
Of which: variable in shares and share-linked instruments	0520	-	-	-	-	-	-	-	-	
Of which: variable in other types of instruments	0530	-	608,849	105,250	50,696	-	51,793	-	-	
Total amount of variable remuneration awarded in Year N which has been deferred (in EUR) *	0600	-	1,563,660	84,200	103,970	-	41,434	-	-	
Of which: deferred variable in cash in Year N	0610	-	913,643	42,100	51,985	-	20,717	-	-	
Of which: deferred variable in shares and share-linked instruments in Year N	0620	-	-	-	-	-	-	-	-	
Of which: deferred variable in other types of instruments in Year N	0630	-	650,017	42,100	51,985	-	20,717	-	-	
Additional information regarding the amount of total variable remuneration										
Article 450 h(iii) CRR: Total amount of outstanding deferred variable remuneration awarded in previous periods and not in year N (in Eur)	0680	-	5,136,902	482,874	312,381	-	352,962	111,688	-	
Total amount of explicit ex post performance adjustment applied in year N for previously awarded remuneration (in EUR)	0700	-	33,824	-	-	-	-	-	-	
Number of beneficiaries of guaranteed variable remuneration	0800	-	-	-	-	-	-	-	-	
Total amount of guaranteed variable remuneration (in EUR)	0900	-	-	-	-	-	-	-	-	
Number of beneficiaries of severance payments	1000	-	4	-	1	-	-	-	-	
Total amount of severance payments paid in year N (in EUR)	1100	-	1,311,180	-	174,060	-	-	-	-	
Article 450h(v): Highest severance payment to a single person in EUR	1150	-	803,118	-	174,060	-	-	-	-	
Number of beneficiaries of contributions to discretionary pension benefits in year N	1200	-	-	-	-	-	-	-	-	
Total amount of contributions to discretionary pension benefits (in EUR) in year N	1300	-	-	-	-	-	-	-	-	
Total amount of variable remuneration awarded for multi-year periods under programmes which are not revolved annually (in EUR)	1400	-	-	-	-	-	-	-	-	

* all deferred variable is non-vested (given nature of conditional cash plan)

Table 02A. Information on identified staff remunerated EUR 1 million or more per financial year		Number of Identified Staff (headcount)	Total
	Codes	[005]	[010]
Performance year for which the remuneration is awarded (Year N)	0050		2020
Total Remuneration; payment band (in EUR)			
1 000 000 to 1 500 000	0100	2	
1 500 000 to 2 000 000	0200	1	
2 000 000 to 2 500 000	0300		
2 500 000 to 3 000 000	0400		
3 000 000 to 3 500 000	0500		
3 500 000 to 4 000 000	0600		
4 000 000 to 4 500 000	0700		
4 500 000 to 5 000 000	0800		
5 000 000 to 6 000 000	0900		
6 000 000 to 7 000 000	1000		
7 000 000 to 8 000 000	1100		
8 000 000 to 9 000 000	1200		
9 000 000 to 10 000 000	1300		
more than 10 000 000	1400		

12. APPENDIX 1 – GLOSSARY

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

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

Asset quality review (AQR)
The asset quality review is part of the ECB's comprehensive assessment, an exercise to deliver greater transparency on bank's balance sheets, to prompt the repair of impaired balance sheets and to rebuild confidence in banks. It took place for the first time in 2014. The asset quality review was based on balance sheets at year-end 2013, the assessment covered credit and market, on- and off-balance-sheet, domestic and non-domestic exposures.

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

Credit impairment on financial assets
A financial asset or a group of financial assets is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. If such evidence exists, the entity applies the appropriate impairment methodology to the financial asset concerned.

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

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

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

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

Liquidity risk

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

Market risk

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

Netting

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

NSFR (Net Stable Funding Ratio)

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

Operational risk

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

RWA (Risk-Weighted Asset)

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

Tier-1 ratio

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

VaR (Value at Risk)

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

Abbreviations	Description
ALM	Asset Liability Management
ALMAC	Asset Liability Management Committee
AML	Anti Money Laundering
AT1	Additional Tier 1
AT1	Additional Tier 2
AVA	Additional Valuation Adjustment
BDPCH	Banque Degroof Petercam Swizterland
BDPF	Banque Degroof Petercam France
BDPL	Banque Degroof Petercam Luxembourg
BDPS	Banque Degroof Petercam Spain
CCB	Countercyclical Capital Buffer
CCF	Credit Conversion Factor
CCO	Chief Compliance Officer
CCP	Central Counterparty
CCR	Counterparty Credit Risk
CEO	Chief Executive Officer
CET1	Core Equity Tier One
CISO	Chief Information Security Officer
CMP	Compliance Monitoring Plan
CoDir	Comité de direction (Management Committee)
CRD	Capital Requirements Directive
CRM	Credit Risk Mitigation
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CSA	Credit Support Annex
CFT	Combating the Finance of Terrorism
CTIF/CFI	The Belgian Financial Intelligence Processing Unit
CVA	Credit Valuation Adjustement
DPAM	Degroof Petercam Asset Management
DPAS	Degroof Petercam Asset Services
DVA	Debt Valuation Adjustement
EAD	Exposure at Default
EBA/ABE	European Banking Authority
ECAIs	External Credit Assessment Institutions
ECB/BCE	European Central Bank
EEPE	Effective Expected Positive Exposure
ESG risks	Environmental, Social and Governance risks
EUR	Euro
GISC	Group Information Security Committee
ICAAP	Internal Capital Adequacy Assessment Process
IFRS9	International Financial Reporting Standards 9
ILAAP	Internal Liquidity Adequacy Assessment Process

Abbreviations	Description
IRRBB	Interest Rate Risk Iin the Banking Book
ISDA	International Swaps and Derivatives Association
KRI	Key Risk Indicator
LCR	Liquidity Coverage Ratio
LOD	Line of Defense
MAR	Market Abuse Reglementation
MiFID	Markets in Financial Instruments Directive
Mln	Million
NBB/NBB	Banque Nationale de Belgique
NPE or NPL	Non-performing Exposure or Loans
NSFR	Net Stable Funding Ratio
ORM	Operational Risk Management
QCCP	Qualified Central Counterparty
RAF	Risk Appetite Framework
RCSA	Risk and Control self Self Assessments
RWA	Risk Weighted Assets
SFT	Securities Financing Transaction (repo/reverse repo / securities lending and borrowing)
SREP	Supervisory Review and Evaluation Process
VaR	Value at Risk
VBP	Value Basis Point

13. APPENDIX 2 – Regulatory ratio

Regulatory ratios with regard to Bank Degroof Petercam Luxembourg, Bank Degroof Petercam France, Bank Degroof Petercam Spain and Bank Degroof Switzerland are provided in the following table.

Ratio on 31/12/2020	CET1	Leverage Ratio	LCR	NSFR
Banque Degroof Petercam (Groupe Conso)	21.16%	6.56%	266%	157%
Banque Degroof Petercam Luxembourg	32.56%	8.72%	253%	181%
Banque Degroof Petercam France	20.70%	17.11%	808%	223%
Bank Degroof Petercam Spain	18.02%	11.57%	157%	107%
Bank Degroof Petercam Switzerland	33.59%	12.90%	180%	NA

14. APPENDIX 3 – Mapping with Pillar 3 requirements

The table below makes the links between the Bank's table of contents and the the part Eight of regulation (EU) No 575/2013 further defined in the EBA guidelines EBA/GL/2016/11

Degroof Petercam Pillar 3 Report			
Section DP Pillar 3 report		Article EU Part Eight in the CRR	Table (for disclosure guidance) / Template (for disclosure formats)
1	Introduction		
2	Scope of application	Article 436 (a, b, d applicable)	Template 1: EU LI1 – Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories Template 2: EU LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements Template 3: EU LI3 – Outline of the differences in the scopes of consolidation (entity by entity) Table 5: EU LIA – Explanations of differences between accounting and regulatory exposure amounts
3	Risk management governance	Article 435	Table 1: EU OVA – Institution risk management approach
	3.1 Governance - General principles	Article 435(2) (a), Article 435(2)(b), Article 435(2)(c), Article 435(2)(d)	
	3.2 Risk Management - General principles	Article 435(1) (a), Article 435(1)(e) and Article 435(1)(f)	
	3.3 Risk and Compliance organization	Article 435(1)	
	3.4 Three lines of Defense Model	Article 435(1)	
	3.5 Risk Governance structure	Article 435(1)(b), Article 435(2)(e)	
	3.6 Risk Measurement Methodology	Article 435(1)(c), Article 438(a)	
4	Own Fund and Capital Adequacy	Article 437	
	4.1 Own funds according to the CRD	Article 437(a, b, c, d, e), Article 438(f)	
	4.2 Countercyclical Capital Buffers	Article 440 (b)	
	4.3 Capital requirements by type of risk	Article 438(c, e)	Template 4: EU OV1 – Overview of RWAs
	4.4 Leverage Ratio	Article 451(a, b, d, e)	
5	Credit Risk		

Degroof Petercam Pillar 3 Report			
	Section DP Pillar 3 report	Article EU Part Eight in the CRR	Table (for disclosure guidance) / Template (for disclosure formats)
	5.1. Credit Risk Management and Governance	Article 435(1)	Table 2: EU CRA – General qualitative information about credit risk
	5.2. Credit Risk Exposure Overview	Article 440 (a), Article 442(c, d, e, f), Article 444, Article 453(e)	Table 8: EU CRD – Qualitative disclosure requirements on institutions' use of external credit ratings under the standardised approach for credit risk Template 7: EU CRB-B – Total and average net amount of exposures Template 8: EU CRB-C – Geographical breakdown of exposures Template 9: EU CRB-D – Concentration of exposures by industry or counterparty types Template 10: EU CRB-E – Maturity of exposures
	5.3. DEFAULTED – NON-DEFAULTED EXPOSURES	Article 442(a, b, g, h, i)	Table 6: EU CRB-A – Additional disclosure related to the credit quality of assets Template 11: EU CR1-A – Credit quality of exposures by exposure class and instrument Template 12: EU CR1-B – Credit quality of exposures by industry or counterparty types Template 13: EU CR1-C – Credit quality of exposures by geography Template 16: EU CR2-A – Changes in the stock of general and specific credit risk adjustments Template 17: EU CR2-B – Changes in the stock of defaulted and impaired loans and debt securities Template NPE 3 : Credit quality of performing and non-performing exposures by past due days Template NPE 4 : Performing and non-performing exposures and related provisions Template NPE 9 : Collateral obtained by taking possession and execution processes
	5.4. Forbearance		Template NPE 1 : quality of forborne exposures
	5.5. Counterparty Credit Risk	Article 439(a, b, f)	Table 3: EU CCRA – Qualitative disclosure requirements related to CCR Template 25: EU CCR1 – Analysis of CCR exposure by approach Template 26: EU CCR2 – CVA capital charge
	5.6. Use of credit risk mitigation techniques	Article 435(1) (d), Article 439€, Article 442(b), Article 453(a, b, c, d, f, g)	Table 7: EU CRC – Qualitative disclosure requirements related to CRM techniques Template 27: EU CCR8 – Exposures to CCPs Template 28: EU CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk Template 31: EU CCR5-A – Impact of netting and collateral held on exposure values Template 32: EU CCR5-B – Composition of collateral for exposures to CCR Template 19: EU CR4 – Standardised approach – Credit risk exposure and CRM effects Template 20: EU CR5 – Standardised approach Template 18: EU CR3 – CRM techniques – Overview
	5.7. Equity Exposures in the Banking Book		
	5.8. Securitization Exposures in the Banking Book		
	5.9. Settlement		
6	ALM & Market risk		
	6.1. Policy	Article 435(1)	Table 4: EU MRA – Qualitative disclosure requirements related to market risk Template 34: EU MR1 – Market risk under the standardised approach

	Degroof Petercam Pillar 3 Report		
	Section DP Pillar 3 report	**Article EU Part Eight in the CRR**	**Table (for disclosure guidance) / Template (for disclosure formats)**
	6.2 Interest Rate Risk	Article 435(1) (d), Article 448	
	6.3 Foreign exchange risk		
	6.4 Equity and option risk		
	6.5 Commodities Risk		
7	Liquidity risk	Article 435(1)	EU LIQ1 Template partially
	Encumbered assets	Article 443	Template A : encumbered and unencumbered assets in carrying amount and fair value by broad category of asset type, with the carrying amount of unencumbered assets broken down by asset quality Template B : collateral received by an institution, by broad category of product type
8	Asset management risk		
9	Compliance Risk		
	9.1 Definition	Article 435(1)	
	9.2. Governance	Article 435(1)(b)	
	9.3. Organization		
	9.4. Compliance Risks	Article 435(1) (a)	
10	Operational risk		
	10.1 Definition	Article 435(1)	
	10.2. Governance	Article 435(1) (a)	
	10.3. Operational risk measurement	Article 435(1) (d)	
11	Rémunération	Article 450(1)	
	11.1. Decision making process of the remuneration policy	Article 450(1)(a)	
	11.2. Information on link between pay and performance	Article 450(1)(b)	
	11.3. Most important design characteristics of the Banks' remuneration policy	Article 450(1)(c, d, f)	
	11.4. Identified staff	Article 450(1)(c, d, f)	
	11.5. Performance criteria and parameters for variable remuneration	Article 450(1)(e, f)	
	11.6. Aggregated quantitative information	Article 450(1)(g, h, i)	

Degroof Petercam Pillar 3 Report		
Section DP Pillar 3 report	**Article EU Part Eight in the CRR**	**Table (for disclosure guidance) / Template (for disclosure formats)**
Not applicable	Article 436(c, e), Article 437(f), Article 438(b, d), Article 439(c, d, g, h, i), Article 441, Article 445, Article 446, Article 447, Article 449, Article 450(1)(j), Article 450(2), Article 451(c), Article 452, Article 454, Article 455	Table 9: EU CRE – Qualitative disclosure requirements related to IRB models Table 10: EU MRB – Qualitative disclosure requirements for institutions using the IMA Template 5: EU CR10 – IRB (specialised lending and equities) Template 6: EU INS1 – Non-deducted participations in insurance undertakings Template 21: EU CR6 – IRB approach – Credit risk exposures by exposure class and PD range Template 22: EU CR7 – IRB approach – Effect on the RWAs of credit derivatives used as CRM techniques Template 23: EU CR8 – RWA flow statements of credit risk exposures under the IRB approach Template 24: EU CR9 – IRB approach – Backtesting of PD per exposure class Template 29: EU CCR4 – IRB approach – CCR exposures by portfolio and PD scale Template 30: EU CCR7 – RWA flow statements of CCR exposures under the IMM Template 35: EU MR2-A – Market risk under the IMA Template 36: EU MR2-B – RWA flow statements of market risk exposures under the IMA Template 37: EU MR3 – IMA values for trading portfolios Template 38: EU MR4 – Comparison of VaR estimates with gains/losses Templates NPE 2-5-6-7-8-10 (EBA/GL/2018/10) Template 1 to 3 COVID19 (EBA/GL/2020/07) Templates regarding CRR "quick fix" (EBA/GL/2020/11 & 12)
Template replaced with new NPL disclosure requirements		Template 14: EU CR1-D – Ageing of past-due exposures Template 15: EU CR1-E – Non-performing and forborne exposures