Crelan Group

Pillar 3 Risk Disclosure Report 2024

CRO message

"2024 is marked as an exceptional year for Crelan. Two and a half years after the acquisition of AXA Bank Belgium (ABB), all the data from ABB was successfully integrated into Crelan's systems, and ABB was legally merged with Crelan. Alongside this integration and merger, and amidst emerging global turmoil, Crelan achieved its commercial targets, ending the year with an underlying profit of 260 million EUR and a net income of 192 million EUR. The CET1 ratio stands at 27%, and liquidity ratios show comfortable buffers. The credit quality of the loan book remained excellent, in line with the overall strong credit performance of Belgian banks. Moody's upgraded Crelan to A2, and S&P assigned a positive outlook to the A- rating, driven by strong solvency levels, the good quality of the loan book, and the successful merger.

In 2025, Crelan will begin the second chapter of the merger journey, focusing on the transformation of several IT processes and on capturing the synergies of the merger to structurally improve the C/I ratio. From a risk perspective, the focus will be on further strengthening the AML framework, improving the bank's security posture, and enhancing risk data aggregation and risk reporting capabilities. Given the low risk weights of the assets, Crelan will already be impacted by the output floor in 2025. However, thanks to its high capital levels, cooperative capital take up by eligible clients and strong capital generation, Crelan can confidently guide that it will maintain a CET1 level above 18%.

The risk disclosure transparently presents the bank's principal risk positions. Crelan considers it important to correctly inform all relevant stakeholders. Any feedback on the presentation format and selected content is more than welcome. I am confident that the provided information helps to form an accurate picture of the bank."

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Glossary

AB	AXA Belgium
ABB	AXA Bank Belgium
ABE SCF	AXA Bank Europe Société de Crédits Fonciers
ALM	Asset & Liability Management
ALMM	Additional Liquidity Monitoring Metrics
AML	Anti Money Laundering
AMLCO	Anti Money Laundering Compliance Officer
AQR	Asset Quality Review
AT1	Additional Tier 1
BCBS	Basel Committee on Banking Supervision
BMA	Business Model Analysis
BoD	Board of Directors
BRRD	Bank Recovery and Resolution Directive
BSRC	Balance Sheet Risk Committee
CCR	Counterparty Credit Risk
CCyB	Countercyclical Capital Buffer
CDS	Credit Default Swap
CET1	Common Equity Tier 1
C&E	Climate and Environmental
CFC	Capital and Funding Committee
CO	Compliance Officer
CHL SCF	Crelan Home Loan Société de Crédits Fonciers
COREP	Common Reporting
CRCU	Credit Risk Controlling Unit
CRD	Capital Requirements Directive
CSRD	Corporate Sustainability Reporting Directive
CRR	Capital Requirements Regulation
CTP	Capacity To Pay
CVA / DVA	Credit Valuation Adjustment / Debit Valuation Adjustment
D&I	Diversity and Inclusion
DFC	Default Fund Contribution
DGF	Deposits covered by the government
DPD	Days Past Due
DTA	Deferred Tax Assets
EAD	Exposure At Default
EBA	European Banking Authority
ECAI	External Credit Assessment Institutions
ECAP	Economic Capital
ECB	European Central Bank
EL	Expected Loss
ELBE	Expected Loss Best Estimate
EMTN	European Medium-Term Notes
EP	Energy Performance
EPC	Energy Performance Certificate
ESG	Environment, Social and Governance
EU	European Union

ExCo	Executive Committee
FRAS	Functional Risk Appetite Statement
FSMA	Financial Securities and Markets Authority
FX	Foreign Exchange
GDP	Gross Domestic Product
HQLA	High Quality Liquid Assets
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
ILS	Internal Liquidity Stress
IRB	Internal Rating Based Approach
IRRBB	Interest Rate Risk in the Banking Book
JST	Joint Supervisory Team
KRI	Key Risk Indicator
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LoD	Line of Defence
LRC	Lending Risk Committee
LTV	Loan-to-value
MO	Middle Office
MREL	Minimum Required Eligible Liabilities
NBB	National Bank of Belgium
NII	Net Interest Income
NSFR	Net Stable Funding Ratio
OCI	Other Comprehensive Income
OCR	Overall Capital Requirements
OLO	Obligation Lineaire / Lineaire Obligatie, Belgian government bond
O-SII	Other Systemic Important Institutions
PARP	Product Approval and Review Process
PD	Probability of Default
P&L	Profit and Loss
P1R	Pillar 1 Requirement
P2R	Pillar 2 Requirement
QCCP	Qualifying central counterparty
RAF	Risk Appetite Framework
(Reverse) Repo	(Reverse) Repurchase Agreement
RMBS	Residential Mortgage-Backed Securities
RoA	Return on Assets
RWA	Risk-Weighted Assets
SFT	Securities Financing Transaction
SICR	Significant Increase in Credit Risk
SOT	Supervisory Outlier Test
SPV	Special Purpose Vehicle
SRAS	Strategic Risk Appetite Statement
SREP	Supervisory Review and Evaluation Process
SRT	Significant Risk Transfer
SSRB	Sectoral Systemic Risk Buffer
TBD	To Be Decided
T1	Tier 1 Capital
T2	Tier 2 Capital
TLTRO	Targeted Longer-Term Refinancing Operation
TSCR	Total SREP Capital Requirements
US	United States
VaR	Value at Risk

Tables and figures

TABLES AND FIGURES

1. Introduction

The purpose of this Risk Disclosure report is to provide transparency on the risk profile of Crelan Group in line with the global regulatory framework established by the BCBS, also known as Basel III. On European level these are implemented in the disclosure requirements as laid down in Part Eight of the "Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms" (Capital Requirements Regulation, or "CRR") and with the "Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms" (Capital Requirements Directive 4, or "CRD IV").

This report contains information on all subjects included in the following directives, insofar as they apply to Crelan Group:

- EBA Guidelines for Pillar 3 Disclosures (EBA/GL/2017/11);
- Disclosure of Own funds (EU No 1423/2013);
- Disclosure of Countercyclical buffer (EU No 2015/1555);
- Disclosure of Leverage ratio (EU No 2017/200);
- Disclosure of Encumbered assets (EBA/DR/2018/2295);
- Disclosure of Remuneration (2013/36/EU Art. 74(3) and 75(2);
- Disclosure on Liquidity (EBA/GL/2018/01);
- Guidelines on disclosure of non-performing and forborne exposures (EBA/GL/2018/10);
- EBA Guidelines on the management of environmental, social and governance (ESG) risks (EBA/GL/2025/01)
- Part Eight of the CRR.

In addition, Crelan Group is closely monitoring future disclosure requirements and will apply these requirements when they become applicable.

This 2024 risk report covers the situation of Crelan Group on 31 December 2024. Information is disclosed on a consolidated level. All amounts in the templates are expressed in euro. Only relevant tables and templates are shown in this report and its annexes.

The risk disclosure should be considered in conjunction with other publicly disclosed documents including the annual report, the IFRS report and the Corporate Sustainability Reporting Directive (CSRD).

For the sake of clarity, the following terminology will be used throughout this document: the term "Crelan Group" will refer to the combination of CrelanCo CV, Crelan SA, Crelan Home Loan SCF SA, Royal Street and Europabank NV. "Europabank" will refer to Europabank NV, while the term "Crelan" will encompass both CrelanCo SC and Crelan SA (i.e. the Crelan Federation). "AXA Bank Belgium" (ABB) will refer to the former entity of Crelan Group that ceased to exist at the moment of the legal merger with Crelan.

1.1. Crelan Group

The business model of Crelan Group is structured around one core business line: Belgian retail banking activity. Crelan Group consists primarily out of 2 Belgian retail banks (Crelan and Europabank).

Crelan is focussing on retail funding and lending, i.e. servicing clients in their financing needs and facilitating savings and invest possibilities. More specifically, the financing of the agricultural sector is an important activity within the professional business line.

Europabank has a specific business model. It is a retail bank aimed at individuals, self-employed and small businesses, and only sells standard products. The bank operates in Belgium (Flanders, Brussels and Wallonia). The bank's activities include lending to customers (natural persons and legal entities) with a higher risk profile. Lending is done through consumer loans, mortgage loans, professional loans, financial leasing and renting of rolling stock. The bank obtains its funding mainly from deposit-taking via simple and transparent balance sheet products (savings accounts, term accounts). Furthermore, the bank offers payment services through acquiring payment cards. The bank also issues its own credit cards (issuing). Only a limited range of insurance products is offered (debt balance insurance). The bank offers its products through its own branches, brokers and dealers, the internet and Crelan agents.

These business lines are supported by:

- ALM;
- Treasury;
- Funding via wholesale funding (covered bonds, subordinated debt and senior non-preferred instruments) and potentially via EMTNs and RMBS

The table below gives an overview of the structure of Crelan Group's balance sheet per 31 December 2024:

On the asset side, mortgages, consumer loans professional loans and agricultural financing take up the majority of the balance sheet and a growing, but low risk bonds portfolio (mostly government and supranationals) is held in order to guarantee a minimum level of unencumbered liquid assets (HQLA). The biggest part of the HQLA buffer is kept in cash. On the liability side, funding is mainly provided by retail deposits. In addition to the pool of retail deposits, wholesale funding such as the covered bonds issued by CHL SCF, the EMTNs issued by Crelan Finance and subordinated and senior non-preferred debt instruments issued by Crelan SA provide structural long-term funding.

On both sides, the balance sheet contains the fair value of derivatives (in treasury assets and liabilities, netted partly by the value of collateral). The derivatives portfolio is therefore mainly used for hedging purposes in ALM, Treasury and the investment portfolio. Crelan Group's business model, business lines, income and cost drivers are presented and discussed on a regular basis with the JST via Business Model Analysis (BMA) presentations. .

Table 1 - Consolidated Assets and Liabilities of Crelan Group

Assets (in € millions)		Liabilities (in € millions)	
Mortgages	37,676	Current accounts	8,538
Consumer loans	1,740	Savings accounts	27,369
Professional loans	5,967	Term accounts	7,888
Agriculture loans	2,054	Certificates of deposits	249
Other loans	436	Deposits FI	602
Investment portfolio	1,874	Covered bonds	4,249
Cash & ECB account	5,385	SNP	2,139
		EMTNs	245
		ECB funding	0
Derivatives	111	Derivatives	32
Fair value changes	-1,546	Repos	203
Other assets	2,105	Other liabilities	2,407
		T2	500
		AT1	245
		Cooperative shares	1,138
Total Assets	55,803	Total liabilities	55,803

1.1.1. Retail activity

Crelan Group is a 100% Belgian bank without any commercial activities outside Belgium. Belgian deposits are collected and used to finance Belgian activities. Crelan Group offers an extensive range of financial products to retail clients, self-employed professionals and small companies. Therefore, it relies on a network of exclusive, independent bank agencies (except for Europabank) and independent credit brokers. The Crelan bank agents typically also have an independent insurance brokerage activity. To support these activities Crelan Group has commercial agreements and preferred partnerships with the following companies:

- Amundi (mutual funds);
- AXA Investment Managers (mutual funds);
- Econopolis (mutual funds);
- AXA Belgium Insurance (non-life insurances);
- Allianz (life insurances).

The product range is easy to understand and covers all elementary banking needs. The core products are current accounts and related savings accounts, term deposits, mortgage loans, consumer and professional loans, and investment funds.

Crelan Group's balance sheet exists to a large extent out of mortgage loans (+/- 66%) and client deposits (+/- 78%), by consequence a significant part of Crelan Group's revenue is derived from net interest income. In order to increase revenue diversification, Crelan Group is increasing its effort and focus on developing sources of fee income through the sale of investment products and the promotion agreement for insurance products, as well as credit production in professional loans.

1.1.2. Crelan Group credit portfolio

Crelan Group's retail credit portfolio mainly consists of Belgian mortgages, consumer loans, agricultural loans and professional loans, with mortgage loans representing the most important share or 79% of the total portfolio, in terms of exposure. The loan book is well collateralized and has a low risk profile.

Table 2 - Retail loans Crelan Group

Asset stocks (in € millions)	2024
Mortgages	37,676
Consumer Loans	1,740
Professional Loans	5,967
Agricultural Loans	2,054
Total portfolio	47,437

Table 2 excludes interbank loans, cash collateral and impairments. The retail credit portfolio is an important source of potential loss in the event of a macroeconomic stress scenario. Therefore, the assessment of the quality of this portfolio and the careful monitoring of the quality of new production are crucial from a risk management point of view.

1.1.3. Concentration risk on Belgian mortgages

Despite the good performance of Belgian mortgage loans in terms of default rates, different instances have expressed their concerns on the Belgian residential property market. The cause for this is the growing debt ratio and the rapidly increased house prices (mainly in the period 2015 – 2022). Crelan Group is aware of the concentration of mortgage loans on its balance sheet and in its income model. Therefore, the bank is attentive for the concerns raised on the Belgian real estate market and the vulnerable segments in the mortgage portfolio.

Crelan Group aims to defend and slightly grow its market share of mortgage loans of 12-13% while diversifying its income sources through fees received for the commercialisation of investment products and daily banking packages. Aside from its growth ambition, the quality of the portfolio and production is a constant focus at Crelan Group, which is clearly reflected in the observed low default rates. The latter can be attributed to three important causes, being:

- The controlled and monitored risk intake policy of Crelan Group;
- Strong repayment capacity of the clients in combination with buffers on saving accounts;
- The supporting measures taken by the Belgian Governments towards retail clients to invest in their own house.
- The positive effect on repayment capacities due to low interest rates in combination with the fact that existing mortgage clients have little impact of the increasing interest rates as the Belgian mortgage market is predominantly a fixed rate market.

Crelan strongly oversees the repayment capacity of its clients and several early warning indicators. The actionability and monitoring of these early warning indicators are further strengthened by the additional risk management tools that were developed for IFRS 9 purposes. Crelan Group's credit policy furthermore defines general rules on among others repayment capacities and collateral values. Crelan Group is careful in granting loans with an LTV above 80% and such loans are only provided to clients with a good risk profile. Therefore only a combination of a correction in the Belgian real estate market (a steep drop in house prices) and a default of the client, will have a material impact on the bank. Additionally, when comparing collateral values, collateral instruments and debt-to-income ratios, it is observed that Crelan Group is in line with its peers in the Belgian market. Crelan Group is fully compliant with the so-called NBB speed limits. Note that with respect to the client's repayment capacity, most mortgage loans are fixed rate loans and that these loans are partially hedged against inflation risk via the automatic wage indexation in Belgium. Existing mortgage loan clients saw their instalments rather being deflated in practice.

On top of the monitored risk intake policy and a high-quality mortgage portfolio, Crelan Group is well-capitalized for withstanding negative shocks in the macroeconomic environment. The assessment of the constituents of the bank's mortgage portfolio and the strong risk profile strengthens the confidence of this statement.

In addition to Crelan Group's strong capitalization, controlled risk intake and qualitative loan portfolio, the Belgian regulatory and social framework provides additional stabilizing factors in case of macroeconomic downturns such as social security, unemployment schemes and the automatic indexation of wages.

Crelan Group is however aware of the constant effort that is required for managing and controlling the risk intake. The bank furthermore follows the Belgian property market closely via reports of the supervisor, other external sources and own analysis of recovery data, and leverages on the herein provided insights. It should be noted that the risk of overvaluation of the Belgian residential real estate market has decreased in the last couple of years as the increase in nominal value was lower than the observed inflation rate.

1.1.4. Crelan Group's retail deposits

The largest portion of Crelan Group's retail customers are private individuals while a small part of the total deposits is from self-employed and micro-enterprises. There is hardly any concentration risk in the Crelan Group deposit portfolio with only a very limited number of larger deposits of more than €5 mln and with 76.5% of the deposits covered by the government (DGF). The Belgian Royal Decree to implement the income tax code (KB/WIB 92) states that a remuneration for regulated saving accounts has to be paid. This remuneration should be non-negative for the base rate and a fidelity premium should be at least the maximum of 10 bps or 25% of the base rate. This translates to the legal floor of 11 bps applicable to the client rate of all Belgian regulated saving accounts, which results in a floored cost of retail funding. In previous years with persistent negative rate environment, this has led to a diminishing net interest margin for retail banks. In the current rate environment, the legal floor is no longer affecting profitability as it was in the past.

1.2. Significant events in 2024

Crelan successfully finalized the integration and migration process, including an aftercare period, and is now initiating the transformation process (see 1.2.1), while maintaining and further strengthening a solid financial position (see 1.2.2) in a context of geopolitical conflicts (1.2.3) and the maturity date of the 2023 1y Belgian state bond (1.2.4).

1.2.1. Integration and migration process

With the execution of the legal merger and the migration of the data from ABB to Crelan in the weekend of 8-9 June 2024, the merger was successfully executed. A dedicated post-cutover organization allowed Crelan Group to respond quickly and adequately to the aftercare issues of the migration. Digitalization, increased regulation and capital requirements require additional investments from banks. The acquisition will enable the bank to create economies of scale by making these necessary investments for twice as many customers in the future and thus to make the bank more profitable.

1.2.2. Strong financial position throughout 2024

The Crelan Group (Crelan and its subsidiaries including Europabank) posted a solid result of € 192.3 mln for 2024. This represents a slight drop compared to an exceptionally high result in 2023 (-€ 14.7 mln), while remaining above the 2022 benchmark (€ 158.2 mln – the first year following the acquisition of ABB). Thanks to the commercial momentum, the cooperative group's results remain high despite the impact of the monetary policy and interest charges on bonds issued to meet MREL (Minimum Requirement for Own Funds and Eligible Liabilities) on net interest income. Interest income amounted to € 823.3 mln, compared to € 987.7 mln in 2023 and 678.1 mln in 2022.

Fee and commission income is up, and now stands at € 276.5 mln compared to € 255.3 mln in 2023 (+8.3 %). Crelan Group reports a return on equity of 9.11 %. This solid level of profitability with net interest income returning to a high level and commission income rising, reflects the resilience of Crelan's financial structure. The interest result was impacted by the lengthening of the duration of assets in the context of an inverted yield curve. This strategy aims to strengthen future profitability.

With a CET1 ratio up in one year from 25.5 % to 27.0 % and a global solvency ratio up from 30.8 % to 35.3 %, the Crelan Group further strengthened its already solid solvency position. These figures far exceed the applicable regulatory requirements.

Following the successful information system migration and thanks to the further strengthening of solidity, the rating agencies positively reassessed the Crelan Group's position. S&P granted a positive outlook in November (A- LT and A-2 ST – with a positive outlook), while Moody's had already raised the rating in October 2024 (A2 LT and P-1 ST– with a stable outlook).

1.2.3. Geopolitical conflicts

With the war in Ukraine and in the Middle East and after the recent change in US policy, particularly with regard to custom duties, there are ongoing concerns on the macro-economic situation (house prices, inflation, GDP, geo-political uncertainty).

Crelan Group is a retail bank which focuses on Belgian private individuals, self-employed and micro enterprises. In this context there is no direct impact for the bank due to the conflict in Israel and Palestine but, as in the case of Ukraine, this could have an impact on borrowers if it leads to a further spike in energy prices and inflation.

With respect to key macro-economic indicators, Belgian GDP growth was low at 1%, while unemployment remained stable at 5.7% in 2024. After a massive peak in 2022 driven by the energy crisis and post Covid effects in China, inflation has come down, yet is still above the 2% level (monetary policy target) and exceeds the EU-average. Real estate prices have remained stable throughout 2024, with an increasing importance of the energy efficiency of the real estate.

Both households and companies continue to be impacted by this cost increase. In Belgium, automatic salary indexation and social tariffs protected the employees' purchasing power to a large extent, making the decrease of purchasing power in Belgium among the lowest in the EU.

The number of bankruptcies in 2024 increased by 8% compared to 2023, yet from a historical point of view, not reaching alarming levels. Construction, wholesale and retail trade remain the sectors with the highest number of bankruptcies. This increase is explained by the high level of interest rates and inflation.

For business customers, as in normal times, Crelan uses its own support measures for healthy companies who are experiencing temporary liquidity problems due to the energy crisis in the form of short-term credit lines. These are treated as a new credit application and an individual credit analysis is carried out. Depending on the risk profile of the borrower, an adjusted proposal can be made.

Up to the end of 2024, the crisis has not had a significant impact on the quality of Crelan's loan portfolios. In general, the performance of the loan portfolio remains strong at the end of 2024, as evidenced by the early warning signals, NPL levels, pockets of risks, forborne exposures and defaulted exposures of the bank, but in this context it is important to remain prudent, and to make sure that there is a right level of provisions. The bank will continue to carefully monitor the quality of its portfolios as well as the production of new loans. After the decrease in the demand for new loans in 2022-2023 a positive trend is back in 2024 following the decline of interest rates.

Crelan Group management continued to take multiple actions to steer the bank during this crisis and to make sure that follow-up of the impact of this risk on the bank was incorporated in the business as usual. The uncertainties that will continue to be present in 2025 have been reflected in the parameters of the IFRS9 models and review of management overlays.

At this stage, no new measures are deemed necessary, and the bank considers that the current framework is sufficiently adapted to cope with any potential impact on credit risk

1.2.4. State bond maturity date

The maturity of the € 1.2 bln Belgian State Bond issued in September 2023, obviously triggered a liquidity flow as essentially all the money came back to the banks. Initially, savings and current accounts had migrated towards this attractive one-year bond, as well as to term accounts offering competitive rates. Upon its maturity in September 2024, the proceeds first flowed back into savings and current accounts before being redirected towards short-term deposit offers, explaining the large withdrawals from these accounts. Strong demand for new term accounts emerged, driven by aggressive short-term deposit rates during a short time window.

August marked a decline in term accounts due to maturities, but this was counterbalanced by inflows into savings and current accounts. By early September, total deposits had peaked before normalizing post-State Bond redemption. Investment funds and medium-term notes also played a role in cushioning the impact.

Crelan Group, which had faced outflows in 2023, managed to reverse the trend and recover deposits, ending the year with a net positive liquidity position. While the most pronounced liquidity movements occurred around September, the following months saw more stable trends, with moderate increases in savings and current accounts, and a slight decline in term deposits

1.3 Diversity policy

On 19 December 2023, the Board of Directors of Crelan approved a Diversity & Inclusion policy for Crelan.

The commitment that Crelan makes through the Diversity & Inclusion policy is:

- To select, recruit and promote on the basis of merit and skills, without discriminating on the basis of age, nationality, ethnic origin, gender, sexual orientation, gender identity or expression, religion, marital status, or disability, ...;
- To make managers aware that everyone should have equal opportunities for promotion and development within the company. To be transparent about it;
- To assess performance and skills through transparent performance appraisal processes;
- To eliminate any gender pay gaps (if any);
- To eliminate any room for behaviour that is divisive or ambiguous, and for any harassment or intimidation;
- To create a respectful work environment where everyone is treated with dignity and respect, and where differences are celebrated and valued;
- To adopt a zero-tolerance policy toward any form of discrimination;
- To offer training and information on the importance of diversity and inclusion within our bank.

For all the reasons mentioned above, improving diversity at corporate governance level is also crucial. We commit to respecting general rules on diversity and inclusion, including for those who govern the bank in general.

The Crelan Circle refers to the circle of senior managers, namely the executive committee and the general managers (ExCo-1). The selection and appointment process is mainly guided by the experience and skills of the candidates. To promote diversity, the final shortlist of candidates will always include at least three people, at least one of whom belongs to the underrepresented gender. We aim to achieve a minimum representation of 33% of the underrepresented gender within the Crelan Circle by 2027. This means that any appointment that does not respect this minimum must clearly state why, where the reasons can only be related to competence and experience. In December 2024, the percentage of the underrepresented gender was 24.44%.

The above process will also be applied for the Board of Directors. We aim to achieve a minimum representation of 33% of the underrepresented gender on the board of directors as a whole, and of 40% among non-executive directors, by 2027. In December 2024, the percentage of underrepresented gender was 25% for the board as a whole and 35.7% for non-executive directors.

In addition to gender representation, we also strive for a balance between Dutch-speaking and French-speaking members on the Board of Directors, without prejudice to the experience and competences of available potential candidates.

1.4. Disclosure policy and validation

For purposes of Article 431 of the CRR, Crelan Group agreed upon a consolidated formal Public Disclosure policy in the course of 2022, aiming to support a conclusion that our risk disclosures are compliant with applicable regulatory risk disclosure standards and are compiled based upon a set of internally defined principles and related processes. Domain Managers and Process Owners from Finance, Risk and Human Resources assume responsibility for our risk disclosures and govern our respective risk disclosure processes.

The information provided in this document has not been subject to an external audit. As an overall principle, the Risk Disclosure report and its templates are signed off by Crelan Group's Chief Risk Officer. The report is challenged and validated by the Executive Committee, Risk and Compliance Committee and the Board of Directors. Based upon their assessment and verification we believe that our risk disclosures appropriately and comprehensively convey our overall risk profile. Finally, internal Audit challenges the effectiveness of the reporting processes, including the Public Disclosure report.

In line with Crelan Group's Public Disclosure policy, Crelan Group aims to be as transparent as possible when communicating to the market about its exposure to risk. Risk management information is therefore provided in a separate section of the 2024 Annual Accounts of Crelan Group and – more extensively – in this publication.

Both reports can be found on the corporate website of Crelan Group at http://www.crelan.be.

If information is already available in the public domain (e.g. Annual Accounts) and if it is equivalent in nature and scope to the disclosure requirements, the Risk Disclosure report clearly refers to it. For this purpose, a disclosure map is established (see section 1.5).

If Crelan Group does not intend to disclose specific information, under the circumstances set out in Article 432(1) and (2) of the CRR, i.e. where (i) the information is not material or (ii) the information is regarded as proprietary or confidential, a specific statement will be made, as well as the reason for non-disclosure, in the Risk Disclosure report, validated by the BoD.

As EBA encourages institutions to disclose the quantitative templates in an editable format, the Public Disclosure policy foresees the publication of these templates in a separate Excel referred to as the annex of the Risk Disclosure report (Risk Disclosure Report 2024 Annex.xlsx). The Risk Disclosure Report and its quantitative and qualitative templates will be available in English on Crelan's website.

1.5. Mapping with Pillar 3 requirements

For a number of topics, we refer to the 2024 IFRS Consolidated Financial Statements (Annual report) of Crelan Group in order to avoid too much overlap or duplication of information. Quantitative templates can be found in the Excel file in annex. To improve the readability of the report, a table containing the references to other the document is shown below:

Figure 1 - Mapping table

Article CRR	Disclosure requirement	Risk Disclosure Report	Annual Report
435	Risk management objectives and policies	1.3. Diversity policy 2. Risk Management, objectives and policies 3.1. Capital management Information per risk type, in the sections: - Governance - Risk policy, framework and reporting	7.2 Solvency Risk (AA)
436	Scope of application	1.7. Scope	2.4. Structure of Crelan Group (AA)
437	Own funds	3.2. Own funds	8.26. Equity (AA)
438	Capital requirements	3.3. Capital requirements	7.2. Solvency Risk (AA)
439	Exposure to counterparty credit risk	6.5. Counterparty credit risk	7.4.4.1.1. Derivatives and repos (AA)
440	Capital buffers	1.6. Regulatory environment 3.4.3. Countercyclical capital buffer	
441	Indicators of global systemic importance	Not applicable as Crelan Group is not considered as an institution with global systemic importance	
442	Credit risk adjustments	5.2. Credit risk exposures 5.3. Credit Quality	7.4. Credit risk (AA)
443	Unencumbered assets	11. Assets encumbrance	
444	Use of ECAIs	7. Use of ratings from external credit assessment institutions (ECAIs)	
445	Exposure to market risk	9.2. Market risk Trading book 9.3. Currency risk	7.6.2. Market risk Trading Book (AA) 7.6.3. Currency risk (AA)
446	Operational risk	12.1. Operational risk	7.7. Operational risk (AA)
447	Exposures in equities not included in the trading book	5.4.2.3. Participations	8.4.4.4. Financial Assets at Fair Value through OCI (AA)
448	Exposure to interest rate risk on positions not included in the trading book	9.1. Interest Rate Risk Banking Book	
449	Exposure to securitisation positions	8.2. Securitisation	
450	Renumeration policy	13. Remuneration info	
451	Leverage	4. Leverage ratio	
452	Use of the IRB Approach to credit risk	5.5. Internal Ratings Based approach	
453	Use of credit risk mitigation techniques	5.3.7. Credit risk mitigation 6.4. Policies for hedging and risk mitigation	
454	Use of the Advanced Measurement Approaches to operational risk	Not applicable for Crelan Group	
455	Use of Internal Market Risk models	9.2. Market risk Trading book 9.4. Prudent valuation	

1.6. Regulatory Environment and Key Metrics

The EU introduced stricter rules around capital requirements for banks in the aftermath of the financial crisis that are based on the Basel III accords. The requirements for banks are set out in the CRR and the CRD IV. The CRR/CRD IV was gradually introduced since 1 January 2014 and is fully in force since 1 January 2023 [1]. In June 2021 the new CRR II / CRD V was implemented. In 2024, the EU has issued new adaptations to the CRR text (CRR 3) which will come into force on 1 January 2025.

Crelan Group is a Significant Institution. This means the ECB is the competent authority for prudential supervision of the group. The supervision is carried out by the Joint Supervisory Team (JST) that consists of members of the ECB and the national competent authority (NBB).

The **minimum capital ratios** (Pillar 1 requirements) which are to be met by all banks according to CRR/CRD IV are 4.5% for the common equity tier 1 (CET1) ratio, 6.0% for the tier 1 capital ratio and 8.0% for the total capital ratio.

Besides the minimum own funds requirements of the CRR, Crelan Group should also comply with the various buffers that can be imposed in accordance with CRD IV, as shown in the table below.

Table 3 - Applicable capital limits of Crelan Group at 31/12/2024

	Crelan		
	CET1	Tier 1 capital	Total capital
Pillar 1 requirement (P1R)	4.50%	6.00%	8.00%
Pillar 2 requirement (P2R)	1.69% [2]	2.25% [3]	3.00%
Total SREP Capital Requirements (TSCR) 2024	**6.19%**	**8.25%**	**11.00%**
Capital conservation buffer	2.50%		
Other Systemic Important Institutions (O-SII) buffer	0.75%		
Countercyclical buffer	1.00%		
Sectoral Systemic Risk Buffer (SSRB) [4]	1.57%		
Overall Capital Requirements (OCR) 2024	**12.01%**	**14.07%**	**16.82%**

1 Press release BIS of 27 March 2020: www.bis.org/press/p200327.htm
2 CET 1 P2R = 56.25% * TC P2R.
3 Tier 1 P2R = 75% * TC P2R.
4 The Sectoral Systemic Risk Buffer (SSRB) has been decided upon by the Belgian National Bank. It is an additional buffer replacing the micro and macro prudential add-ons on RWA. The SSRB of 6% on the RWA targets the IRB retail exposures which are collateralized by residential real estate located in Belgium

Key figures of Crelan Group can be found below:

Table 4 - Key figures

Available own funds (amounts)		
Common Equity Tier 1 (CET1) capital	1	2,449,523,482
Tier 1 capital	2	2,694,193,597
Total capital	3	3,202,796,068
Risk-weighted exposure amounts		
Total risk-weighted exposure amount	4	9,078,163,374
Capital ratios		
Common Equity Tier 1 ratio (%)	5	26.98%
Tier 1 ratio (%)	6	29.68%
Total capital ratio (%)	7	35.28%
Additional own funds requirements to address risks other than the risk of excessive leverage		
Additional own funds requirements to address risks other than the risk of excessive leverage (%)	EU7a	3.00%
of which: to be made up of CET1 capital (percentage points)	EU7b	1.69%
of which: to be made up of Tier 1 capital (percentage points)	EU7c	2.25%
Total SREP own funds requirements (%)	EU7d	11.00%
Combined buffer requirement		
Capital conservation buffer (%)	8	2.50%
Institution specific countercyclical capital buffer (%)	9	1.00%
Systemic risk buffer (%)	EU9a	1.57%
Other Systemically Important Institution buffer	EU10a	0.75%
Combined buffer requirement (%)	11	5.82%
Overall capital requirements (%)	EU11a	16.82%
CET1 available after meeting the total SREP own funds requirements (%)	12	20.79%
Leverage ratio		
Leverage ratio total exposure measure	13	57,170,436,709
Leverage ratio	14	4.71%
Additional own funds requirements to address risks of excessive leverage		
Total SREP leverage ratio requirements (%)	EU14c	3.00%
Leverage ratio buffer requirement (%)	EU14d	0.00%
Overall leverage ratio requirements (%)	EU14e	3.00%
Liquidity Coverage Ratio		
Total high-quality liquid assets (HQLA) (Weighted value -average)	15	7,976,509,317
Cash outflows - Total weighted value	EU16a	4,459,062,469
Cash inflows - Total weighted value	EU16b	490,284,683
Total net cash outflows (adjusted value)	16	3,968,777,786
Liquidity coverage ratio (%) (Weighted value -average)	17	201.48%
Net Stable Funding Ratio		
Total available stable funding	18	50,381,746,146
Total required stable funding	19	38,091,317,871
NSFR ratio (%)	20	132.27%

The regulatory minimum solvency targets were exceeded at the end of 2024 (see template **KM1** in annex).

Crelan Group's Leverage Ratio according to current CRR legislation ('Delegated Act') at the end of December 2024 was at a level of 4.71% which is well above the requirement of 3.00%. Crelan has fulfilled its short-term ambition to drive the leverage ratio above 4% and aims to keep it well above 4%.

The liquidity position of Crelan Group is robust at the end of 2024. LCR at consolidated level was at 195.7% at the end of 2024. Crelan has a stable retail deposit base and is using covered bonds as a strong liquidity and funding tool.

The Belgian regulator has introduced, in June 2022, a Sectoral Systemic Risk Buffer (SSRB) on IRB retail exposures collateralized by residential real estate located in Belgium. This SSRB replaces both the 5% add-on on IRB exposure value of Belgian mortgage loans as well as the capital requirement factor of 1.33 applied on IRB RWA, introduced in the first half of 2018.

In the following Table the Return on Assets at the end of 2024 of Crelan Group is given according to Article 90 of CRD IV.

Table 5 - Return on Assets of Crelan Group

	31/12/2023	31/12/2024
Return on Assets (RoA)	0.38%	0.34%

1.7. Scope

1.7.1. Differences in the measurement of exposures

In this section and template **LIA** and **LIB** in annex, we highlight differences in scope between the regulatory and accounting frameworks to enhance comparison of reported information for our stakeholders.

Templates **LI1**, **LI2** and **LI3** in annex cover information on the differences in the scope of consolidation and the measurement of exposure. They provide supplementary information on items deducted from own funds, elements that have an impact on the difference in the exposure value between the regulatory and the accounting frameworks (netting, provisions, prudential filters...).

As there is no difference in the basis of consolidation for accounting and prudential purposes, column (a) and (b) of template **LI1** were merged.

Template **LI1** gives a break down on how the amounts reported in the financial statements (a) are to be allocated to the different risk frameworks. The sum of the amounts disclosed under the different frameworks does not equal the amounts disclosed in column (a), as some items are subject to capital requirements for more than one risk framework (e.g. derivatives in the trading book are part of both the counterparty credit risk framework and the market risk framework).

Following items are not subject to capital requirements or are subject to capital deductions:

- Intangible assets: starting from Q4 2020, intangible assets are partially deducted from CET1 and partially subject to capital requirements;
- Deferred tax assets (DTA): they are subject to special treatment and are netted with deferred tax liabilities by tax entity. Net DTA that do not rely on future profitability and net DTA that rely on future profitability and do not arise from temporary differences are subject to capital deduction. Net DTA that rely on future profitability and arise from temporary differences below the 10% threshold are risk weighted;
- Liabilities are not in scope, except some derivative and securities financing transactions (SFT) items and some provisions.

Template **LI2** provides information on the main sources of the differences between the financial statements' carrying values and the exposure amounts used for regulatory purposes (gross carrying values).

1.7.1.1. Main drivers of differences in the credit risk framework

- Off-balance amount: this mainly concerns undrawn credit lines subject to a credit conversion factor;
- Differences due to consideration of provisions: re-integration of the provisions in the exposure value;
- Differences due to Securitisation with risk transfer: More information on this securitisation can be found in chapter 8 of this report.

5 SFTs are transactions where securities are used to borrow cash, or vice versa.
This includes repurchase agreements (repos), securities lending activities and sell/buy-back transactions.

1.7.1.2. Main drivers of differences in the counterparty credit risk framework

- Off-balance amounts: potential future exposure, calculated according to the mark-to-market method, is added as well as off-balance collateral for SFTs [5];
- Difference due to different netting rules;
- Only positive market values are taken into account, meaning that the negative amounts are adjusted to zero. Negative market values are in this way removed from the calculations. This also includes the reduction of the collateral received if this exceeds the market value;
- The Own funds requirements for pre-funded contribution to the Default Fund (DFC) of a qualifying central counterparty (QCCP) is part of counterparty credit risk, but risk-weighted assets are calculated separately according to article 308 of CRR. They appear under a separate line in the different reports.

1.7.1.3. Main drivers of differences in the market risk framework

- Difference due to different netting rules: no netting applied in market risk framework.

1.7.2. Scope of consolidation

On 31 December 2024, the scope of consolidation of Crelan Group includes the following companies: The Crelan federation of credit institution (consisting of Crelan SA and CrelanCo CV), Europabank NV, Crelan Finance BV and Crelan Home Loan SCF SA (CHL SCF) ,CASPR S.à.r.l. and Royal Street SA. These entities are fully consolidated (see template **LI3** in annex).

Crelan SA – CrelanCo CV: In accordance with Article 239 of the Law on the Statute of and Supervision of Credit Institutions of April 25, 2014, Crelan SA forms with the recognized cooperative company CrelanCo a federation of credit institutions of which Crelan SA is the central institution. Because of this all liabilities of CrelanCo and Crelan SA are joint and several. The Belgian Banking Law foresees that a Federation consists of a central institution (Crelan SA) and affiliated institutions (in the underlying case only one – CrelanCo). It is also important to note that the Federation of Crelan only applies to Crelan SA and CrelanCo. Europabank and Crelan Finance BV ,Crelan Home Loan SCF SA (CHL SCF) ,CASPR S.à.r.l. and Royal Street SA are part of Crelan Group, but are not part of the Federation. The Belgian Banking Law foresees clear rules on the governance of a Federation of credit institutions:

- The governance of the Federation is stipulated in a uniform internal regulation that is created by the central institution (Crelan SA). This internal regulation must be approved by the supervisor (ECB) and all federation members are obliged to follow this internal regulation. The internal regulation of the Federation Crelan is contained in the so-called 'affiliation rules';
- Affiliated institutions are themselves credit institutions given their formal affiliation to the central institution, however the necessary license is granted by the supervisor only after an opinion from the central institution stating that the affiliated institution complies with all the provisions of the internal regulation;
- The obligations of the affiliated institutions and of the central institution are joint and several liabilities;
- The central institution directly supervises the affiliated institutions and is authorized to issue instructions regarding their policies, operations and organization;
- The central institution is responsible for the policies, administrative and accounting organization and internal control of the affiliated institutions;
- All obligations imposed within the framework of European banking supervision apply to the scope of the Federation as a whole and not to individual members or the central institution. In order to do so all regulatory reporting is performed in a consolidated manner for the central institution and the affiliated institutions together;
- As its name indicates, the central institution is responsible for the supervision of the Federation. The Executive Committee that has been installed at the level of Crelan SA (central institution) has full responsibility for the entire Federation.

It is clear that the concept of a Federation of credit institutions is comprehensively provided for in the Belgian Banking legislation and the European CRD regulation. The legislator wants to ensure that all members of the Federation comply with the rules of banking supervision and this has to be supervised at all times by the central institution.

Europabank, a Crelan Group subsidiary, is a Belgian retail bank serving individuals, self-employed, and small businesses. It offers loans, leasing, deposits, payment services, and limited insurance through various channels

The subsidiaries of Crelan provide important sources of funding: :

- **Crelan Home Loan SCF :** by issuing covered bonds backed by mortgage loans bought from CHL SCF. SCF is a French credit institution, regulated under a specific statute ("établissement de credit spécialisé"). The name change from "ABE SCF" follows the integration of ABB into the Crelan Group;
- **Royal Street :** by issuing RMBS backed by mortgages. As from May 2021, the existing RMBS notes were redeemed under the clean-up call and repurchase of the underlying mortgage loans;
- **Crelan Finance :** by issuing EMTNs (in the past distributed to AXA entities and former ABB clients) and lending the proceeds of these issuances to Crelan on a back-to-back basis. Crelan Finance hasn't issued a new EMTN since 2019 and is not planning to issue new EMTNs. Since then, Crelan opted for a strategy to distribute EMTNs issued by third parties.

In addition to these entities, there are a number of other entities within the group structure with a specific purpose:

- **Beran** is a company holding the land property rights on which Crelan premises in Antwerp are built;
- **Bancontact Payconiq Company** is the Belgian market leader in financial services and controlled by five banks: Belfius, BNP Paribas Fortis, ING, KBC and Crelan. Crelan owns 10% of Bancontact Payconiq Company;
- **Jofico** is a cooperative company together with other banks (next to Crelan, also VDK Bank, Bpost and Argenta are owners each for 20%) focusing on (future) joint operation of ATMs.
- **CASPR** is used for the SRT RMBS issuance for synthetic securitisation. Although Crelan is not a shareholder of CASPR, it does exercise control and thus the auditor has decided that CASPR must be consolidated with Crelan.

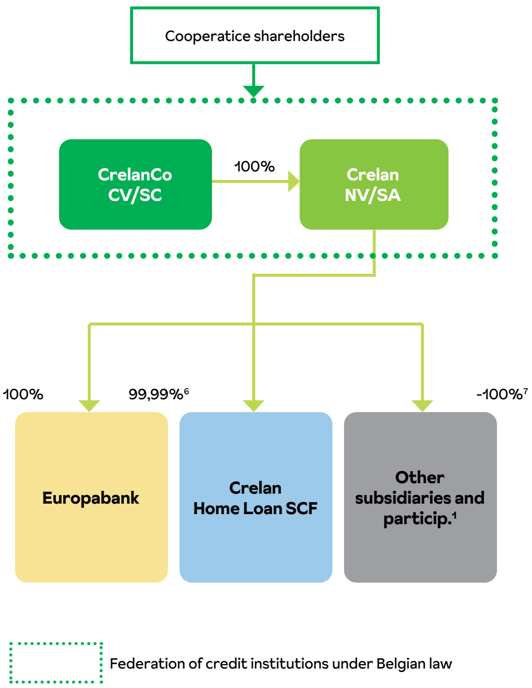
2. Risk management, objectives and policies

2.1. General risk governance structure and organization

The governance structure of the bank describes how Crelan Group is organized in order to guarantee the principles of good governance. It explains the roles and responsibilities of the senior management and independent directors, as well as the roles and responsibilities of the Risk Management department. The various committees that are put in place by Crelan Group are described as well.

2.1.1. Organisational structure Crelan Group

Figure 2 - Governance structure



6 1 share held by CrelanCo
7 Including 10% of Royal Street (RMBS), 100% of Crelan Finance (issuer of retail notes) -100% of Beran (Berchem building) and 10% stake in Bancontact Payconiq

Cooperative shareholders

As explained in a section 1.7.2, Crelan Group consists of 4 main credit institutions:

- CrelanCo CV;
- Crelan SA/NV;
- Europabank SA/NV;
- Crelan Home Loan SCF

The Crelan Group belongs to more than 295 000 cooperative shareholders. Through the cooperative company CrelanCo, they own Crelan SA/NV, Europabank and the other subsidiaries. CrelanCo and Crelan SA constitute a Federation of credit institutions under Belgian Law creating a joint and several obligations between them. Both legal entities conduct banking activities and have products on their balance sheet. Crelan SA acts as the central institution and is the central bank of the Federation. The federation in its turn owns Europabank and the other subsidiaries.

Crelan Group is organised as a cooperative banking group 100% owned by more than 295,000 shareholders. Cooperative shares are offered on a continuous basis via the bank based on a prospectus approved by the FSMA. CrelanCo cooperative shareholders meet annually in the General Assemblee to validate:

- Nomination and resignation of CrelanCo directors and external auditor;
- Validation of CrelanCo annual financial statements (statutory at entity level, globalisation at the level of the Federation and consolidation at group level);
- Validation of profit allocation / dividend upon proposal of CrelanCo Board of Directors;
- Modification of statutes and internal rules as required.

Board of Directors

Due to the set-up as a cooperative bank being part of the Federation, a distinction can be made between roles and responsibilities of the Board of Directors on CrelanCo and on Crelan SA level:

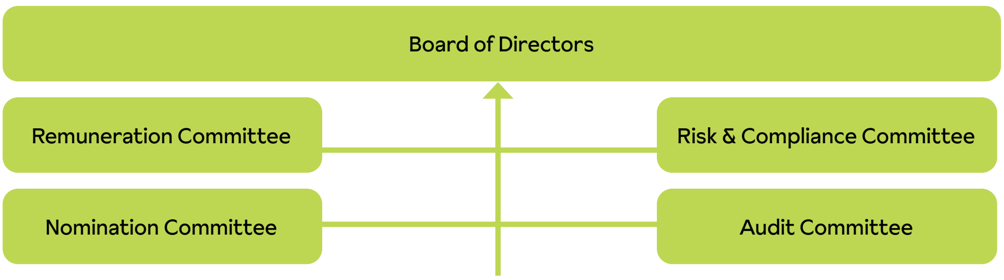
- CrelanCo Board of Directors key responsibilities include:
  - Determination of the Crelan Group strategy;
  - Supervision of cooperative activities and of Crelan Foundation;
  - Proposition of allocation of CrelanCo profits / dividends.

- Crelan SA Board of Directors key responsibilities include:
  - Determination and supervision of Crelan Group strategy;
  - Determination of Crelan Group policies including risk appetite;
  - Determination of financial policy and targets;
  - Supervision of Group compliance with regulatory requirements;
  - Supervision of Group operational and commercial activities;
  - Proposition of allocation of profits / dividends;
  - Nomination of key executives and remuneration policy.

The Board of Directors of each Crelan Group entity is responsible for defining its strategy and for the operational implementation of the objectives it has set within the framework of Crelan Group's general policies. More information about the management body can be found in template OVB in annex.

Specific committees support the Board of Directors via the delegation of roles and responsibilities. The specific committees which support the Board of Directors are the following:

Figure 3 - Specific risk committees BoD



Risk & Compliance Committee

The Risk & Compliance Committee assists the Board of Directors' in its task of identifying, measuring and managing risks by means of:

- Proposing an adequate and effective risk strategy and appetite to actual or future risks;
- Providing assistance to assess the implementation of that strategy;
- Defining the tolerance level in terms of risks, both current and future, and ensuring that the control authorities are kept informed of them;
- Analysing all risks of the bank: financial (solvency, liquidity, profitability, credit, other financial) and non-financial risks (operational, IT, reputation, other non-financial).
- Ensuring that the valuation of assets and liabilities and off-balance sheet products is commensurate with the risk to the bank,
- taking into account the risk strategy, particularly reputational risk;
- Assess the adequacy and effectiveness of the internal control and the risk management framework;
- Oversight on all 2nd line functions, including Compliance ;
- Resolution related topics.

Audit Committee

The Audit committee assists the Board of Directors' oversight of the:

- Financial reporting process and the integrity of the publicly reported results and disclosures made in the financial statements;
- Effectiveness, performance and independence of the internal and external auditors.

Remuneration Committee

The Remuneration Committee assists the Board of Directors by means of:

- Overseeing the remuneration system's design and operation;
- Ensuring that the remuneration system is appropriate and consistent with the bank's culture, long term business, risk appetite, performance and control environment and all legal and regulatory requirements.

Nomination Committee

The Nomination Committee assists the Board of Directors by means of:

- Recommending candidates, for approbation by the General Assembly, suitable to fill vacant seats on the Board of Directors (including ExCo);
- Elaborating and proposing a policy with regards to recruiting, assessments and resigning of non-executive administrators (dependent or independent), members of the Board of Directors and responsible of independent control functions;
- Examining all concrete propositions of nomination or resigning and by formulating advice to the Board of Directors;
- Evaluating periodically, at least once a year, the structure, the size, the composition and the performances of the Board of Directors, in order to give recommendations for possible changes.

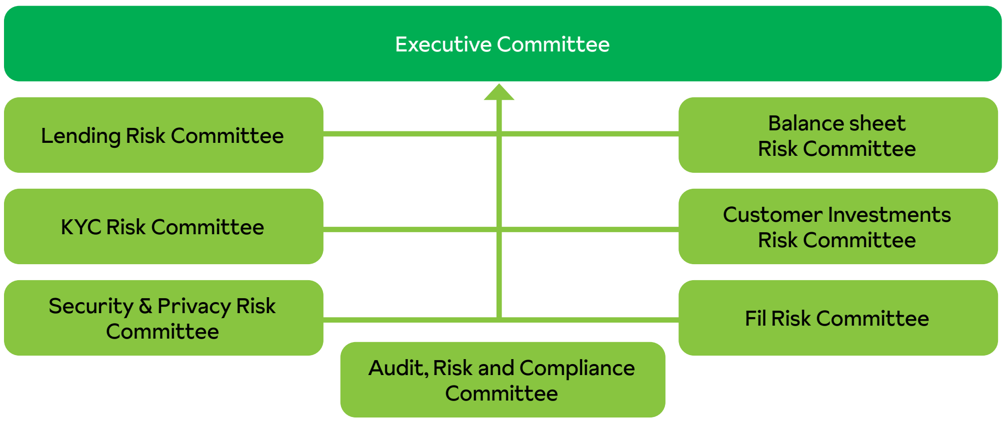
Executive Committee

Crelan SA ExCo is mainly responsible for:

- Implementation of the strategy defined by the BoD;
- Day-to-day management and control of Crelan operations (Federation level);
- Day-to-day management of CrelanCo is delegated to Crelan SA.

Specific sub-ExCo risk committees are responsible to monitor and apply the specific risk strategies set by Crelan Group Executive Committee (in line with the plans and targets set by Crelan Group's Board of Directors). These specific risk committees are shown in following figure:

Figure 4 - Specific sub-ExCo risk committees



2.1.2. Structure of the CRO department

Mission

The overall risk management of Crelan Group consists of three lines of defence, of which the Risk Management department represents the second one.

The three lines of defence (LoD) for the management of risks within Crelan Group are illustrated in the figure below.

Business lines act as a first LoD; they are in the frontline and are firstly responsible to acknowledge and manage risks. They are responsible for the daily monitoring, management and control of the risks linked to their activity.

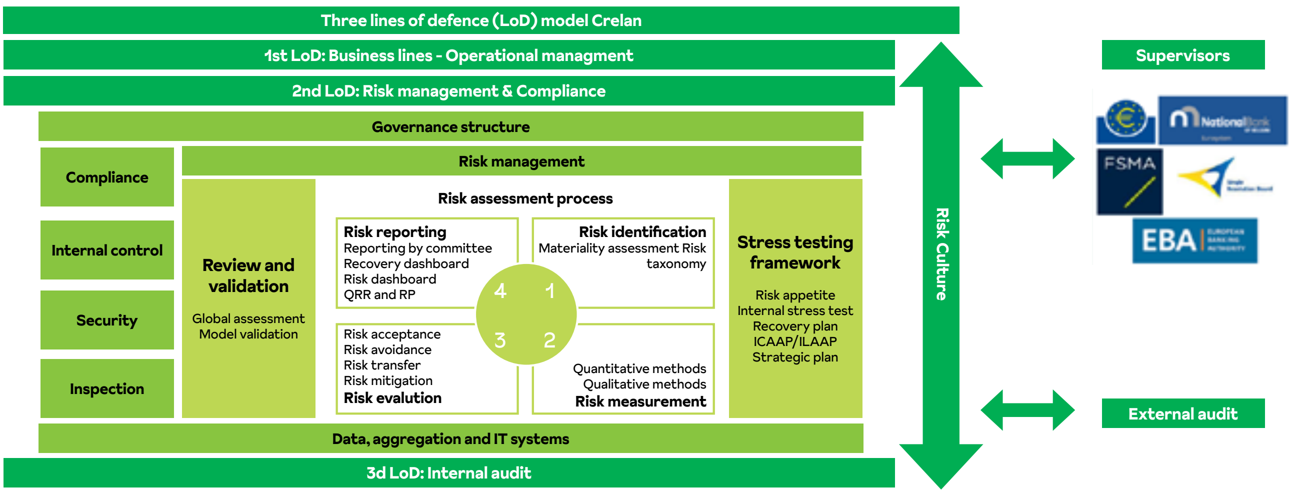
The Risk Management department acts as a second and independent LoD for the management of risks. The mission of the Risk department is to ensure that all significant risks are detected, measured and duly reported. It has access to all business lines and other internal units capable of generating potential risks, as well as to subsidiaries and affiliates. It has an appropriate status and corresponding central position in the organization of the institution. It monitors that the risk taken in the bank is in line with the risk appetite of the bank. The risk management function is actively involved in elaborating the institution's risk strategy as well as in all management decisions that have a significant influence on the risks, and is able to deliver a complete view of the whole range of risks of the institution.

The internal control team (as an integral part of the Risk Management department) is responsible for setting up an internal control framework across the three lines of defence. It ensures that these controls are being monitored and assessed on a regular basis (even for risk management processes itself).

Other teams, such as the inspection team (of the network of independent agents), the compliance team and the security team are also organised in the 2nd line of defence. The Audit department acts as third LoD.

A sound risk and compliance attitude requires the risk management and compliance framework of a bank to be regularly reviewed by both internal and external parties. The objective of these reviews is to assess whether the risk and compliance framework is still appropriate and sufficient for managing the risks a bank faces. The external reviews are performed by the regulators (i.e. NBB, FSMA and ECB) and the external auditor. Internal reviews are performed by Crelan Group's own internal audit. A validation function is also in place that controls the models developed to assess and quantify risks. The Risk & Compliance Committee obviously plays an important oversight role together with the BoD.

Figure 5 - Three lines of defence



Structure

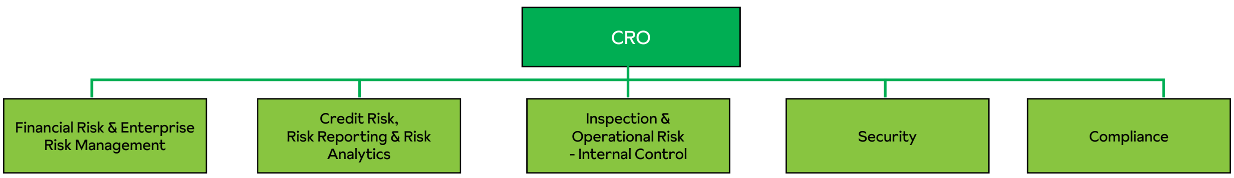
As an independent control function (independent from the business lines) sitting on Crelan Group's Executive Committee and reporting to its CEO, Crelan Group's CRO assists Crelan Group's Board of Directors and the specialized risk committees to manage the bank's risks. The Risk Management department acts as the second line of defence in terms of risk management and Compliance, after the business lines who are frontline and therefore first responsible to manage their risks.

The organisational charter of the Crelan Group's Risk department at 31/12/2024 as well as their role and responsibilities can be found below.

The Risk Management department's main objectives are the following:

- Play a core role in supporting the ExCo for defining, implementing, monitoring and regularly reviewing Crelan Group's risk appetite framework, e.g. by translating Crelan Group's risk appetite into operational indicators and limits;
- Ensure that the management of risks and compliance is part of Crelan Group's strategic decision-making process, by embedding the risk appetite in the strategic plan and budgeting process;
- Define, implement and regularly review the risk management and compliance framework by ensuring that all material risks are identified, assessed/measured, mitigated and reported:

Figure 6 - Risk management organigram



- o Identification: by yearly reviewing Crelan Group's risk cartography and taxonomy;
- o Assessment/Measurement: by using appropriate indicators and models. This requires ensuring that indicators and models are properly maintained, developed, documented and validated (by the independent validation team). In addition, models need to be regularly monitored and reviewed;
- o Mitigation: by ensuring that the required levels of capital, liquidity buffers and processes are in place to adequately mitigate risks;
- o Monitoring/Reporting: by ensuring that reporting processes are in place to control that risk appetite remains within limits. This includes making certain that functional escalation processes are in place to alert management of limit excesses and/or of the materialisation of risk events.

- Ensure that Crelan Group's risk appetite framework and risk management and compliance processes are documented and reported in various reports for internal and external use (regulator);
- Setting up a recovery plan and providing resolution authorities with necessary information to set up a resolution plan;
- Ensure that processes are appropriate for approval of launch of new products or significant changes of existing products via a product approval process (PAP);
- Perform stress testing to evaluate the effects of exceptional, but plausible events on Crelan Group's financial position;
- Perform regulatory surveying to monitor changes to risk and compliance related laws and regulations, alerting management in due time of changes that might impact Crelan Group.

2.2. Risk Management

2.2.1. General

In 2024, Crelan Group continued ensuring a coherent and prudent risk management by applying its risk management framework. The bank has robust strategies, policies, processes and systems for identifying, measuring, managing and monitoring its risks.

The RAF for 2024 has been validated in December 2023. The different limit frameworks have been updated accordingly in the following months (for liquidity, market risk, IRRBB…).

Following the merger in June 2024, the Risk Management Framework has been updated in November, further describing the methodology for risk measurement and the roles and responsibilities in the risk management process.

The Model Risk Management Framework has been fully revised in July, to enlarge the scope of the validation framework to all models of the bank (and not only credit risk models).

Crelan Group regularly adapts risk policies in order to stay on track in this constantly changing environment. Risk management believes that the current arrangements are adequately taken into account the bank's profile and strategy.

2.2.2. Declaration on the adequacy of risk management arrangements (pursuant to Article 435 of the CRR)

The Risk Disclosure report gives a detailed description of the risks that Crelan Group faces and of the Risk Management Framework.

The risk management framework and its organizational structure are designed in such a way that, in our opinion, the known risks are sufficiently identified, analysed, measured, monitored and managed.

Risk management distinguishes the following risk categories: solvency risk, liquidity risk, profitability risk, credit risk (retail and non-retail), market risk (interest rate risk of the banking book and other market risk), operational risk, IT security risk, compliance risk and other risks (business risk, model risk, political and regulatory risk, reputation risk, ESG risk, pension risk, securitisation risk and step-in risk).

The risk management framework and control systems are based on a risk identification process that is combined with prevention and control measures. A strategic risk appetite is determined for the main areas (capital, profitability, liquidity and non-financial risks). This risk appetite framework was approved by the Board of Directors and is used as a central tool for managing the risks in the bank.

Crelan Group's risk data and systems support regulatory reporting and disclosures as well as internal management reporting on a regular or ad hoc basis for the different risk types. The various reports are presented to the appropriate committees as indicated in the General risk governance structure section.

These reports show that the financial result was achieved within Crelan Group's risk appetite for 2024 and within the legal requirements.

This provides a reasonable degree of certainty that the risk reporting does not contain material misstatements and that the internal risk management and control systems worked well in the 2024 financial year.

As required in Article 435 of the CRR, the Executive Committee declared that it is of the opinion that the risk management measures taken, are necessary and appropriate for Crelan Group's profile and strategy.

This declaration is also approved by the Board of Directors.

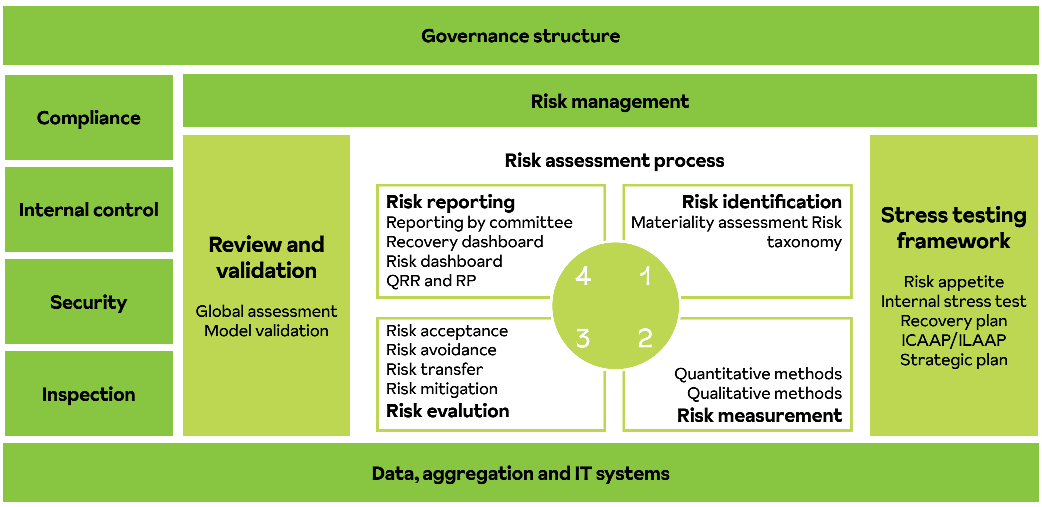
2.2.3. Risk management framework

The business model and strategy of Crelan Group is supported by a comprehensive risk management framework. This section combines the key information found in the Risk Management Framework, the Risk Appetite Framework and the Stress Testing Framework. Furthermore, it provides more information on the risk governance, risk department structure and risk data, aggregation & IT systems.

The risk management framework is built around five components (Figure 9):

- Risk governance;
- Risk assessment process: risk identification, risk measurement, risk mitigation and risk reporting;
- Stress testing framework;
- Review and validation;
- Risk data, aggregation and IT systems.

Figure 9 - Chapter overview: Risk management framework



2.2.3.1. Risk governance structure and risk management department

The governance structure is described in section 2.1.1.

2.2.3.2. Risk Assessment processes

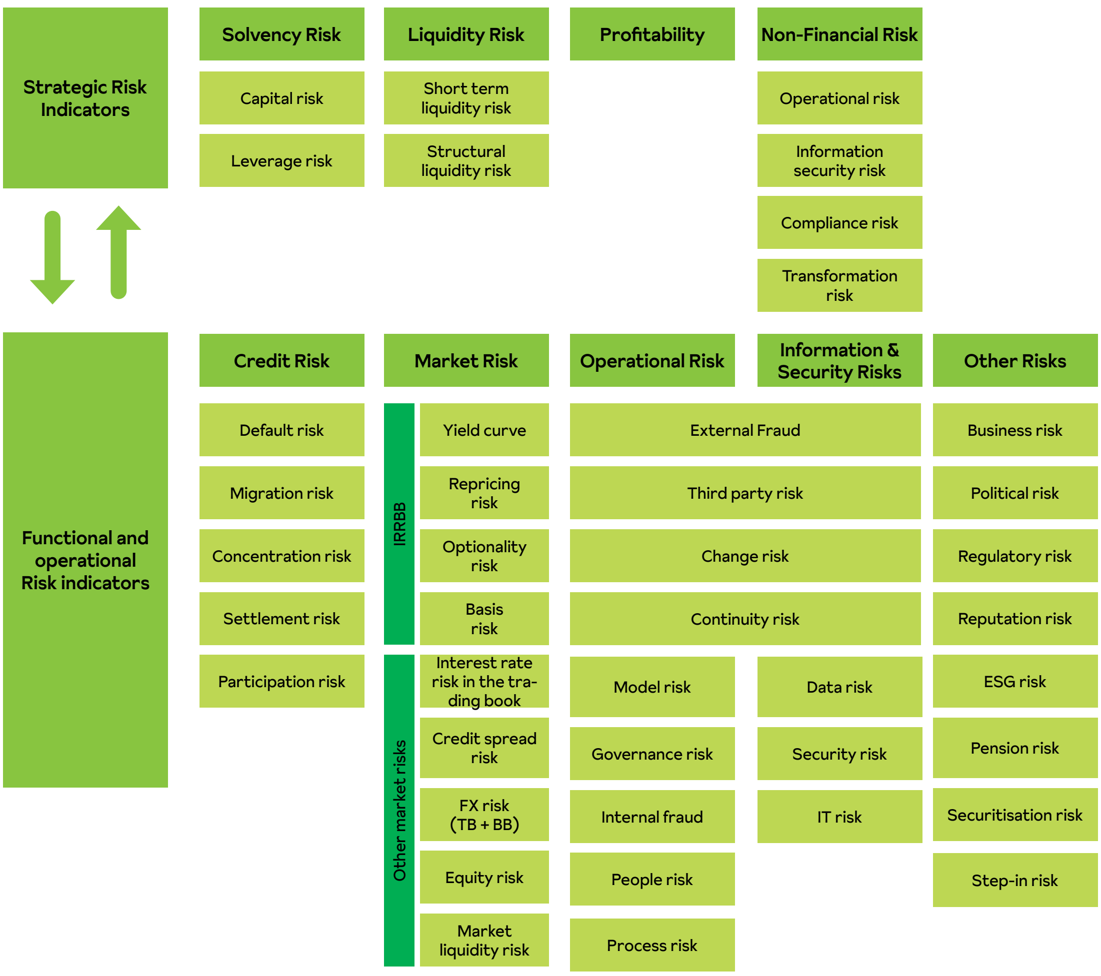
Risk assessment is a process where risks are first (i) identified, then (ii) measured via qualitative or quantitative methodologies and indicators, (iii) evaluated and mitigated , and finally (iv) reported, both internally and externally. This 4-step approach is described in more detail in this section.

Risk identification

In order to perform proper risk management, the Risk Management department first needs to identify all risks the bank is facing. The outcome of this yearly exercise is the risk taxonomy, which provides an overview of all the risks the bank is facing.

As ABB and Crelan had two separate risk taxonomies before the acquisition of ABB by Crelan, the two taxonomies needed to be compared and aggregated into a single risk taxonomy. This risk taxonomy 2024 can be found below:

Figure 10 - Crelan Group's risk taxonomy

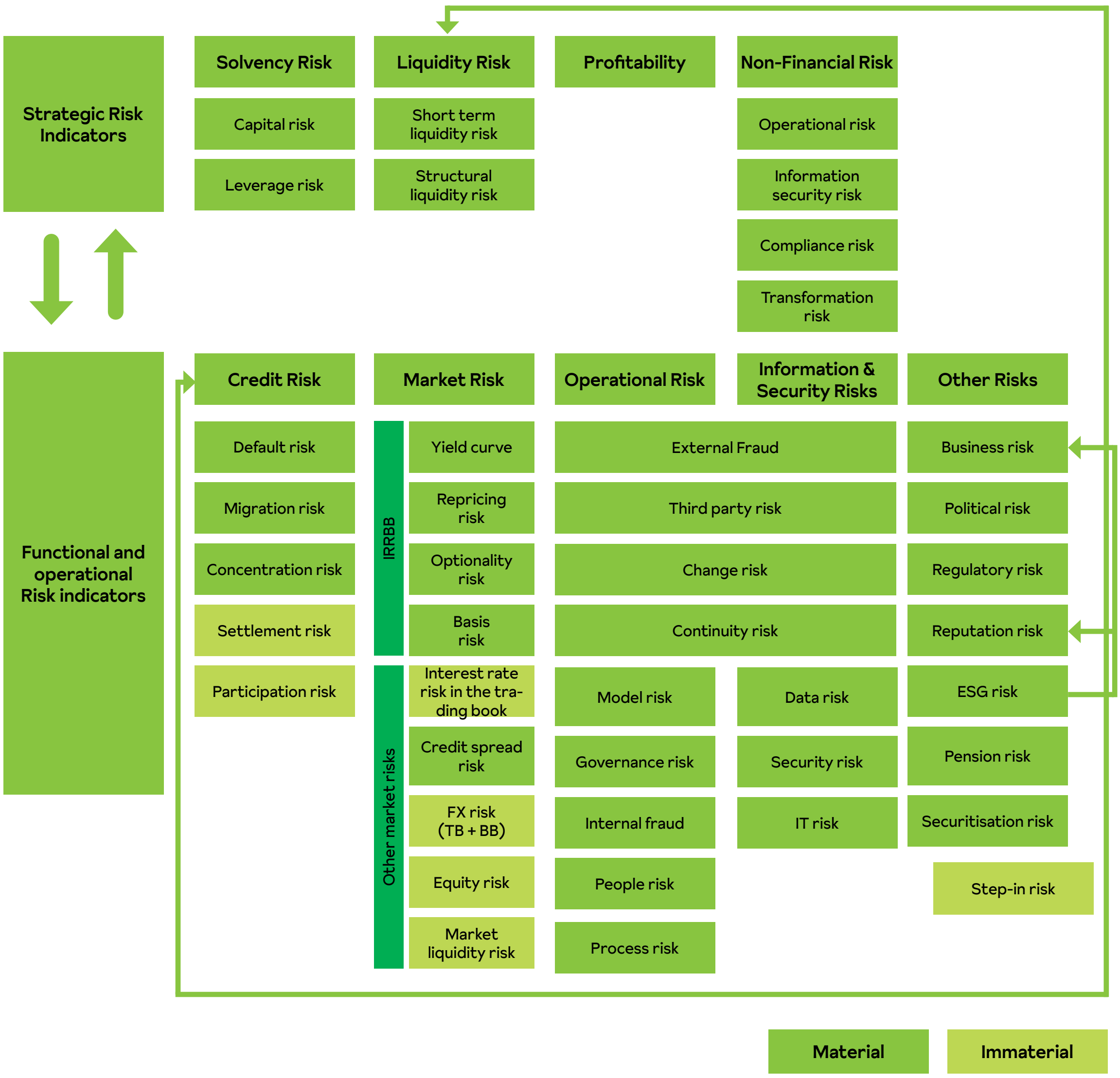


Simultaneously during the risk identification process, the materiality of potential risks is firstly assessed, based on expert judgement. The results of this analysis for 2024, can be found below. Note that ESG risk is considered as a driver of other risks.

The risk taxonomy makes a distinction between strategic risks and functional risks. In addition, both strategic and functional risks can consist out of financial and non-financial risk.

On the strategic level, Crelan Group identified the following key risks: solvency risk, liquidity risk, profitability risk and non-financial risks (cf. section 2.2.4).

Figure 11 - Crelan Group's risk materiality



Risk measurement & assessment

Risk assessment methods may vary from quantitative models to qualitative expressions of expert opinions. They may be organised into estimates of likelihood of events, estimates of consequences of events, and estimates of the combined effect of likelihood and consequences according to the risk criteria. A distinction is made between:

- Risk measurement: this includes setting indicators that are monitored and that are annually assessed. A quantitative calculation or model is applied to compute these indicators;
- Risk assessment: for certain types of risks that are typically managed in a qualitative way, risk is assessed via qualitative expressions or expert opinions.

How risks are measured and/or assessed for each individual risk type (included in the risk taxonomy) is described in the yearly Risk Appetite Framework.

Materiality of risks are assessed before mitigation (inherent risk) and after mitigation and diversification (residual risk). It allows to assess the sufficiency of mitigating actions in place.

Risk evaluation & mitigation

For all identified material risks, the bank defines a treatment. Risk evaluation strategies are : accept, mitigate, avoid or transfer. Crelan mitigates material risks through processes or through indicators and limits.

Risk evaluation is the central component of a risk appetite framework, with the setting of quantitative or qualitative risk appetite statements (RAS) and corresponding limits. This is described in section 2.2.4.

Risk monitoring & reporting

The final step of the risk management process corresponds to the risk monitoring and reporting (internally to management and externally to regulators). **Monitoring** involves communication both upstream and downstream and across the organisation. It includes periodic reporting and follow-up on the risks by various levels of management and risk committees. The **reporting** of risks includes the comparison of all material risk exposures against limits. On a quarterly basis, Crelan Group produces the risk & recovery dashboard, which is presented to the ExCo, the Risk and Compliance Committee, the BoD and the ECB via the Quarterly Risk Monitoring Report. Monitoring and reporting processes by type of material risk are defined in the specific risk management charters.

Apart from these specific reports, each important risk component has its own reporting line. Monitoring and reporting processes by type of material risk are defined in the specific risk management charters.

The recovery plan was updated in December. Crelan Group has a resolvability multi-year work program to fulfil the expectations on the capabilities the SRB expects to demonstrate to show that Crelan Group is resolvable. This multi-year work program is closely followed-up and ends in 2025.

2.2.3.3. Stress Testing Framework

While the risk assessment process of the bank considers the risks that the bank is facing in a business-as-usual environment, stress testing is a natural complement as it evaluates the risks of the bank under stressed conditions.

Stress testing is an analysis conducted to identify the vulnerabilities of the bank to determine whether the bank has enough capital and/or liquidity to withstand the impact of adverse developments, such as the impact under unfavourable economic scenarios. These tests are meant to detect weak spots in the bank at an early stage, so that preventive actions can be taken by the bank itself.

Stress testing plays an important role in:

- Providing forward-looking assessments of risk;
- Overcoming limitations of models and/or historical data;
- Feeding into capital and liquidity planning procedures;
- ICAAP/ILAAP;
- ESG risk management;
- Informing the setting of a banks' risk tolerance/ appetite;
- Facilitating the development of contingency plans;
- Informing supervisors for the annual SREP assessment.

The stress testing framework aims at providing the methodology and process for the performance of stress testing by Crelan Group as part of the risk management process, taking into account the applicable regulation. The scope of the programme extends to all entities managed or controlled by Crelan Group. When performing stress tests all material risk domains of all entities in the scope of the programme are taken into account.

Stress test types

On a yearly basis, individual shocks are computed for material risks. The stress scenarios provide a narrative in order to combine the individual risk shocks into credible, but stressed market environments.

This process, as well as its governance, is documented in more detail by Crelan Group Risk Management in the yearly Stress Testing Framework.

Crelan Group applies various types of stress test methodologies, depending on the purpose and the scope of the stress test exercise.

1. Single risk dimension stress test - Individual sensitivity analyses

A sensitivity analysis is a stress test that measures the potential impact of a single risk factor or simple multi-risk factors of a specific risk dimension, e.g. liquidity, retail credit risk, capital, trading ratios, derivatives CVA/DVA, interest rate risk… on the financial condition of Crelan Group. The source of the shock is not important.

Sensitivity analysis should be performed on various levels: on individual portfolios, for specific risk dimensions, to the bank as a whole. Sensitivity analysis provides valuable insights into the consequences associated with specified financial shocks. It also shows the point where the bank will come in difficulties. The result of a sensitivity analysis is set off to a predefined limit for such a shock: “if rates go up with x bp, we except a maximum additional risk of Y”. These limits are defined in the RAF.

2. Multiple risk dimension stress test - Scenario analysis

A scenario analysis assesses the resilience of an institution or an individual portfolio to a given scenario which combines a set of risk dimensions and a set of assumptions representing a certain confidence level. The scenario should be exceptional but plausible.

The different risk factors and dimensions are aligned in a consistent way and represent a simultaneous occurrence of forward-looking events, based on historical events and hypothetical events. In some cases, different degrees of severity are executed (most used level of severity are 1 in 20-year shock (95% confidence) and 1 in 200 year (99.5% confidence)). This type of stress testing is used for multi risk dimension stress test exercises.

This particularly useful for ESG risk scenarios.

3. Reverse stress testing

RReverse stress testing is a stress test which starts from the identification of the pre-defined outcome and then explores scenarios and circumstances that might cause this to occur. It should take all possible side-effects into account. Crelan Group also estimates the likelihood of these scenarios and defines management actions (to rectify business failure, risk appetite, recovery actions…). The purpose is to define scenarios that would result in a situation where Crelan Group could be in trouble or in near default.

This type of stress testing is used in the recovery plan: the point of recovery is defined on different levels for different domains (capital, leverage, liquidity) and given this level the severity of the scenarios is developed. Reverse stress testing is also used to assess the severity of the scenarios for ICAAP and ILAAP stress test and to define mitigating actions in those plans and to challenge the capital and liquidity plans.

Stress test exercises

1. Single risk area stress tests - assumptions

For each risk area an individual stress scenario is calculated, which is driven by several parameters. The following table presents the stressed parameters for 2024.

For each parameter (except for scenario analysis) an individual shock is calibrated at the 95% and 99.5% confidence interval.

Figure 12 - Drivers of risk dimensions

Credit risk	Stress on retail portfolio (P&L and RWA)	Macroeconomic crisis	GDP
			Unemployment
			House prices
			Inflation
	Stress wholesale credit risk (P&L and RWA)	Default of counterparties	Default of the biggest counterparties
		Downgrade financial counterparties	Downgrade financial counterparties
	Crelan-specific shocks	Downgrade Crelan	Downgrade Crelan
			Increase interest rate on deposits (bp)
		Stress on agriculture sector	Agriculture collateral shock
Market risk	Stress IRRBB	Increase/Decrease interest rates	Interest rates (bp)
	CSRBB: Stress on investment portfolio	Increase of government spreads	Belgian spread (bp)
			Dutch spread (bp)
			Austrian spread (bp)
			German spread (bp)
			French spread (bp)
			Spanish spread (bp)
			Finnish spread (bp)
		Increase of corporate spreads	VaR calculation
	Stress on equities/immo	Haircuts on fair value	Fixed percentage
	Stress on CVA/DVA through capital and through P/L		Increase CDS spread (bp)
Profitability risk	Stress on investment products	Decline of stock markets	Market and volume effect impacting P&L
	Stress on expenses		Inflation
Non-financial risk	Stress on operational risk	General	Operational risk events and loss amounts
	Information risk	Cyber	Scenario analysis
	Integration risk	Cost of I&M program	Scenario analysis
Pension risk	Stress on pension fund assets/liabilities		Inflation & interest rates
Business risk	Increased production at lower margin		Historical volumes & margins
ESG risk	Flood & transition risk scenarios		Scenario analysis
Liquidity risk	Outflow of cooperative capital Crelan		Outflow cooperative capital Crelan
	Outflow deposits		Outflow deposits
	Inflow deposits		Inflow deposits

2. Multidimension stress tests - Stress scenarios

As indicated above, single risk dimensions are combined by the Risk management into multidimension stress test exercises. Combination of single risk dimensions will be used to define the SRAS limits within the RAF, the internal stress testing exercise, the recovery plan and the normative scenarios within the ICAAP and ILAAP framework. A distinction can be made between the regulatory (normative perspective) which is scenario based and the economic perspective where individual risks are aggregated based on a correlation matrix. In all exercises the impact of a scenario is assessed on all dimensions: solvency, liquidity, profitability... Even when the exercise is a typical solvency or liquidity exercise.

Risk management defines each year a fixed set of scenarios. These scenarios (or a subset of them) are used in all multi dimension stress test exercises in order to ensure consistency.

2.2.3.4. Review and Validation

The risk assessment process and the stress testing framework respectively consider risks in normal and in stressed market environments. These assessment and measurement methodologies need to regularly be reviewed. The global assessment exercise serves as a yearly review of the treatment of individual risks. The Model Validation function regularly challenges the quantitative methodologies used to measure risks.

Other reviews of the risk assessment process are also performed by:

- Crelan Group's internal Audit;
- External auditors;
- Compliance;
- Supervisors (i.e. the NBB, ECB and the ECB);

Global assessment / HLRSA

Crelan Group's risk management framework must be regularly reviewed at both internal and external levels. The objective of these reviews is to assess that the risk management framework is appropriate and sufficient.

As explained in previous sections, the core of Crelan Group's Risk management framework consists of the risk assessment approach. This 4 step approach is a continuous process throughout the bank to ensure that the risks (linked to the business model, economic environment and strategy of the bank) are properly identified, measured, managed, mitigated and reported.

On a yearly basis, a review is performed of this 4-step process, where each individual step is revaluated.

This is done separately for non-financial risk and financial risks:

- Non-financial risk: organised by the ORM/IC team via the HLRSA yearly exercise (cf. Operational Risk Management Charter);
- Financial risk: organised by ERM via a similar exercise called Global assessment, but for financial risks.

The input of the global assessment is therefore used to update the risk taxonomy and the RAF of the bank for the next year.

High level risk self-assessment (HLRSA)

The ORM/IC team performs this assessment via the high level risk self-assessment (HLRSA) yearly exercise. In this exercise, the ORM & IC team sits together with all relevant departments of the bank to identify potential residual (possible mitigating actions are taken into account before the assessment) risks, using a Severity and frequency assessment table (the SAT/FAT matrix). The frequency depends on how often per year the potential risk/event can occur. The severity is assessed based on the table below:

Figure 13 - Severity assessment table

Crelan Severity Assessment Table					
Financial impact	Less than 10KEUR	Between 10K and 50KEUR	Between 50K and 250KEUR	Between 250K and 1.000 KEUR	Above 1.000 KEUR
Reputational impact (e.g. due to compliance/regulatory breaches, operational failures, greenwashing, unethical behaviour, ...)	* Minor local complaint * Isolated mentions on (social) media * No change in stakeholders' trust * No impact on reputation	* Local complaint / trade magazine * A few negative mentions on local media / social media * Minimal change in trust *Impact on reputation less than a month (e.g. low profile social media posts accuses the company of exaggerating the sustainability of one product)	* Local to national media coverage * Negative sentiment on social media btw. 1 & 3 months * Trust diminished * Impact on reputation btw. 1 & 3 months (e.g. news article or frequently shared social media coverage regarding exaggerated sustainability claims)	* National to international media coverage * Long term negative sentiment on social media (expected > 3 months) * Trust never fully recoverable * Impact on reputation > 3 months (e.g. a well-known environmental NGO publicly denounces the company for greenwashing, leading to widespread negative media)	* International media coverage * Lasting negative sentiment on social media * Complete loss of trust * Irrecoverable reputation (e.g. regulatory authorities launch an investigation for fraudulent sustainability leading to widespread negative media)
Legal and Regulatory impact	* Litigation less than 10K (paid or provisioned) * No regulatory impact * Regulators'confidence is slightly affected. *Low priority recommendations in the external auditor's or regulator's management letters. * No significant exposure.	* Litigation between 10K and 50K (paid or provisioned) * Regulation breached * Medium priority recommendations in the external auditor's or regulator's Management letters. * Medium term improvements are needed from an accounting / organisational / operational point of view. * No significant process changes required, no fines expected	* Litigation between 50K and 250K (paid or provisioned) * (Potential) significant sanctions (E.g. Formal investigation by regulator/sustained surveillance from regulator) * Potential regulatory fines * Process changes required that can be implemented within one year	* Litigation between 250 K and 1M (paid or provisioned) * (Potential) very relevant sanctions (E.g.: Restrictive conditions on license) Likely regulatory fines * Material regularisations in the accounting or tax domains. * Significant process changes required that cannot be implemented within one year	* Litigation above 1M (paid or provisioned) * (Potential) exemplary sanctions: E.g.:(temporary) loss of license, Prison senctence for Crelan's management / Personal fines / Criminal record for Crelan's management
Client impact	No clients impacted	* Limited nbr of clients impacted * No loss of clients	* More then 500 clients affected * Client complaints/issues representing > 20% portfolio/ production	* More then 5,000 clients affected and more then 10% of payment service users *Client complaints/issues representing > 40% portfolio/ production	* More then 50,000 clients affected or more then 25% of payment service users * Client complaints/issues representing > 50% portfolio/ production
Agent network	Limited agent dissatisfaction	* Moderate agent dissatisfaction displayed in complaint registered * Agent complaints/issues representing <40M EUR portfolio	* Serious agent dissatisfaction displayed in formal complaints or agent network warnings * Agent complaints/issues representing > 20% portfolio/ production	* Very serious agent dissatisfaction displayed in agency closure/agent status revocation or policy application refusal * Agent complaints/issues representing > 40% portfolio/ production	* Very serious agent dissatisfaction displayed in several agency closure/agent status revocation or agent network policy application refusal * Agent complaints/issues representing > 50% portfolio/ production
Staff	Limited employee dissatisfaction	Moderate employee dissatisfaction displayed in department meetings	"* Some key staff turnover * Serious employee dissatisfaction displayed in formal complaints or union warnings"	* Moderate key staff turnover * Very serious employee dissatisfaction displayed in general strike or other union actions impacting operating activities for no more than 2 days	* Loss of key staff without replacement / * * High key staff turnover * General strike or other union actions impacting operating activities for more than 2 days
Availability of operations (due to system failure, natural disasters, supply chain disruptions, ...)	* Standard critical services (from an availability point of view, see annex 3.4.) are unavailable for less than 1 week	* Standard critical services are unavailable for more than 1 week. * Medium critical services are unavailable for less than 2 days	* Standard critical services disrupted leading to downtime more than 1 week, but less than 2 weeks	* Standard Critical services disrupted leading to downtime of more than 2 weeks * Medium critical services are unavailable for more than 3 days. * Highly critical services are unavailable for more than 4 hours but less than 1 day	* Highly critical services are unavailable for more than 1 day. * Mission critical services are unavailable for any period of time
Data	Less than 1K records impacted with data classification level "internal"	* More than 1k records (files, documents, and information in an electronic format and that are stored on media) impacted (change or breach) with data classification "internal" OR * In case of a personal data breach: less than 5 records with data classification level "confidential" * In case of another infraction: less than 500 records with data classification level "confidential"	* In case of a personal data breach: Between 5-500 records impacted with data classification level "confidential" * In case of another infraction: Between 500-5k records impacted with data classification level "confidential"	* One record impacted (changed or breached) with data classification level ""secret"" OR * In case of a personal data breach: Between 500-5000 records impacted with data classification level "confidential" * In case of another infraction: Between 5k-25k records impacted with data classification level "confidential	* Multiple clients/records impacted (changed or breached) with data classification level ""secret"" OR * In case of a personal data breach: more than 5000 records impacted with data classification level "confidential" * In case of another infraction: more than 25k records impacted with data classification level "confidential"
Projects	Increase in the planned project budget by 0%-10% due to delays, scope increase, quality enhancement	*Increase in the planned project budget by 10%-25% due to delays, scope increase, quality enhancement	Increase in the planned project budget by 25%-35% due to delays, scope increase, quality enhancement	Increase in the planned project budget by 35%-50% due to delays, scope increase, quality enhancement	Increase in the planned project budget by more than 50% due to delays, scope increase, quality enhancement
Health & Safety	First aid needed for 1 person	First aid needed for several people	* Serious injury requiring hospitalization for 1 person * Absenteïsm above sector average	* Serious injury requiring hospitalization for several people * Absenteïsm above sector average +3%	* Death of one person at fault of Crelan * Absenteïsm above sector average +5%

In addition, various bottom-up exercises (ad hoc assessments and regular process risk assessments) support the HLRSA. The SAT table allows to classify each identified risk within the SAT/FAT table.

Model validation

The Model Risk Management Framework (MRM) provides an overview of the life cycle of a model and the tasks and roles and responsibilities associated with it.

The model lifecycle includes model creation, monitoring and review, change and retirement. Validation is present along the lifecycle. A centralized model inventory, maintained by the model validator, supports the model lifecycle, containing all relevant documentation and recommendations. The model validator ensures that the inventory is up to date at all times and regularly reports to the CRO and other stakeholders about its contents.

Key roles in the MRM include the CRO, who follows-up model risk and controls and ensures good communication with supervisors and key stakeholders. The relevant Management Board subcommittees approve new or modified models. Model owners are responsible for the entire model lifecycle, including documentation, implementation and ensuring correct use. Model validators provide validation advice and recommendations and maintain the model inventory.

The model validation function at Crelan resides within the ERM team and is responsible for the independent validation of models.

The validation process, as well as its governance, is documented thoroughly by Crelan's Risk Management in the Model Risk Management Framework.

2.2.3.5. Risk data, aggregation and IT systems

In order to perform proper risk management, it is key to perform quantitative assessments and report the results on a regular basis, not only in a normal market environment and to report the past, but also to perform budgeting & forecasting exercises, both in a BaU and in stressed market conditions.

Data and IT systems are available to realise these objectives as documented in the data quality policy. RDARR / BCBS239 principles are considered, with a focus on those pillars that are relevant in a risk management context. The bank has set out a risk reporting agenda both for internal as for external reporting. The public disclosure policy of the bank defines the governance around risk reporting.

2.2.4. Risk Appetite

A risk appetite framework (RAF) is the whole set of policies, processes, limits, controls, and systems that banks put in place to define, communicate, and monitor how much risk and what type of risks they are willing to take on and to make sure that risk profile of the bank is in line with the objectives of the bank.

The bank has to ensure that the envisioned strategy is in line with its risk appetite, the bank should thus not pursue a strategy that is beyond its risk capacity.

The following diagram gives an overview of the different building blocks of Crelan Group's RAF applicable in 2024.

This Risk Appetite Framework applies to Crelan Group and its subsidiaries.

Figure 7 - Building blocks of Crelan Group's RAF

Integration in strategic decision making

The risk appetite statements and their translation into limits is not a standalone exercise. It is equally important as the determination of the strategy of the bank. Therefore, the risk appetite framework is fully integrated in the strategic & financial planning process of the bank and thus the yearly update of the strategic plan goes hand in hand with the review of the RAF and their respective limits. The RAF is aimed at remaining stable over time and be used as a driver of the bank's strategy,

The figure below shows the strategy which was set up for Crelan. Strategic choices are dependent on the business model in which the bank operates, the macroeconomic environment, the vision of executive management, the mission statement of the bank, ... These strategic choices can be of a quantitative nature or of a qualitative nature. Quantitative strategic choices can be linked to accounting figures, budgeting and forecasting figures via financial plans. Other strategic choices cannot be quantified as they concern elements which cannot be expressed in terms of results or financial figures. The execution of the strategy of the bank leads to inherent risks, which need to be identified, measured/assessed, treated and reported. Integration of the risk appetite framework in strategic decision making therefore means that the RAF of the bank is applied to or takes as an input both to the quantitative strategic choices (e.g. the financial plan) but also qualitative strategic choices. Vice versa, the risk appetite of the bank is an input for the strategic and financial plan. It defines the limits to the risk that the bank is willing to take. This is reflected in the commercial and other ambitions of the bank when setting the strategic plan.

Figure 8 - Interaction between strategy and risk appetite

As can be seen in the next sections, Crelan Group has integrated its strategic planning process in its RAF by:

- Using the strategic/financial and funding plan as an input for most of its strategic quantitative indicators for capital, liquidity and profitability;
- Setting qualitative risk appetite statements or creating indicators to cover strategic choices which are more qualitative in nature.

1. Comprehensive part of the risk management framework

In line with the strategy the bank determines a risk appetite. As explained in the previous section, the starting point to develop a risk management framework are the strategic choices taken by the bank, considering the operating model and the business environment in which the bank operates. The risk appetite framework plays a central role in the risk management framework of the bank.

The risk appetite framework document focuses in more detail on how the risk appetite framework (process) is embedded within the risk management framework. The risk appetite framework contains the same building blocks as the general risk management framework:

- It follows the cycle of the risk assessment process:
  - o Risk appetite is only defined for risks which are identified (as per the business model and strategy of the bank);
  - o Risk appetite can only be set quantitively if indicators are defined and measured on a regular basis;
  - o Risk evaluation is the central component of a risk appetite framework, with the setting of quantitative or qualitative risk appetite statements and corresponding limits;
  - o Regular reporting on the RAF is done via risk dashboards.
- It applies stress testing in order to define limits;
- It is reviewed and validated on a regular basis;
- It applies data and uses end user computing tools in order to compute the limits;
- It is supported by a strong governance.

2. Effective governance

Identifying risks, specifying risk appetite statements and defining limits goes hand in hand with a solid governance framework. In Crelan Group's risk identification exercise, a distinction is made between key risks and sub-risks. The key risks are considered as strategic risks, while the sub-risks are considered as functional risks. Therefore, the current RAF foresees 2 follow-up levels:

- **Strategic level:** the SRAS (Strategic Risk Appetite Statement) define quantitative and qualitative limits on the most important risk dimensions of the bank. For each dimensions specific risk metrics are maintained. As such, it defines the limits with respect to the quality and quantity of risk that Crelan Group is ready to accept or tolerate in order to accomplish its mission and its strategic objectives, taking into account the expectations of all stakeholders.
- **Functional level:** the FRAS (Functional Risk Appetite Statement) define quantitative and qualitative limits on a more granular level (indicators that are used in day-to-day business decisions).

The SRAS and FRAS are central elements of Crelan Group's risk appetite framework. They focus on quantitative and qualitative limits on risk dimensions which allows Crelan Group to accomplish its mission and its strategic objectives, as well as defining functional limits. These indicators are defined at the top level of the bank (respectively the Board of Directors and the Executive Committee) and are followed up and monitored by the Risk department.

This framework is complemented by an **operational limit frameworks** used in day-to-day business decisions by specific business lines. It is the responsibility of the business lines to define an operational risk appetite framework where these indicators are defined and limits are set. The responsible sub-risk committee of that business line is responsible for defining the limits, monitoring the operational indicators and performing a risk assessment against the limits of these indicators. The limits are however set in collaboration with the Risk department as there needs to be alignment between the strategic and functional limits on the one hand and the operational limits on the other hand:

- Using the strategic/financial and funding plan as an input for most of its strategic quantitative indicators for capital, liquidity and profitability;
- Setting qualitative risk appetite statements or creating indicators to cover strategic choices which are more qualitative in nature.

3. Consistent use and ownership

Risk indicators are defined at all levels throughout the organization. Therefore, it is important that risk indicators and their respective limits are assigned to business lines and that ownership and responsibility is clearly defined.

RAF implementation

The previous section focused on the theoretical concepts on which the RAF of Crelan Group is built. This section explains how these theoretical concepts are applied on a day-to-day basis.

Crelan Group's RAF consists of 2 types of risk appetite statements, namely qualitative risk appetite statements and quantitative risk appetite statements.

Qualitative risk appetite statements

These qualitative statements are used to express guiding rules to which the bank wants to adhere or define the risk appetite in these cases where it cannot be expressed quantitatively. It can also serve as an additional enhancement to the quantitative framework.

Business risk:

Belgian anchoring

Crelan is a Belgian bank owned by Belgian cooperative shareholders that sells its products on the Belgian market. It therefore focuses on the Belgian market and does not wish to take on commercial risks linked to foreign activities. If positions are nevertheless taken that have a link to foreign markets, these transactions are first subjected to a thorough screening and advanced due diligence of the risks.

Prudent investments product selection

Crelan Group will only invest in and sell investments products that it fully understands and for which it has the necessary resources to manage these products.

Model risk:

Crelan Group has no appetite for material model risk and mitigates this risk via potential quantitative measures (e.g. a model-risk add-on such as the MoC – Margin of Conservatism - in the context of IRB models) and processes such as the Model Risk Management Framework, model inventory and model validation planning.

Governance risk:

Crelan has no appetite to ethical breaches, financial mismanagement, and loss of trust from customers, investors, and other external stakeholders. This risk is mitigated with strong governance, regular update of frameworks, charters and procedures as well as transparency with respect to employees, clients or other stakeholders.

Political risk:

Crelan Group has no appetite for avoidable political risk and mitigates this risk via a close follow-up of political evolutions and decisions.

Regulatory risk:

Crelan Group has no appetite for material regulatory risk and mitigates this risk via a follow-up of all regulatory and legal developments, as well as anticipating the importance of regulation before it comes into effect.

ESG risk:

Crelan Group promotes the values of a society where sustainability and corporate responsibility are a central component of everything that we do. Additionally, the group recognizes that risks can rise from environmental, social and governance angles (in addition to economic angles such as inflation, GDP, unemployment etc.) for which it must also take mitigation actions. A focus currently lies with the E pillar, also seen as a focus area for all stakeholders of the bank, including the supervisor.

The bank performs a yearly materiality assessment exercise for C&E risks. For each risk driver which is considered as material, a KRI is set up as well as a quantitative risk appetite. All other elements are reassessed on a yearly basis to ensure that no new material risks emerge (and if they do, that they are monitored via a quantitative risk appetite)

Reputation risk - Transparent reporting

Crelan has no appetite for the adverse perception of the image of the bank on the part of customers, counterparties, stakeholders, investors or regulators. The risk is hedged via processes such as the role of a reputation ambassador as well as embedding reputation at operational levels.

Crelan manages reputational risk with manual reporting of articles and reputational issues over the past months.

As from 2025, a reputational reporting via Auxipress (Crelan's press clippings provider) will be done. Three times a month, this reporting will give an idea of the feelings generated by articles about Crelan in the press, and help identify sensitive subjects.

Compliance risk

The bank acknowledges that in order to undertake its business activities a level of tolerance for the residual financial crime and conduct risk must be accepted.

By managing business activities in accordance with this statement, and by operating its financial crime and conduct risk-related systems and controls, the bank intends that the overall resulting level of residual financial crime and conduct risk will not exceed the tolerance level, which is hereby stated as LOW.

Profitability – earnings

Crelan Group wants to realize stable profitability. Our objective is to be able to pay a fair remuneration for our shareholders and to be able to finance the organic growth of the group without generating a negative impact on the capital ratios. Thus Crelan Group does not aim to develop activities that generate highly volatile earnings.

Quantitative risk appetite statements

Quantitative risk appetite statements are mathematically computed limits linked to risk indicators. These limits should be set at an appropriate level and should be consistent.

The quantitative risk appetite statements on strategic level are built around four building blocks that are constructed around the risk taxonomy:

- **Solvency:** Is Crelan sufficiently capitalized to absorb the financial impact of different risks that could happen? Is the risk of leverage sufficiently mitigated?
- **Liquidity:** Does Crelan have sufficient resources to meet its obligations in the short and medium-long term?
- **Profitability:** Does our activity generate sufficient sustainable profitability to pay a fair compensation towards our shareholders and finance the necessary growth?
- **Non-financial indicators:**
  - Operational risk: Ensuring that the risk of loss resulting from ineffective or failed internal processes, people, systems, or external events that can disrupt the flow of business operations is appropriately mitigated;
  - IT and security risk indicators: Making sure that our IT and security organisation is able to safeguard the assets of the bank and its clients.
  - Compliance risk: Making sure that the bank's potential exposure to legal penalties, financial forfeiture and material loss, resulting from its failure to act in accordance with regulation is mitigated.
  - Transformation risk: Follow-up on the transformation programme

Table 6 - Strategic risk appetite statements

Indicator type	Indicator sublevel	Indicator	Ras description
Solvency	Capital	CET1 ratio	Have sufficient capital to withstand a stress scenario and remain above overall capital requirements. At the same time, have a comfortable buffer above regulatory guidance.
		T1 ratio	
		Total capital ratio	
		Economic capital requirement	Have sufficient capital to withstand stress scenario and remain above economic capital requirements.
	Leverage	Leverage ratio	Have sufficient capital to withstand a stress scenario and remain above overall leverage ratio requirements
	MREL	Minimum Required Eligible Liabilities ratio	Have sufficient loss absorbing capacity and recapitalisation amount to withstand a stress scenario and still meet BRRD II requirement
Liquidity	Short term liquidity	LCR %	Have sufficient liquidity to withstand a stress scenario and remain above overall LCR requirements.
		ILS excess liquidity	Have sufficient liquidity to withstand a stress scenario and remain above economic liquidity requirements.
	Structural liquidity	NSFR %	Have sufficient liquidity to withstand a stress scenario and remain above overall NSFR requirements.
Profitability	ROTE%	Return on tangible equity	Have a sufficiently profitable return on tangible equity
	Cost income ratio%	CIR%	Manage the cost/income of the bank
Non-financial	Indicators linked to process	Process indicators	Ensure that the non-financial risk identification, assessment and risk treatment policy in function of non-financial risk appetite is correctly followed.
	Backtesting	Actual operational losses	Ensure that actual operational losses are below the risk appetite.

While credit and interest rate risk are currently considered as functional risks in Crelan Group's risk taxonomy, the non-performing loan ratio and the EVE sensitivity are considered as strategic indicators:

Table 7 - Risk appetite NPE ratio and EBA SOT

Indicator type	Indicator sublevel	Indicator	Ras description
Credit Risk	Retail	Non-performing ratio	Ensure that the level of non-performing loans is below target level
Market Risk	IRRBB	EVE Sensitivity (EBA SOT)	Ensure that the volatility of economic value of the equity of the bank due to interest rate shocks is below target level

IIn addition to these strategic building blocks, Crelan has also identified functional risk appetite statements for risks that affect one (or more) of the strategic domains.

The table below shows the limits approved by the BoD of Crelan Group in December 2023 (applicable in 2024).

Table 8 - Crelan Group Strategic RAF limits 2024

Strategic Risk Indicators			Limits	
Indicator type	**Indicator sublevel**	**Indicator**	**Alert**	**Monitoring**
Solvency	Capital	CET1 ratio	< 15%	< 16%
		T1 ratio	< 17%	< 18%
		Total capital ratio	< 20%	< 21%
		Economic capital requirement	> 1.85 bio	> 1.7 bio
	Leverage	Leverage ratio	< 3.7%	< 4%
	MREL	Minimum Required Eligible Liabilities ratio (MREL)	< 6.6%	< 7.1%
Liquidity	Short term liquidity	LCR %	< 125%	< 130%
		ILS excess liquidity (3 months)	< 1.0 bio	< 1.3 bio
	Structural liquidity	NSFR %	< 112%	< 120%
Profitability Non-financial	Profitability Loss backtesting	ROTE%	< 4%	< 5%
		Cost income ratio%	> 80%	> 75%
		Total non-financial risk actual loss amount (quarter-ly)	> 1.5 mln	>0.75 mln
Credit risk	Portfolio quality	Non-performing ratio (BE)	> 1.7%	>1.3%
Market Risk	IRRBB	EVE Sensitivity (EBA SOT)	> 15%	>12%

3. Capital Risk

3.1. Capital Management

Under the EU Capital Requirements Regulation and Directive (CRR/CRD IV) as well as the Basel accords, Crelan Group must maintain a minimum level of own funds to cover their credit, market and operational risks. This obligation is known as the "Pillar 1 Minimum Regulatory Capital Requirement". Banks must also have in place sound, effective and complete strategy and processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital that they consider adequate to cover the nature and level of the risks to which they are or might be exposed to. This obligation is known as the "Pillar 2 Economic Capital Requirement" and is assessed in the context of the supervisory review. In addition to the Pillar 1 and Pillar 2 requirements, Crelan Group also adheres to combined buffer requirements, comprising of the capital conservation buffer, the countercyclical capital buffer, the sectoral systemic risk buffer and the other-systemic important institution buffer. These capital requirements lead to the overall capital requirements of the bank.

The capital risk is the risk that the bank has or may have insufficient capital to cover the risks to which the bank is exposed. In practice, this is translated into a cross-check of the capital base against the minimum regulatory capital requirements and capital guidance.

The bank reports the required capital to the supervisor in an annual ICAAP file. The ICAAP is the internal review process of the institution itself, which allows it to assess the adequacy of its capital in light of its risk profile and its organization. Crelan Group considers its capital adequate if:

- In a normal market environment, the capital risk metrics are above the alert level of the RAF and the profit generating capacity is sufficient in order to restore the risk metrics above the monitoring level in a 3-year time horizon. If this is not the case, realistic management actions can be applied;
- In an adverse market environment, the capital risk metrics are above the regulatory thresholds (Pillar 1 and Pillar 2) and can be restored above alert level by realistic management actions in a 3-year time horizon.

The adequacy of capital is defined on a normative and an economic level. The normative approach is a forward-looking approach that starts from the multi-year projections made in the strategic plan. The strategic plan projections are translated into a regulatory capital plan. In addition, the general stress test framework of Crelan Group provides alternative scenarios under which the adequacy of capital is assessed. Next to the normative approach, Crelan Group developed economic capital models as an alternative and complementing methodology to assess the adequacy of its capital. In this approach, risks are assessed from an economic point of view, and sensitivity analyses on the parameters of the economic models are performed.

In both approaches, a risk assessment is performed where capital indicators are tested against the RAF of Crelan Group. Crelan Group developed a RAF where limits are put in place on multiple levels: monitoring (early warning indicator) and alert. The governance framework of Crelan Group states that in case of an alert level breach for strategic indicators, the Executive Committee presents an action plan containing management action to the Board of Directors. Therefore, the ICAAP also contains a non-exhaustive list of management actions that can be taken in case there is an alert level breach of the risk appetite framework (RAF).

The capital base is carefully monitored by the BSRC. The committee is supported in this mission by a subcommittee: the CFC. The CFC oversees new regulations ('regulatory watch'), follows up on the current and projected solvency ratios and anticipates and manages the economic and regulatory capital requirements.

The calculations for regulatory capital are reported to the supervisor (COREP) on a quarterly basis.

3.2. Own Funds

The own funds for solvency requirements are different from the equity in the financial statements. Equity as reported in the Annual Accounts of Crelan Group is determined on the basis of IFRS.

The reconciliation of the accounting equity based on IFRS with the own funds for solvency requirements can be found in template CC1 in annex.

Crelan Group is allowed to include the consolidated net profit for 2024 (€ 192.2 mln) minus the dividend payout (€ 43.8 mln) into capital. The net contribution to the capital position is € 148.4 mln. The CET1 is further adjusted by the deferred tax assets, intangible assets, securitisation, IRB shortfall, other deductions, and the value adjustments.

3.2.1. Prudential filters

The CRR specifies a number of prudential filters (articles 32 to 35 of the CRR) which lead to an exclusion of certain items of CET1 capital. The following prudential filters apply to Crelan Group:

Value adjustments as result of the requirements for prudent valuation: this is a specific requirement concerning the financial instruments measured at market value in the IFRS balance sheet to ensure that prudent valuation is reflected in the calculation of own funds. The amount of € 0.97 mln was deducted at the end of 2024.

3.2.2. Deductions

A certain number of items have to be deducted from CET1 capital (articles 36 to 49 of the CRR):

- Goodwill of € 23.6 mln accounted for as intangible assets;
- Intangible assets: the deduction of intangible assets (mainly software) already existed under Basel I (and II). Starting from Q4 2020, 'prudently valued software' or software (intangible) assets can be partially excluded from capital deductions and can be risk-weighted at 100%. As a result, the deduction for end of 2024 equals to € 19.6 mln;
- Deferred tax assets (DTA) that rely on future profitability and do not arise from temporary differences net of associated tax liabilities: at the end of 2024 € 0 mln was deducted from CET1;
- IRB shortfall: when the IRB approach is applied to calculate credit risk, banks are required to compare their actual provisions with their expected losses. Any shortfall should be deducted from CET1 while an excess will be eligible for inclusion in Tier 2 capital subject to a cap. A shortfall of € 47.3 mln was deducted at the end of 2024;
- Securitisation: in Q4 2020 the synthetic securitisation transaction was set up as an RWA reduction measure. The capital deduction is the consequence of the retained risk related to the first loss tranche and equals € 1.8 mln;
- Deferred tax assets arising from temporary differences (amount above 10% threshold) amounts to € 0 mln;
- Deduction applied for Pillar 1 coverage shortfall on non-performing exposures, totalling €1.5 mln.
- Additional deductions of CET1 Capital due to Article 3 CRR: the prudential provisions for the stock of non-performing exposures (NPEs) Pillar 2 is reported (€ 12.2 mln).

All items that are not deducted (i.e. amounts of net DTA below the threshold) are subject to risk weighting.

3.2.3. Own funds for solvency requirements

The CET1 of Crelan Group amounts to € 2,450 mln at the end of 2024.

Crelan Group is allowed to include the consolidated net profit for 2024 (€ 192.2 mln) minus the dividend payout (€ 43.8 mln) into capital. The net contribution to the capital position is € 148.4 mln. The coupons paid on the AT1 were directly deducted from equity .

The total own funds for solvency requirements include:

- CET1;
- Additional Tier 1 capital consisting of convertible bonds;
- Tier 2 capital, consisting of the useful value of the subordinated loans, perpetual subordinated loans including Basel III transitional measures.

Table 9 - Total Capital

TOTAL OWN FUNDS FOR SOLVENCY REQUIREMENTS (in '000 EUR)	31/12/2024
Common Equity Tier 1 Capital	2,449,524
Additional Tier 1 Capital	244,670
Tier 1 Capital	**2,694,194**
Subordinated debt	508,602
Perpetual subordinated debts	0
Tier 2 Capital	**508,602**
TOTAL OWN FUNDS FOR SOLVENCY REQUIREMENTS	**3,202,796**

The total own funds of Crelan Group is € 3,203 mln at the end of 2024. Basel III established certain high-level disclosure requirements to improve transparency of regulatory capital.

Capital instruments' main features can be found in template CC2 in annex. The main features of regulatory own funds instruments and eligible liabilities instruments can be found in template CCA of the annex.

3.3. Capital requirements

3.3.1. Key Metrics

An overview of the most important capital requirements at the end of 2024 can be found in template **KM1**.

3.3.2. Regulatory capital requirements

The regulatory requirements are based on the concept of RWAs as described in CRD IV. Crelan Group measures its regulatory capital requirements using the following methods for each entity:

Figure 14 - Regulatory capital methods

Risk Category		Crelan	Europabank
Credit risk	Retail Credit Risk (Mortgages, Consumer & Professional loans)	Internal Rating Based Approach	Standardised Approach
	Retail Credit Risk (Other loans)	Standardised Approach / Internal Rating Based Approach	Standardised Approach
	Non-Retail Credit Risk	Standardised Approach	Standardised Approach
	Counterparty Credit Risk (Derivatives)	Standardised Approach for CCR	NA
	Counterparty Credit Risk (SFT)	Financial Collateral Comprehensive Method	NA
Market risk	Market Risk Traded debt instruments	Standardised Approach	NA
	Market Risk Foreign exchange	Standardised Approach	NA
Operational risk		Standardised Approach for OR	Standardised Approach for OR

The regulatory requirements are based on the concept of RWA. The Pillar 1 minimum regulatory capital requirements foresee in different calculation methods, which are defined specifically in the regulation. The risk weighted assets are calculated according to the specific Basel calculation rules for weighted risks for which Crelan has received approval. The Internal Rating Based Approach (IRB) is applied to the retail loan book (except Europabank). For all other risks the Standardised approach is used. The RWA of Crelan Group under the Basel III rules amounted to €9,078.16 mln on December 2024.

Template OV1 in annex shows the RWA and the capital requirements according to Basel III pillar 1. The other risk exposure amount refers to the additional stricter prudential requirements based on article 458 of the CRR.

3.3.3. Economic capital requirements

Banks must have in place sound, effective and complete strategies and processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital that they consider adequate to cover the nature and level of the risks to which they are or might be exposed to (Pillar 2 Economic Capital Requirement).

Under Basel III principles, the measurement of economic capital requirements must take into account all identified material risks (hedged through capital).

It must also take into account planned (expected) business growth. In order to assess capital requirements on a forward-looking basis, Crelan Group's strategic plan is tested versus the risk appetite framework. Therefore, capital requirements are forecasted over the full horizon of the plan for every business line/activity by using the assumptions embedded in the strategic plan.

As some risks are not fully correlated to others, the measurement of economic capital requirements may also be adjusted (and reduced) for diversification benefits between risks. Crelan Group's correlation matrix aims at estimating correlations between business lines as well as correlations between risk types.

Crelan Group may also adjust (i.e. increase when relevant) its capital requirements based on its analysis of stress testing exercises. From an economic perspective, Crelan Group's excess capital is measured by subtracting from Crelan Group's available internal capital its total economic capital requirement as defined above. The available capital must always exceed Crelan Group's total economic capital requirements.

At the moment of the acquisition of ABB by Crelan, the economic capital methodologies were different between ABB and Crelan. Next to the regulatory (normative) perspective for managing capital risk, Crelan Group measures the adequacy of its capital with an internal economic approach since 2022. This consolidated approach:

- Starts from the most material risks for the banks, including financial risks such as IRRBB and market risk, but also credit risk;
- For those risks, Crelan Group measures 1 in 1,000 years shocks per risk type [8];
- For retail credit risk, a harmonized model was developed in 2024. The model is based on Value-at-Risk (VaR) Monte-Carlo simulations of credit losses. The simulations are done using a single factor Vasycek model, capturing both systemic and idiosyncratic risks. A credit losses distribution is subsequently computed, and the 99.9% percentile is used as economic capital.

The model focuses on the IRB portfolio, as internal models are available. For the STD portfolio, the regulatory approach is used;

- For IRRBB, Crelan Group applies the following approach:
  - o The six shocks defined by Crelan Group are computed (parallel down, up, short rates down, short rates up, steepened and flattened). This clearly shows that on consolidated level, the parallel up shock is the most severe;
  - o Crelan Group then relied on its internal stress testing models where historical data on interest rates is used to check what 1 in 1000 years shocks are;
- For operational risk a simplified approach has been used: regulatory standardised approach;
- Since 2022, the integration risk was implemented, assuming a delay of 6 months in the migration. Following the merger in June 2024, this risk is no longer computed;
- For business risk, a scenario approach is applied;
- For pension risk, a scenario approach is applied;
- The correlation matrix was updated;
- For the other, less material risks, Crelan Group falls back to the regulatory approach where RWA amounts are translated into capital requirements.

Note that the approaches for retail credit risk and IRRBB have been reviewed for 2025.

8 The economic capital model can be computed at various confidence level. The 99.9% confidence level is used for Pillar II purpose.

3.4. Capital Adequacy

3.4.1. Crelan Group's capital adequacy objectives

Crelan Group's capital objective is to respect the following minimal capital requirements at any time under current and stressed market conditions:

Minimum Regulatory Capital Requirement (regulatory capital vs. own funds)

Maintain sufficient own funds to exceed minimum regulatory capital requirements. In addition, in a normal market environment, the regulatory solvency ratio remains above the alert level of the RAF, and the profit-generating capacity is sufficient to restore the ratio above the monitoring level if needed. In an adverse market environment, Crelan Group has the ability to restore capital ratios above the alert level of the RAF through realistic and feasible management actions. This ensures that capital ratios are consistently maintained at levels that provide adequate resilience, even during periods of stress.

Economic Capital Requirement (economic capital vs. internal capital)

Crelan Group's main Pillar 2 objective is to remain sufficiently capitalised to be able to cover at all times all of its material risks hedged through economic capital calculated with a 99.9% confidence interval over a defined time horizon[9]. A similar link is made with the RAF as for minimum regulatory capital requirements.

3.4.2. Regulatory capital adequancy

The regulatory solvency ratios compare the own funds of the bank to its RWA. Crelan Group shows solid solvency ratios at the end of 2024. The Common Equity T1, T1 and total capital ratio consider the transitional provisions of Basel III.

As per 31 December 2024, Crelan Group Tier 1 ratio stands at 29.68% and total capital ratio at 35.28%.

Table 10 - Crelan's regulatory capital ratio at consolidated level

Regulatory capital (in '000 EUR)	31/12/2024
CET1	2,449,523
TIER 1	2,694,194
TOTAL CAPITAL	3,202,796
RISK WEIGHTED ASSETS	9,078,796
CET1 ratio	26.98%
T1 ratio	29.68%
Capital ratio	35.28%

3.4.3. Countercyclical capital buffer (CCyB)

In template **CCyB1** in the annex, the geographical distribution of the bank's credit exposures relevant for the CCyB calculation for December 2024 is shown. Countries with a total risk weighted exposure above € 1 mln are shown and the countries for which a countercyclical buffer rate is applicable. Countries with an exposure below €1 mln are allocated to "Other countries".

Over 98.9 % of total relevant exposure (all exposures excluded the ones treated as governments and exposures to institutions) is related to Belgium. The NBB has set the countercyclical buffer percentage for credit risk exposures to counterparties established on Belgian territory at 1% since 31/12 reporting (0.5% at 30/06).

The countries in which Crelan Group has relevant exposures that have a countercyclical buffer rate above 0% are Australia, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, France, Germany, Hong Kong, Hungary, Iceland, Ireland, Korea, Latvia, Lithuania, Luxemburg, Netherlands, Norway, Romania, Slovakia, Slovenia, Sweden and United Kingdom of Great Britain. The exposures to these countries represent only 1.01% of the total exposures and this impact is negligible in the CCyB calculation. Details can be found in template **CCyB2** in annex.

3.4.4. Economic Capital Adequacy

Cooperative shares are not freely tradable on a regulated or equivalent market. The person who wishes to recover the amount invested in cooperative shares must offer her/his resignation or transfer her/his shares, to shareholders or third parties who meet the conditions of CrelanCo's statutes. This is approved (or refused) during the yearly General Meeting in April. In the event of the decease of a cooperative shareholder, the cooperative shares are immediately reimbursed.

Based on historical figures from July 2014 to December 2024, the maximum amount of repayment is calculated with a probability of 95% on the one hand and a probability of 99.9% on the other. The table below provides an overview of all redemption requests (excluding deceases) from July 2014 (to be redeemed in May 2016) to December 2024 (to be redeemed in May 2026).

9 Important to note: The standard time horizon that Crelan uses to measure its risks is one year.

Table 11 - Cooperative shares withdrawals

(€ k) Month	Repayments capital: May '16	May '17	May '18	May '19	May '20	May '21	May '22	May '23	May '24	May '25	May '26
7	128	272	248	741	547	515	31	308	195	105	332
8	118	280	376	890	716	442	4	388	294	38	388
9	124	415	392	820	743	612	906	447	416	43	584
10	363	474	614	1.355	856	671	750	401	516	752	463
11	433	513	624	1.277	753	764	613	400	475	468	538
12	511	557	745	1.086	850	730	858	681	369	606	735
1	900	1.087	1.446	2.437	1.585	1.579	2.177	1.307	767	1,216	
2	1.020	985	1.464	1.940	1.278	1.133	1.577	1.194	678	1,056	
3	1.253	845	1.851	1.965	1.522	797	1.637	969	927	958	
4	998	1.112	3.118	2.144	1.445	725	1.830	1.041	1.166	1,307	
5	1.289	1.376	3.856	3.174	2.159	1.464	1.636	1.639	1.238	1,466	
6	1.915	1.877	4.620	3.489	2.122	2.753	3.081	2.153	1.960	1,781	

There is clearly a seasonal effect in this historical series. The monthly amounts increase towards the end of each repayment period (June).

The economic capital risk assessment defines a limit which is based on the internal capital definition. It starts from the amount of internal capital but takes into account a 1 in 1,000-year stress scenario on internal capital (which is equal to the CET1 of the bank). In this regard, the limit is consistent with the definition of capital demand, where also a 1 in 1,000 scenario is applied. In order to adjust internal capital to reflect this stress, Crelan Group starts from the regulatory CET1 building blocks and calculates a 1 in 1,000-year stress on the amount of cooperative shares, due to redemptions by cooperators.

After deducting this amount from CET1, Crelan Group applies a prudent buffer of approximately € 200 mln to compute the monitoring limit, which reflects potential stress on other elements of CET1 in a 1 in 1,000 year scenario, such as the net income of the year (big loss event), OCI (variability in OCI events), intangible assets, IRB shortfall, prudential provisioning. For 2024, this leads to the following limits: monitoring: € 1.7 bln, alert: € 1.85 bln.

One can then compare the limits of the RAF to the ECAP requirements calculated in the previous section. This risk assessment is shown in the table below.

Table 12 - Result risk assessment economic perspective

Economic capital (in € mln)		Dec-24
CREDIT RISK	Retail Credit risk BE	633.35
	Non-retail & other credit risk	26.12
MARKET RISK	Interest rate risk	350.60
	Market risk	0.12
OPERATIONAL RISK	Operational risk	146.12
	Integration risk	81.00
BUSINESS RISK	Business risk	227.81
	Pension risk	30.20
TOTAL ECAP BEFORE DIVERSIFICATION		1,495.32
Economic capital (in € mln)		**Dec-24**
Total Economic Capital Consumption (after diversification)		1,294.95
Alert limit		1,850.00
Excess vs alert		555.05
Monitoring limit		**1,700.00**
Excess vs monitoring		**405.05**

3.5. Risk of insufficient loss absorption and recapitalisation capacity

The Bank Recovery and Resolution Directive (BRRD) provides that institutions established in the European Union (EU) should meet a minimum requirement for own funds and eligible liabilities ('MREL') to ensure an effective and credible application of the bail-in tool. Failure to meet MREL may negatively impact institutions' loss absorption and recapitalisation capacity and, ultimately, the overall effectiveness of resolution. This requirement is part of the necessary steps needed to make institutions resolvable. The BRRD requires that MREL is tailored to bank-specific features, including its size, business model, funding model and risk profile and the needs identified to implement the resolution strategy. MREL targets are set by EU resolution authorities, after consultation with prudential supervisors, and should be complied with by banks at the end of the transitional period, if any.

Crelan Group received its unofficial MREL target in a workshop with the SRB on 08/12/2022. This unofficial MREL target was formally adopted by the SRB and communicated to Crelan Group on 21/06/2023. In line with the regular MREL process, a right to be heard period started after which the MREL target was officially adopted (August).

This leads to the following targets:

- External MREL target based on risk weighted assets (TREA) and leverage (TEM) (maximum of the 2). For Crelan Group, this leads to a required level of own funds and eligible liabilities of 6.58% target (expressed in terms of exposure) to be met by 30/06/2025. For 2024, the TREA regulatory limit is below the TEM limit and therefore there is no alert limit set.
- Next to an external MREL target , Crelan Group also needs to meet a subordination requirement (NBB). This is, as expected 8% of TLOF (total liabilities and own funds). This leads to a subordination requirement of 7.66% (expressed in terms of exposure) to be met by 02/05/2026.

In order to meet these requirements, Crelan Group has set up a debt issuance program. After the issuance of its inaugural senior non-preferred (SNP) debt instrument in September 2022, the bank continued to execute its SNP issuance plan, by issuing € 1.1 bln of SNP in 2023. In January 2024, the bank was able to successfully issue another € 750 mln, with a positive evolution with regard to the number of investors and the spread/tenor ratio.

Crelan is already meeting all MREL requirement well ahead of the deadlines. The risk appetite of Crelan is to have a sufficient buffer above legal requirement in order to be able to withstand a stress event. Given that a large part of the MREL buffer is coming from the issuance of senior non-preferred debt instruments, a stress event is that the bank cannot refinance such issuance (refinancing risk) which is estimated at € 600 mln. The limits are therefore set to mitigate part of this refinancing risk.

3.6. Estimated impact CRR 3 / CRD 6

The Basel III finalisation package (often referred to as the 'Basel IV' regulation), as implemented in the EU via the CRR 3 / CRD 6 package, starts applying as from 1 January 2025.

The final rules were only published at the end of 2023. The reforms will have an impact on the capital requirements of the Bank. The main impact is the introduction of the output floor. Given the low risk profile of the Group and the fact that the credit risk for a large part of the Group's assets is calculated by internal models, the output floor that imposes a floor based on a standardized calculation methodology will have a material impact.

In addition, in accordance with Belgian legislation and like other banks in Belgium, most of the mortgage loans are partially guaranteed by a mortgage mandate and not only by a mortgage inscription. The mandate can be transformed into an inscription at any moment in time by the bank. This practice helps to lower the transaction cost for clients, while still resulting in a strong collateral position for the bank. The strong collateral value of the mandate is, however, not recognized in the CRR 3 rules, which makes the capital to be held for loans with a mandate higher than for loans with mortgage inscription. The CRR 3 implementation will affect the capital ratios but will not impact the underlying risk of the loan portfolio.

Based on the bank's end 2024 balance sheet, the impact for Crelan Group (excluding output floor) at inception in 2025 is estimated at roughly € 175 mln higher RWA corresponding with 2% RWA inflation and -0.751% points impact on CET1 ratio. This RWA inflation is mainly the result of the changed regulation to calculate RWA for operational risk and credit risk under standardized approach.

The impact of the output floor introduction (50% floor at 2025) is estimated at € 1,908 bln higher RWA corresponding with -4.18% points impact on CET1 ratio. The RWA under the standardized approach do not take in to account the transitional preferential risk weights for Residential Real Estate (still subject to discretion of the national supervisor). If this is approved, CET1 would increase with 1.1% points.

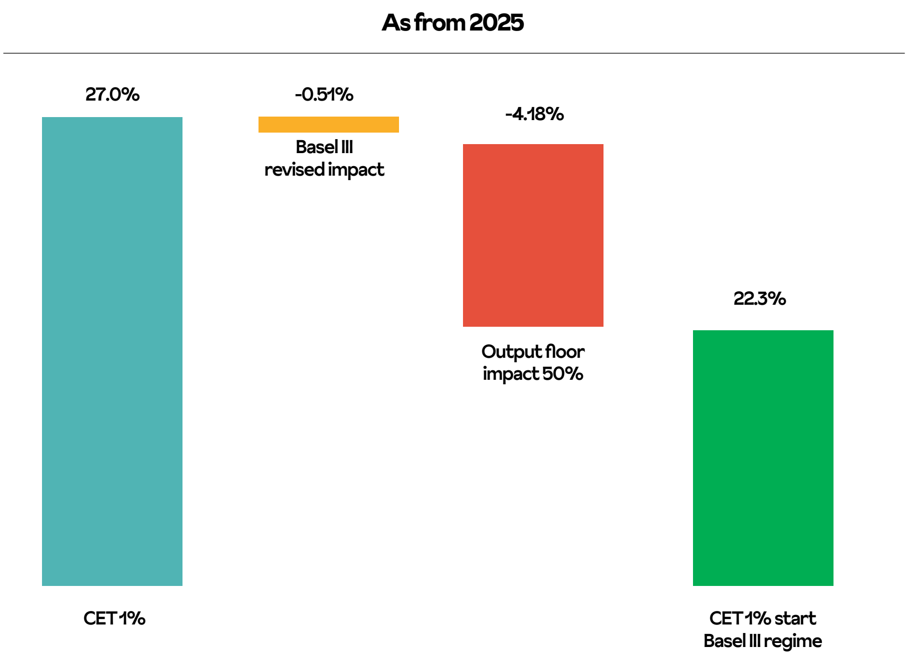
The combination of regulatory changes in the RWA calculations and the introduction of the output floor together with the transitional measures therefore results in a CET1 ratio decrease of -4.69% points leading to a CET1 ratio around 22%. The RWA under the standardized approach do not take in to account the preferential risk weights for Retail Real Estate (still subject to discretion of the national supervisor). If this is approved, CET1 would increase with 1.3% points.

Basel III finalization package has a long transitional phasing in until 2033 where the output floor gradually evolves to 72.5% of the full standardized approach and transitional agreements are phased out. Various important measures will mitigate the impact in the transitional period, for instance the Risk-Weighted Assets (RWA) will be capped at 125% of the unfloored level until 31/12/2029.

The fully loaded impact of CRR 3 on CET1 ratio of Crelan Group in 2030 is significant given its focus on low-risk assets and the non-recognition of mortgage mandates under the revised Standardized approach. This impact on capital ratios is a challenge for many European banks financing low-risk activities.

The implementation of CRR 3 will be predominantly offset through the evolution of Common Equity Tier 1 (CET1) capital. Crelan has strong internal capital generation via retained Earnings (the retention of profits underscores Crelan's substantial organic capital generation capacity), issuance of cooperative shares (Crelan intends to continue the issuance of cooperative shares in line with its cooperative nature and strategy) and other mitigating actions.

Figure 15 – CRR3 impact assessment based on simulation on end 2024 balance sheet



Crelan achieved a robust Common Equity Tier 1 (CET1) ratio of 27.0% at the end of 2024, significantly surpassing the European average of 16.1%, as per the Average SSM in Jun-24 ECB transparency exercise.

Crelan is committed to maintain a strong CET1 ratio even under the Basel III finalization package fully loaded in 2030 (Guidance 18%-22%).

The bank is convinced that it will be able to absorb these impacts and to respect the regulatory capital requirements at all times. In addition future requirements are expected to decrease further with the adjustment of the Pillar 2 requirement and the adjustment of the current Belgian systemic risk buffer on IRB Belgian residential real estate exposures.

Following internal analysis, the CRR3 implementation is unlikely to affect Crelan's credit ratings, which currently stand at A- by S&P and A3 by Moody's. S&P Global Ratings has expressed a similar sentiment, stating that there are no expected direct implications for EU bank ratings in their report titled "What Basel III Finalization Means For Bank Ratings."

4. Leverage risk

The leverage ratio is a supplementary measure to the Basel framework. It is defined as Tier 1 capital over the bank's total leverage exposure measure, which consists of both on- and off-balance sheet items. The aim is to constrain excessive leverage and to bring institutions' assets more in line with their capital. Qualitative information on the Leverage Ratio of Crelan Group is disclosed in template **LRA** in annex.

Crelan Group's leverage ratio according to current CRR legislation ('Delegated Act') at the end of December 2024 was at a level of 4.71%. The increase in Leverage ratio in 2024 is largely explained by the increase in Tier 1 Capital. In comparison with Q4 2023, the Tier 1 increased from € 2,389 mln to € 2,694 mln. On the other hand, the Leverage Exposure increased from € 55,049 mln to € 57,170 mln.

The different Leverage ratio components at consolidated level can be found in the table below.

Table 13 - Leverage ratio components at consolidated level

Leverage Ratio Components (in '000 EUR)	31/12/2024
Total SFTs	-
Total Derivatives	390,787
Total Other assets	55,691,915
Total On-balance	56,082,702
Total Off-balance	1,200,028
Deducted from T1 fully loaded	-112,294
Deducted from T1 transitional	-112,294
Temporary CB exposure exemption	-
Total leverage exposure fully loaded	**57,170,437**
Total leverage exposure transitional	**57,170,437**
T1 capital fully loaded	2,694,194
T1 capital transitional	2,694,194
Leverage Ratio fully loaded	**4.71%**
Leverage Ratio transitional	**4.71%**
Leverage ratio (excluding the impact of temporary exemption of central bank reserves)	4.71%

Template **LR1** in annex shows the reconciliation with the financial statements, while **LR2** gives a detailed overview of the different components of the leverage ratio. A split up of the other on-balance sheet exposures can be found in annex **LR3**.

4.1. Description of the processes used to manage the risk of excessive leverage

The Leverage Ratio is a measure of the capital risk so that the risk of excessive leverage is covered by the institutions' capital risk management governance. Capital risk management involves the Board of Directors, advised by the Risk & Compliance Committee, the Executive Committee, and the Risk Management and Finance departments. Information related to the General Governance can be found in the paragraph 2.1.

4.2. Description of the factors that had an impact on the leverage ratio

Main drivers of the leverage ratio:

Table 14 - Main drivers of the leverage ratio split by entity

KPI	Dec- 2024	Dec- 2023
Leverage Ratio	4.71%	4.34%
T1 capital (€ mln)	2,694	2,389
Total Leverage Ratio exposure (€ mln)	**57,170**	**55,049**

The increase in Leverage ratio in 2024 is largely explained by the increase in Tier 1 Capital. In comparison with Q4 2023, the Tier 1 increased from € 2,389 mln to € 2,694 mln. Both retained earnings and cooperative shares have seen a positive evolution in 2024. On the other hand, the Leverage Exposure increased from € 55,049 mln to € 57,170 mln.
Crelan Group largely exceeded its target of Leverage ratio above 4% at the end of 2024 and it will gradually further increase over time as the capital will increase to absorb the impact of the output floor.

5. Credit Risk

Crelan Group defines credit risk as the risk of loss associated with the obligor's incapacity to fully meet contractually agreed financial obligations.

The goal of credit risk management is to ensure that a (set of) credit event(s) would not significantly threaten the bank's solvency nor profitability. To reach this objective, credit risk exposures are maintained within strict boundaries. The effective management of credit risk is a critical component of a comprehensive approach to risk management and is essential to the long-term success of any banking organization.

General qualitative information about credit risk of Crelan Group can be found in template **CRA** in annex.

5.1. Credit Risk Management and Governance

Crelan Group's main business is to provide mortgage, professional, agricultural and consumer loans, with mortgage loans representing the most important share (see Table 2). These products are offered in Belgium only.

The management of Crelan Group's retail credit risk was last formalised in the course of 2024 with a review of the credit risk charter. This charter consists of the organisation, RAF, product approval processes and modelling requirements that must be followed internally to mitigate Crelan Group's retail credit risk exposures. This charter was completed by business and credit policies which provide the procedures for the day-to-day management of retail credit risks.

Given the good collateral coverage and the low probability of default of the loan portfolio, the risk profile of the total retail credit portfolio is low.

5.1.1. Governance

The governance of Crelan Group's retail credit risk management can be summarised as follows:

- Crelan Group's BoD and Executive Committee assume the responsibilities described in section 2.1 of this report;
- Crelan's Lending Risk Committee which scope covers the lending activities (among others): approval of the credit policies (acquisition, loan management, collections), follow up of credit review, steering of credit scoring and validation of methodology, principles of loan loss provisioning, governance on IRB models including yearly review & quarterly back testing, validation & follow up of operational triggers, follow up of the risk indicators & amount of provisions (specific or statistic) in order to respect the defined risk appetite for the lending activities. Its mission is to support the management of the bank's lending activities within all applicable regulatory limits and within the bank's RAF defined by the BoD;
- Credit business lines are responsible for the acquisition, management and recovery of retail credits. They act as the first line of defence in the management of retail credit risk. They are responsible to propose (or amend) retail credit products and policies;
- As a control function (independent from the business lines), Crelan Group's Risk Management department assumes the responsibilities described in section 2.1.2. They also act as Credit Risk Controlling Unit (CRCU);
- Crelan's modelling team sets up and maintains the appropriate risk indicators and models described below.

5.1.2. Risk Policy, limit framework and reporting

The purpose of credit risk management is to correctly identify and measure the credit risk on balance and off-balance sheet, to monitor the credit risk and to take the necessary actions to keep the credit risk within the risk appetite so preventing one or more credit events to materially affecting the solvency or profitability of the bank.

The risks on Crelan Group's Belgium mortgage loans, personal loans, agricultural loans and professional credits are managed in four phases (acquisition, management, remedy and recovery).

Retail credits are accepted on the basis of a set of acceptance standards and policy rules. More details can be found in section 5.3.2.

Template **CQ1** in annex shows the credit quality of forborne exposures, while **CQ3** gives a detailed overview of the credit quality of performing and non-performing exposures by past due days. Performing and non-performing exposures and related provisions can be found in annex **CQ4**. Finally, Templates **CQ7** and **CQ8** show the collateral obtained by taking possession and execution processes. The **CQ7** and **CQ8** templates are empty because Crelan Group does not obtain collateral that remains recognised in the balance sheet.

In compliance with regulatory expectations, Crelan Group performs stress testing for retail credit risk. The main goal is to assess the sensitivity of credit losses for the existing credit portfolio as well as to assess the solvency of the bank under stressed situations.

The evolution of credit risk is actively tracked as part of the reporting for the Lending Risk Committee which reviews the bank's risk on a regular basis. All these principles lead to a highly effective risk management system with control processes that prevent undesired manipulations. This system is strongly integrated into the operations of the "Retail Credits" division and is subject to continuous monitoring.

5.1.3. Portfolio

The Belgian loan portfolio consists mainly of mortgages (79%), professional (13%), agricultural loans (4%), consumer finance (4%).

Given the good collateral coverage and the low probability of default, the risk profile of the total credit portfolio is low.

5.2. Credit risk exposures

For the vast majority of Belgian loans, credit risk measurement is performed by means of Internal Rating Based (IRB) models at Crelan. A residual proportion of loans are still measured by the Standardised Approach. Europabank measures all its exposures with the Standardised approach. Crelan Group applies the Standardised approach for the investment portfolio and participations (investments), as seen in section 5.4.

The credit risk exposures are risk-weighted for 18% according to the Standardised Approach and for 82% according to the IRB. When only looking at the Retail portfolio, 93.5% is risk-weighted following IRB.

For on-balance sheet items, the net value is the gross carrying value of the exposure less allowances/impairments. For off-balance sheet items, the net value is the gross carrying value (nominal amount) of the exposure less provisions.

In the application of article 442(e) of CRR, a geographical breakdown of the net value of the exposures by exposure class is provided in the **CQ4** templates in annex.

For the performing on-balance exposures in template **CQ4ONperC** 97.1% is with respect to Belgian counterparties. The most important countries are listed in this template and only 0.2% is reported in the category other countries.

For the performing off-balance exposures in template **CQ4OFFperC**, 99.3% can be attributed to Belgian counterparties. The most important countries are listed in this template and only 0.2% is reported in the category other countries.

Information on the industry or counterparty type of exposures is provided in template **CQ5** in annex, in accordance with Article 442(e). The main sectors are agriculture, forestry and fishing (14%), wholesale and retail trade (12%) and construction (14%).

Obviously, Crelan Group's retail portfolio is mainly concentrated towards households. These households are serviced by Crelan Group by means of mortgage loans, consumer loans and credit facilities to current accounts. Furthermore, Crelan Group has some exposure towards non-financial and financial corporations. These exposures correspond to our professional loan portfolio targeting farmers, self-employed clients, independents and micro/small enterprises. A diverse mix of industry sectors are served by Crelan Group.

Following article 442(g), net exposures are broken down by residual maturity and exposure classes in template **CR1A** in annex.

Approximately 88% of Crelan Group's portfolio has a maturity of more than 5 years. Since Crelan Group's portfolio is mainly focused on mortgage loans, a higher maturity is in line with expectations

5.3. Credit quality

Article 442(a, c, d, e, f) requires institutions to disclose a number of credit quality templates. Template **CRB** in annex, provides additional information on the credit quality of Crelan Group's assets. An overview of performing and non-performing exposures of Crelan Group at the end of 2024 is given in template **CR1** in annex. Template **CQ5** in annex provides information on this topic.

5.3.1. Definition of default

Crelan has a definition of default for retail loans that is compliant with the uniform definition of default formulated by EBA.

The bank consider a client to be in default if one or more of the following conditions is fulfilled:

- The client is in litigation. In such a case, the contract with the client has been cancelled, and actions such as claiming guarantees are taken to recover the full amount of the exposure;
- The client has more than 90 days past due of material arrears. The materiality threshold for the arrears is set € 100 and at least 1% of the exposure of the client;
- The client is "unlikely to pay". The banks perceive indications that the client will most likely not be able to fully satisfy its credit payments without possible claim on the guarantees. Indications of unlikeliness to pay include bankruptcy, fraud, contagion through connected clients, and deterioration of credit worthiness of forborne loans.

In case a client is in the 2 last categories, it is referred to a "possible loss". On the contrary, a credit/facility which is in litigation is said to be doubtful.

Facilities of client in default are considered to be impaired and thus a specific provision are accounted for. That provision is assessed using an individual approach. At that moment an evaluation should always be made if this default has an impact on the estimated future cash flows of the financial asset, and if accordingly, an impairment loss should be recognized.

5.3.2. Acceptance policy

Crelan uses a selective and prudent uniform acceptance policy. The new production is characterised by a high quality and the entire credit portfolio showed a good performance despite the current macroeconomic challenges such as the energy crisis.

5.3.3. Credit quality stages

5.3.3.1. Performing – Stage 1

Under IFRS 9, within the segment of performing loans, a distinction is made between loans without any significant increase in credit risk since origination on the one hand and loans with a significant increase in credit risk since origination on the other hand. Loans that are in the performing segment without any significant increase in credit risk are categorised as Stage 1. For Stage 1, the impairments are recognized for a 12-month expected credit loss. If none of the qualitative or quantitative triggers as described in Stage 2 and 3 are triggered, a loan is categorised in Stage 1.

5.3.3.2. Underperforming – Stage 2

Crelan considers the following conditions, both quantitative as qualitative, to attribute to a significant increase in credit risk (SICR) and therefore the loans are categorized as Stage 2 (underperforming):

- Days past due greater or equal to 30;
- Negative listed in CKP[10] database;
- Forbearance measures on credit.
- Current PD rating in the worst bucket (rating 9/E).
- Current rating downgraded outside RAF after the origination (rating C or lower).
- Rating downgrade resulting in a 12-month PD increase of at least 200% compared to origination.
- Transfer to the watch-list by decision of the credit committee, based on negative qualitative signals identified during the reviews and monitoring process of the portfolio.

If one single qualitative or quantitative trigger condition is met, the loan will be classified as Stage 2.

5.3.3.3. Non-performing – Stage 3

Stage 3 contains all loans in default; see section 5.3.1 for its definition. When a client becomes non-performing, an impairment loss should be recognized on all his exposures. At that moment an evaluation should always be made if this default has an impact on the estimated future cash flows of the financial asset.

Furthermore, the default status is fully aligned with the 'non-performing' and 'impaired' statuses and hence with stage 3.

5.3.4. Specific and General credit risk adjustments

Based on the CRR definition, credit risk adjustments are the amount of specific and general loan loss provisions for credit risk that has been recognised in the financial statements in accordance with the applicable accounting framework. The Consolidated Financial Statements of Crelan Group are drawn up in compliance with the IFRS – including the International Accounting Standards (IASs) and interpretations as accepted within the European Union.

Under IFRS 9, the credit risk and the potential associated credit losses are captured through the expected credit loss principles and all credit risk adjustments are categorised as specific. There is no general loss allowance as defined under the Bank Accounts Directive (Council Directive 86/635/EEC).

All expected credit losses calculated through internally developed statistical models and other historical data are considered being collectively measured allowances.

All loans in default (defaulted (pre-contentieux) and denounced (contentieux)) have individually measured allowances.

Crelan Group calculates expected credit losses starting from the initial recognition of the loan on the balance sheet. For loan commitments, the date that Crelan Group becomes party to the irrevocable commitment, is considered to be the date of initial recognition for the purposes of applying the impairment requirements.

10 Database at the NBB listing all credits a natural person has across all financial institutions and companies that grant credit facilities.

Based on the following key inputs:

- Exposure at default;
- Loss given default;
- Probability of default;

expected credit losses are calculated as a probability-weighted outcome based on 3 scenarios: an up-turn scenario, a base scenario and a down-turn scenario.

Crelan Group uses a separate provision account, which reflects the impairment special depreciation, undergone by the underlying financial asset as a result of credit losses. The calculation of the expected losses also takes into account the impact of the time value and the related adjustment is recognised through the interest yield.

Negative differences between the calculated recoverable amounts and the carrying amount are recognised in the income statement as an impairment loss.

Each increase due to a downswing is recognised through the addition for impairment accounts in the income statement.

Each decrease due to objective indicators that show that the recoverable amount increases as a result of an improvement in the assessed recoverable cash flow, is accounted for through the write-back of impairments in the income statement account. However, it shall never lead to an amortised cost, which would be higher than the amortised cost if no impairment depreciation had taken place.

The provisions are directly booked against the receivables if there is no possibility of recovery.

5.3.5. Definition of Past due

The definition of days past due reflects the number of days between the date of reporting and the oldest unpaid date..

5.3.6. Definition of Forbearance

Forborne exposures are debt contracts for which forbearance measures have been taken. Forbearance measures consist of concessions towards a borrower facing or about to face financial difficulties. Forbearance measures can be taken only if there is a mutual agreement between the borrower and the bank on these measures.

The debt contract enters forbearance when one of the following measures has been taken:

- A modified facility was or would have been classified as default in the absence of modification. A modification means a change of terms and conditions to an existing contract;
- The use of embedded forbearance clauses in a credit contract for a borrower who is or would be considered as default without the use of these clauses;
- A refinancing, meaning the granting of new credits, used simultaneously with or close in time for the partial or total payment of principle or interest in other credits for which the borrower is unable to comply with under the current terms.

In case the forborne facility is considered non-default, the PD assigned by the model will be applied. However, it is expected that the assigned PD is higher than the PD assigned to borrowers/files with similar credits but without forbearance measures, reflecting the higher risk on default of the forborne facility.

In case the forborne facility is considered or becomes default, the PD has to be assigned according to the rules set out in the Definition of Default.

In case a facility is classified as forborne, a “forbearance flag” has to be attached to this facility. A facility is categorised for its entire amount and without taking into account the existence of any collateral.

In accordance with Crelan Group’s IFRS 9 provisioning policy a facility tagged as “forborne” will always be allocated to Stage 2. This only applies to non-defaulted exposures, since defaulted exposures are always classified as Stage 3.

If a facility has been assigned the defaulted status (before or at the time of forbearance measures are granted), the forborne facility must remain defaulted for at least one year. Only upon strict conditions the facility can be reclassified as non-defaulted.

A forborne facility with a non-defaulted status will be tagged as forborne for at least two years after the forbearance measure has been granted, or after the facility becomes non-defaulted. This forborne tag can only be removed when strict extra criteria have been met.

At the end of 2024, forborne loans accounted for 1.2% of our total loan portfolio. More details concerning the credit quality of the forborne exposures can be found in template **CQ1** in annex.

5.3.7. Credit Risk Mitigation (CRM)

Crelan defines in its credit policies the need to establish collaterals to mitigate the credit risk.

5.3.7.1. Policies and processes for collateral valuation and management

The collateral valuation process at Crelan Group is in line with the EBA Guidelines on Loan Origination and Monitoring. At the moment of establishing a mortgage inscription or mandate, a valuation of the underlying real estate is done.

Crelan Group relies on an external partner for the valuations. On the one hand, for residential properties the valuation of the real estate is done by means of a desktop valuation or a valuation based on advanced statistical models which are able to provide a reliable estimation of the property values. On the other hand, for commercial properties the valuation is done by an appraiser.

Once the collateral is established, a regular revaluation of the underlying real estate is done based on global statistics how Belgian's real estate market is evolving (so called indexation process).This valuation technique is applied on residential as well as commercial real estate, yet the valuation of commercial real estate is done in a more prudent way given the higher volatility.

For Counterparty credit risk only high-quality sovereign securities or cash are accepted as collateral, a daily valuation takes place combined with daily margin calls to and from counterparties.

5.5.3.7.2. Main types of collateral received

Based on the type of product offered, there are different types of collaterals given.

Collateral for mortgage loans

The credit is typically secured by a mortgage (inscription or mandate) on immovable property (full ownership) in Belgium. The property should be normally marketable.

The mortgage that must be provided can be reused in the context of potential subsequent mortgage loans (and even used for other loans).

Collateral for professional loans

These collaterals are the following:

- Tangible collaterals concern a property, movable or immovable, with an intrinsic value, in most of the cases a mortgage inscription or mandate;
- Personal guarantees consist of claims against a person;
- Moral undertakings provide no means of enforcement to the bank and rely on the honesty of those that have issued them.

Collateral for agricultural loans

They are similar to the professional loans with mortgages and mandates on the immovable properties (including land) and pledges on the movable assets (equipment, cattle, ...).

Collateral for consumer loans

For consumer credits transfer of debt collection or act of relinquishment of wages and other income is used as collateral. For clients who also have a mortgage loan, the mortgage can also be considered as collateral.

Valuation policy for non-performing loans

Clients with loans in arrears are a limited part of the bank's portfolio but applying an indexation approach might not be appropriate for these loans as the assessment of potential losses more heavily rely on the property values at this stage. Crelan Group therefore performs an external valuation at the moment of becoming doubtful for those properties for which no recent (i.e. ≤ 3 year) individual valuation is available. A yearly verification will be performed to ensure the last external valuation is less than 3 years old. In case of older external valuations, a (new) valuation will be performed.

5.3.7.3. CRM techniques

An overview of unsecured and secured exposures can be found in template **CR3** in annex.

5.3.8. Changes in the stock of credit risk adjustments

Since the start of IFRS 9 at the beginning of 2018, all credit risk adjustments are categorised as specific..

5.4. Standardised approach (SA)

5.4.1. Portfolios under the standardised approach

Crelan Group uses the standardized approach for determining the credit risk for a limited part of its portfolio. Europabank measures all its exposures with the Standardised approach as since they target a specific client segment (clients with a slightly higher risk profile). The standardised approach measures credit risk either pursuant to fixed risk weights, which are predefined by the regulator, or through the application of external ratings.

More specifically, the standardized approach is used to determine the credit risk of:

- Derivatives and repos;
- Investment portfolio;
- Participations;
- Other small portfolios.

These exposures are discussed in detail in the next section.

5.4.2. Exposures under the standardised approach

Credit risk exposures presented before and after CCF/ CRM can be found in template **CR4** in annex.

The credit conversion factor converts the notional amount of credit lines and other off-balance sheet items to an exposure at default.

Exposures under the standardised approach broken down by risk weight can be found in template **CR5** in annex.

5.4.2.1. Derivatives and repos

The exposure on derivatives and repos is calculated according to the standardized approach for counterparty credit risk (SA-CCR) and is therefore set out under the section 6 'Counterparty Credit Risk'.

5.4.2.2. Investment portfolio

The investment portfolio of Crelan Group serves as a liquidity buffer (HQLA) as well as a way to capture the interest rate and credit risk premium to generate profits. To make sure this remains within Crelan Group's risk appetite, risk management monitors its investment portfolio in terms of:

1) 1) Adequacy of securities for calculation of the liquidity coverage ratio (see chapter 10 Liquidity Risk).

2) Adequacy of securities for calculation of the solvency ratio.

The BSRC received a delegation from the Executive Committee to manage Crelan Group's investment portfolio. Among others, it takes decisions regarding the issuer's eligibility and approves proposed investments and disinvestments. The BSRC works within the Risk Appetite context which has been approved by the BoD.

The expected credit losses of the investment portfolio under IFRS9 also falls within the scope of the BSRC. This committee is responsible for the model of expected credit losses of the investment portfolio including the management overlay. This committee discusses model design documents and model validation documents and takes model decisions (including staging logic).

The investment portfolio of Crelan Group mainly consists of high-quality sovereign bonds (72%), covered bonds (15%) and regional government paper (11%). A minor portion of the investment portfolio (less than 1.0%) is allocated to private equity and debt investments, while the bank also holds a minor exposure of 0.3% to real estate certificates. These portfolios are in run-off.

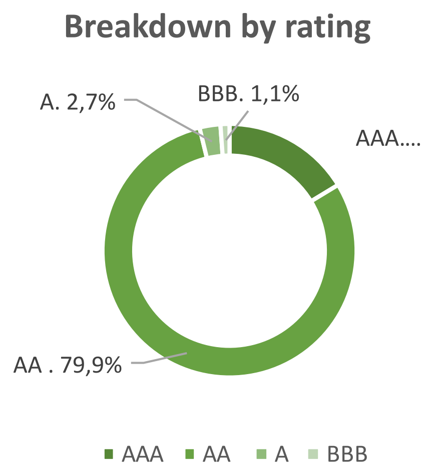
At the end of December 2024, the total investment portfolio amounted to € 1.85 bln. The next table illustrates the different exposure classes in Crelan Group's investment portfolio:

Table 15 - Different exposure classes of the investment portfolio

Exposure class	% of portfolio
Government bonds	72.4%
Covered bonds	15.4%
Regional Government Paper	11.0%
Private Equity	0.9%
Real Estate	0.3%
Funds	0.0%
Public Sector Entities	0.0%
Financial institutions	0.0%
Corporates	0.0%

Moreover, the credit ratings and market price changes of Crelan Group's positions are being carefully monitored to examine the vulnerability of the investment portfolio to a number of credit risk adverse developments.

Figure 16 - Investment portfolio
Breakdown by rating



Geographically, the investment portfolio fully consists of securities issues by members of the European Union

Table 16 - Geographical breakdown of the investment portfolio

Geographical breakdown	% of portfolio
European Union	**100%**
Belgium	73.9%
France	15.6%
Netherlands	3.6%
Austria	3.3%
Germany	1.6%
Spain	1.4%
Finland	0.6%

5.4.2.3. Participations

Crelan Group has a limited participations portfolio (€ 13 mln at the end of December 2024). These shares represent participating interests in non-consolidated subsidiaries (Beran NV) and financial intermediary entities (e.g. Visa Belgium, Payconiq).

5.4.2.4. Other small portfolios

Some other small portfolios are treated under the Standardised Approach. It concerns among others tangible assets and other receivables.

A very small part of the retail credits that because of their size do not longer qualify as "Retail" is allocated to the exposure class "Corporate" and treated following the Standardised Approach. Small retail portfolios such as tax credits, guarantees and negative current accounts are also treated under the Standardised Approach.

Deferred tax assets that rely on future profitability and arise from temporary differences below threshold is also part of the Standardised Approach.

As already mentioned, Europabank measures all its credit exposures with the Standardised approach (see 1.7.2).

5.5. Internal ratings based approach (IRB)

5.5.1. General

Within Crelan Group[11] both Crelan and former ABB received the approval from the NBB/ECB to apply the (A) IRB approach to their Belgian retail credit activity. This is the most sophisticated approach available under the regulatory framework for credit risk and allows a bank to make use of internal credit rating models and subsequent internal estimates of risk parameters. These methods and parameters represent key components of the bank's internal risk management and process supporting the credit approval process, the economic capital, provisions and expected loss calculation and the internal monitoring and reporting of credit risk. Former ABB received NBB's permission in 2008 while Crelan in December 2011. For former ABB the approval to use the IRB approach was reconfirmed by the ECB after the Targeted Review of Internal Models (TRIM) in 2017. In Q4 2022 IRB models for former ABB were recalibrated towards the new definition of default while respecting the regulatory guidelines on internal modelling in line with the EBA repair program. In the same way, former ABB implemented in December 2023 changes in its LGD model in line with the EBA Guidelines on downturn estimation. A new expected loss best estimate model was also implemented.

An harmonised IRB landscape of Crelan and for the legacy ABB portfolio has been developed in 2023/2024, and an on-site inspection by the supervisors was conducted end 2024, until end January 2025. An official exit meeting is expected for early March 2025. Afterwards the inspection report will be analysed by the JST and its horizontal team. The decision is expected by end of the year/early 2026.

Qualitative information related to IRB approach applied at Crelan Group can be found in template CRE in annex.

5.5.2. Internal credit rating models

Within Crelan Group both Crelan and the former ABB entity received the approval from the NBB/ECB to apply the (A)IRB approach to their Belgian retail credit activity. The relevant parameters include the:

- Probability of Default (PD) of retail credits;
- Loss Given Default (LGD);
- Exposure At Default (EAD), including Credit Conversion Factor (CCF)

The input data of these models consist of product characteristics, socio-demographic data of applicants, financial data and external data that must meet certain quality criteria. Given the vast amount of available information it was possible by means of statistical techniques to develop rating models that are highly powerful in predicting future default behaviour.

PD models assign a score to each loan, based on product characteristics and borrower criteria. Based on these scores, PD classes are formed and a long-run PD is attached to each class. This long-run PD is the historic average default rate. This way at Crelan, 11 PD classes are created, rating A+ being the class with the lowest risk and rating E with the highest risk. Rating classes F and Z contain defaulted loans. For ABB portfolios 10 PD classes are created, 1 being the class with the lowest risk and 9 with the highest risk. The 10th class contains defaulted loans.

The LGD models estimate the size of the loss for loans that default. A workout LGD approach is taken for that purpose. Levels of losses are discriminated thanks to several characteristics such as e.g. the value of the guarantee that backs the loan. LGD is constructed based on two separate elements: the probability of cure and the loss given recovery. The combination of both elements results in a final LGD grade, to which a correction is done to take into account downturn conditions.

11 Crelan Group receives a Permanent Partial Use (PPU) of the IRB approach. Exposures to corporates, central governments, central banks and institutions are excluded from the scope. In the same way, some specific retail products are also in PPU approach. Those products are the Biznes Fisc and the Budget +. They are capitalised in the standardised approach. For a view on the materiality of the scope of application of the IRB approach see template **CR6A**.

The EAD is the amount due by the borrower at the time of default. This amount includes the outstanding capital at the time of default, past due capital repayments and interests and fines. For unused credit lines and offers in the pipeline, CCF models have been developed based on historical data. These models estimate the proportion of the off-balance sheet that will be drawn by the customer at time of default.

As part of the model development, there is a calibration process, linking the rating and the PD/LGD. This calibration is revised and adjusted – if necessary - during the model review process.

5.5.3. Expected losses (EL)

These are the expected value of losses due to default over a specified horizon. EL is calculated by multiplying the Probability of Default (percentage) by the Loss Given Default (percentage) and the Exposure at Default (amount). It is considered as an expectation due the Probability of Default factor.

However, for the defaulted portfolio, the best estimate expected loss is based on the LGD estimate corrected for regulatory requirements when necessary.

PD, LGD, EAD and EL form the building blocks for calculating the capital requirements for credit risk under IRB approach.

5.5.4. Impairments

As of 2018, impairment losses are recorded according to IFRS 9 requirements (calculated on a lifetime expected credit loss (ECL)) for defaulted loans and on a 12-month or lifetime ECL basis for non-defaulted exposures, depending on whether there has been a credit risk deterioration and a corresponding shift from Stage 1 to Stage 2. Specific IFRS 9 models are used for this purpose which are in fact extension of the existing rating models (see section 5.3.3 for more information on the impairment stages).

5.5.5. Control mechanisms for rating systems

The 3 lines of defence principle is applied on the rating system. The Risk Analytics team is responsible for the development, maintenance and performance monitoring of the models in the IRB approach. Next to that, the Validation team acts as second line of defence, controlling and validating in accordance with internal guidelines the modelling activities performed by the Risk Analytics team. Finally, Crelan Group's internal audit is the third line of defence, performing internal audit on model related items following the audit process in place.

5.5.5.1. Risk Analytics team

The Risk Analytics team performs the modelling work related to the IRB rating system (e.g. model development). The team also controls its quality by performing a set of qualitative and quantitative controls on its performance. They can be grouped into 2 broad categories: model monitoring and stress testing.

A quantitative model review is performed by the modelling team every year. This review focuses on the quality of the estimates and compares them to the observations. In case of sub-optimal performance, actions are taken to remediate the identified issue. This exercise and its outcomes are independently validated (see 5.5.5.2 below) and should be endorsed by both the CRO and the LRC.

Stress testing covers both stressing of the model and comparison of model outputs to stress losses. The outputs of the model might be examined under conditions of stress, where model inputs and model assumptions might be stressed. This process can reveal model limitations or highlight capital constraints that might only become apparent under stress. Through a complementary programme of stress testing, the bank may be able to quantify the likely losses that the firm would confront under a range of stress events.

Comparison of stress losses against model-based capital estimates may provide a degree of comfort of the absolute level of capital.

5.5.5.2. Validation

The model validation function covers all Crelan Group's models. The model validator is:

- responsible for providing technical validation advice to the CRO and relevant Management Board subcommittee at each model lifecycle event[12], or ad hoc at the request of the CRO or other internal stakeholders. In this advice, the validator checks whether, based on a variety of analyses, a model is expected to perform in accordance with its requirements (design objectives and business applications) or not. During the development of the model, the validator will also, at the request of the model owner, provide non-binding advice to the model developers;
- the single point of contact for all model owners;
- In charge of maintaining an overview of all planned lifecycle events and the associated validation work, checking that agreed review frequencies are respected;
- responsible for measuring model risk in a uniform manner via the scoring methodology;
- accountable for the model inventory.

The Model Risk Management Framework and its associated guidelines for IRB models (modelling guidelines, implementation guidelines, monitoring guidelines and validation guidelines) ensure compliance with regulatory requirements.

For Pillar 1 models, the model owner must review the model at least annually. Each review needs to be validated with independent testing by validation. Every three years, a more extensive validation is required.

The internal validation function is part of the Enterprise Risk Management team, reporting to the CRO of Crelan Group. The model development of the IRB models is done by the Risk Analytics team which is also reporting to the CRO. Model development and internal validation have then two different reporting lines to the CRO. This is crucial in order to safeguard independence of the internal validation function.

5.5.5.3. Audit

Internal Audit is an independent function that acts as third line of defence. The team performs audits on the IRB rating framework following the audit process and reviewing the compliance of the rating system with applicable requirements. Audit adds then an additional level of controls on the rating systems, as well as on the stakeholders involved (i.e. Risk Analytics team and Validation team). Internal Audit performs a follow-up of recommendations issued by supervisors.

5.5.6. Exposures using the IRB approach

In template **CR6AIRB** in annex, a more detailed view is given of how Crelan Group's credit portfolio is distributed over the PD ranges per exposure classes including information required for the calculation of risk-weights. In Crelan Group's internal rating system the rating class is the main driver to allocate a credit exposure in an EL grade (which combines PD and LGD parameter) as the LGD outcomes show less variation compared to the PD outcomes.

The exposure class 'retail' is split into "Retail secured by real estate property" and "Other Retail", identifying separately each of the categories of exposures to which the different correlations in article 154(1) to (4) correspond.

In templates **CR7** and **CR7A** in annex, the effect of the synthetic SRT on Crelan Group's RWA is shown. In Q4 2020, a synthetic securitisation with Significant Risk Transfer has been issued as explained in chapter 8 to

12 Model life cycle refer to (1) model creation, (2) model monitoring & review, (3) model change, and (4) model retirement.

support the growth of the loan portfolio while optimising the risk-return balance.

According to article 452(j)(i) of the CRR, institutions using own LGD estimates for the calculation of risk-weighted exposure amounts, should disclose the exposure-weighted average LGD and PD in percentage for each relevant geographical location of credit exposures for all exposure classes specified in Article 147 and for each category of exposure to which the different correlations in Article 154 (1) to (4) correspond. As 99.4% of all IRB exposures are Belgian, Crelan Group decided not to disclose this data because of its immateriality.

Template **CR8** explains the main drivers of the evolution of IRB RWAs compared to the previous period (situation on 31/12/2023).

5.5.7. Estimates against actual outcome

Each year, all internal models are profoundly reviewed and if the performance of the models is no longer in line with quality levels, model adjustments/redevelopments are done to ensure an appropriate quality level for the models used for credit risk management.

The results of the back-testing of PD per exposure class can be found in templates **CR9AIRB** in annex.

5.5.8. Regulatory floors

Crelan Group applies the regulatory 10% LGD floor to its residential mortgage loans and 15% LGD floor to its commercial mortgage loans. Those floors will be reviewed upon the entry into force of the CRR3 regulation on 01 January 2025. The new regulation will introduce stricter requirements, resulting in more conservative floors..

6. Counterparty credit risk

6.1. General

Crelan Group[13] incurs counterparty credit risk to high quality counterparties through its treasury and ALM activities.

Crelan Group engages in different types of derivates in order to hedge its balance sheet risks and incurs counterparty credit risk on these derivatives. Next to derivatives, Crelan Group is also exposed to counterparty credit risk through (reverse) repurchase agreements (repo), which it trades in context of its liquidity management.

Risk weighted assets on derivatives are calculated according to Chapter 6 of the CRR2, using the Standardized Approach for Counterparty Credit Risk (SA-CCR) as seen in template **CCR1** in annex. SFT's are risk-weighted following the Chapter 4 of the CRR2 using the Financial Collateral Comprehensive method. A breakdown by exposure class and by risk weight using the Standardized Approach is provided in template **CCR3** in annex. Template **CCR4** is not reported as Crelan Group only applies the Standardised approach to calculate counterparty credit risk (SA-CCR).

Qualitative disclosure template related to CCR, **CCRA** can be found in annex.

6.2. Governance

The governance of Crelan Group's counterparty credit risk management can be summarised as follows:

Crelan Group's Board of Directors and **Crelan Group's Executive Committee** assume the responsibilities described in section 2.1 of this report.

Crelan Group's BSRC receives a delegation from Crelan Group's Executive Committee to manage Crelan Group's counterparty credit risk. Among others, it is the responsibility of the BSRC to monitor the adherence to the RAF for counterparty credit risks that has been approved by the BoD. Besides that, it also monitors compliance to the operational limit framework and takes decisions regarding new or existing counterparties. Crelan Group will finalize a joint counterparty credit risk limit framework in the course of 2025.

Crelan Group's Balance Sheet Management team, consisting of Treasury, ALM and Capital Market Execution, is the first line of responsibility for the management of counterparty credit risks.

As a monitoring & control function (independent from the business lines), **Crelan Group's Risk Management** department assists the bank's BoD, Executive Committee and BSRC in managing the bank's counterparty credit risk.

6.3. Risk policy, limit framework and reporting

6.3.1. Strategies and processes

For the derivatives and repo activities, it is Crelan Group's strategy to minimise credit risk by collateralising as much as possible to reduce the loss given default. At the same time, only well rated counterparties are used in order to reduce the probability of default. The increasing use of a qualifying central counterparty (QCPP) fits in this strategy as well.

Exposures to CCPs can be found in template **CCR8** in annex.

6.3.2. Limit framework

Crelan Group will finalize a joint operational limit framework in 2025, which will be regularly followed up by the BSRC. The BSRC also approves individual counterparties and sets limits per counterparty.

13 Europabank is not subject to counterparty credit risk.

6.3.3. Reporting and measurement systems

Crelan Group maintains two complementary reporting and measurement systems: regulatory and internal management.

Crelan Group measures its minimum regulatory requirements for counterparty credit risk according to the Standardised Approach for Counterparty Credit Risk (SA-CCR) on a quarterly basis. Besides that, Crelan Group is also subject to the large exposures limit framework described in part IV of the CRR2 regulation. On a quarterly basis, a large exposure report is submitted to Crelan Group's regulator.

Besides the regulatory measures, Crelan Group measures its counterparty credit risk exposures using an internal method.

6.4. Policies for hedging and risk mitigation

Crelan Group has implemented collateral agreements with derivative and repo counterparties which allows to reduce the counterparty credit risk on these counterparties. Besides that, Crelan Group can apply netting under its derivatives contracts which means it is allowed to offset opposite derivative exposures. Additional qualitative information related to CRM techniques applied by Crelan Group can be found in template **CRC** in annex.

6.4.1. Netting

In the contractual documentation with all of its counterparties, Crelan Group has ensured it is allowed to reduce positions with positive market value by deducting those with negative value and only exchange the net amount. The netting that Crelan Group applies, is recognised from a regulatory perspective and is considered as a risk mitigant on all counterparties. It should be noted that the scope of netting as risk mitigant is broader than the scope of 'accounting offsetting' under IAS 32 – Financial Instruments – Presentation, which requires more conditions to be fulfilled.

6.4.2. Collateral

Policies and processes for collateral valuation and management

In order to mitigate the counterparty credit risk exposure on the derivatives and repo activity, Crelan Group has foreseen in the exchange of collateral in the contracts with its counterparties. It is Crelan Group's policy to implement collateral agreements with the following properties:

- Cash collateral or high-quality government/ covered bonds (with application of haircuts). This ensures Crelan Group's ability to quickly realise the collateral with a minimum of loss upon counterparty's default;
- Daily measurement of exposure and exchange of collateral;
- No threshold and a minimum transfer amount of maximum €1 mln;
- Re-use of collateral is allowed, which greatly reduces the burden on Crelan Group's liquidity.

The back offices of Crelan Group manages the collateral valuation and margin call process using front-to-back IT applications. It issues margin calls, reviews margin calls received by counterparties and involves middle office and risk management in case of more complex valuation discussions.

Main types of collateral

Crelan Group receives mostly cash collateral under derivative contracts, avoiding any concentration issues on that side. For repo/reverse repo transactions the bond leg of the transactions is restricted to high quality government or covered bonds. This strict policy in terms of eligible collateral may result in some concentration risk but Crelan Group believes this is acceptable given the quality of the issuers.

Composition of collateral

Template **CCR5** in annex presents the composition of collateral for counterparty credit risk exposures.

Impact given a credit rating downgrade

In the unlikely event that the bank was to be downgraded with 5 notches, Crelan Group would need to post variation margin under the derivative positions with its subsidiary CHL SCF. This downgrade trigger is set by the rating agencies and ensures that the covered bonds issued by CHL SCF would not lose their triple A rating and/or ECB-eligibility when the bank is downgraded.

Crelan Group's collateral contracts with external counterparties do not foresee any additional posting of collateral in case its credit rating is downgraded.

6.5. Exposures to counterparty credit risk

6.5.1. Exposure at default

In this section, we give an overview of the exposure at default related to derivative and (reverse) repo transactions. The regulatory definition is used, that considers the nature of the instruments and simulates the exposure amount in case of counterparty default. This exposure is used to calculate the risk weighted assets and the capital requirements.

Repo & reverse repo

The regulatory exposure of the repo activity is calculated in the following manner:

- The exposure is calculated on a transaction-by-transaction basis (no netting set used);
- Supervisory volatility adjustments are applied to non-cash securities received/posted under the repo transaction. These haircuts reflect the possible negative evolution of the securities exchanged.

On 31 December 2024, the regulatory exposure of the repo activity amounted to € 54.61 mln

- Of which € 20.89 mln is caused by the difference between exposure and collateral received;
- Of which € 33.72 mln is the result of the supervisory volatility adjustment applied to securities posted and received.

Derivatives

Crelan Group measures its minimum regulatory requirements for counterparty credit risk according to the Standardised Approach for Counterparty Credit Risk (SA-CCR). The exposure under SA-CCR consists of two components: the replacement cost and the potential future exposure.

- The replacement cost represents the loss that the bank would face if a counterparty were to default at the present time. As Crelan Group can apply netting under its derivative contracts, it is legally allowed to offset positive and negative derivative market values in the calculation of the replacement cost;
- The potential future exposure is a risk factor and reflects the possible negative evolution of the transaction value in case of counterparty default;
- The current exposure and the potential future exposure are summed and are multiplied by the regulatory 1.4 alpha factor. The outcome of this calculation gives the exposure at default per counterparty.

The aggregated results as of 31 December 2024 are as follows::

- The replacement cost amounts to € 688 mln. The largest part of this amount (€ 677 mln) stems from the high collateral requirements of the central counterparty LCH Clearnet;
- The total potential future exposure amounts to € 256 mln;
- After applying the regulatory alpha factor of 1.4, we arrive at a total exposure at default of € 1,322 mln. This reflects the exposure under stressed market conditions and assuming the simultaneous default by all counterparties.

Table 17 - Derivatives collateral Crelan Group

In mln €	Variation Margin	Initial Margin
Bilateral	83	0
Centrally cleared	662	677

Crelan Group has very high standards regarding the quality of its counterparties, none of the derivatives or repos is past due or impaired.

6.5.2. Concentration risk

Crelan Group follows the regulatory requirements regarding the limitation of large exposures, where exposure to a group of affiliated counterparties may not exceed 25% of the eligible capital. Due to diversification of counterparties, the concentration risk at Crelan Group is very low: there are no exposures on connected client groups that exceed 10% of eligible capital.

6.5.3. Credit quality step per product

In the table below, the total exposure after collateral is split per product type and per credit quality step. The credit quality step is a function of the rating assigned to the counterparty. We show transactions with the QCCP separately as they are treated differently in capital regulations as well.

Table 18 - Credit quality step Counterparty Credit Risk

Product	Quality step	Portion of notional amount 31/12/2024
Derivatives	1st step	0.2%
	2nd step	19.4%
	3th step	0.0%
	QCCP	80.4%
SFTs	1st step	0%
	2nd step	100%
	QCCP	0%

6.5.4. Wrong way risk exposures

Wrong way risk arises when the exposure on a counterparty is positively correlated with the likelihood of default of that same counterparty, i.e. the exposure on a counterparty will increase when the credit quality of the counterparty decreases.

Two types of wrong way risk can be distinguished:

(i) Specific wrong way risk

(ii) General wrong way risk

Specific wrong way risk can arise from the structure of the transaction, for example when the exposure on a counterparty is collateralised by securities issued by the same counterparty. Crelan Group occasionally incurs a small amount of wrong way risk in its repo activity. From time to time, repos are traded for which the exposure is collateralized by securities issued by the same counterparty. This wrong way risk is limited as the securities received as collateral are covered bonds. These bonds offer an additional security as they are covered by residential mortgages. Due to the additional security from the covered bonds, the CRR (Article 207) does not consider this as wrong way risk. However, to be conservative, we do apply an additional risk add-on in the internal risk calculation. Crelan Group incurs no specific wrong way risk on its derivative portfolio as only cash collateral is exchanged.

General wrong way risk arises when general market factors influence the exposure and creditworthiness of counterparties. Crelan Group monitors general wrong way risk by taking into account a risk factor in its derivative exposure calculation. This risk factor reflects the potential negative evolution of the transaction under stressed market circumstances. These exposure amounts and limits are governed by the BSRC.

6.5.5. Credit valuation adjustments

Credit valuation adjustment (CVA) is the risk of loss caused by changes in the credit spread of a counterparty of derivative transactions due to changes in its credit quality.

Since the implementation of Basel III in 2014, the capital requirement for this risk is integrated in the risk volumes (see template CCR2 in annex).

Most derivatives are cleared trough the qualifying central counterparty, LCH Clearnet. As limited credit risk in incurred on the clearing house, cleared positions are excluded from the CVA RWA calculation. Asides cleared transactions, Crelan Group holds a limited amount of bilateral OTC derivatives. These bilateral derivatives are only executed with high-quality counterparties with a minimum rating of BBB- at inception.

The high degree of clearing and the high credit quality of bilateral counterparties, results in a low CVA risk. On the 31 December 2024, the total CVA RWA amounted to € 96.5 mln. Crelan Group measures its own funds requirements for CVA risk according to the Standardised method (article 384 of the CRR). Under CRR 3, Crelan Group will apply the Basic Approach to Credit Valuation Adjustment Risk (BA-CVA) – Reduced.

6.5.6. Default fund contribution (DFC)

The ‘risk exposure amounts for contributions to the default fund of a CCP’ refers to the own funds requirements for the exposures arising from its trade exposures to a central counterparty and its default fund contribution. The calculation is based on Article 308 of the CCR.

As Crelan Group is not a direct clearing member for derivatives and executes it trades through clearing brokers HSBC and ABN Amro, it does not need to contribute to the default fund.

On the other hand, Crelan Group acts as a direct clearing member of LCH for repos and therefore pays a default fund contribution for repos. Although Crelan Group had no repos outstanding with LCH at the end of 2024, it is still required to post a minimum default contribution amount. At the end of December 2024, the default fund contribution amounted to € 2.5 mln which resulted in a risk weighted amount of € 1.2 mln.

7. Use of ratings from external credit assessment institutions (ECAI)

Retail credit risk weights are determined based on articles 123 to 127 of the CRR.

Risk weights for non-retail credit risk exposures (counterparty credit risk and investment portfolio) are determined based on external ratings. Exposure classes involved are: “Central governments or central banks”, “Regional governments or local authorities”, “Public sector entities” “Multilateral Development Banks”, “International organisations”, “Institutions” and “Covered bonds”.

In order to apply the Standardised Approach, Crelan Group uses the external ratings. The lower of the available ratings is used to determine the risk weight. In terms of use of the ECAIs, Crelan Group follows the standard classifications published by the EBA.

The ratings of all counterparties and listed securities are systematically monitored by Risk Management as part of the tracking of credit risk.

In terms of eligibility for investments, one of the criteria is that the rating should be minimum BBB-. The higher the rating, the higher the amount that can be invested. Besides the investment policy, Crelan Group uses ratings from ECAIs as an eligibility criterion for derivatives or repo transactions, where a minimum of BBB- is required. New trades with lower rated entities can only be risk-reducing. Crelan Group explicitly bans new non-rated counterparties. Existing credit exposures to non-rated counterparties can be maintained in run-off and are subject to regular review by the BSRC. It is important to note that Crelan Group does not rely solely on ECAIs; it also follows the market news and market indicators such as CDS spreads to follow up on its investments and counterparties, see template **CRD** in annex.

8. Securitisation risk

8.1. Crelan Group as investor

Crelan Group has no investments in external securitisation positions in 2024.

8.2. Crelan Group as originator

From Q4 2020, CASPR S.à.r.l, a Luxemburg SPV, is used to generate some RWA relief over its mortgage loan portfolio.

The qualitative disclosure requirements related to Crelan Group's securitisation exposures can be found in the SECA template in the annex.

Royal Street 1

Since June 2021 Royal Street 1 is fully unwounded. The entity still exists and is incorporated in the consolidated Crelan Group scope.

CASPR S.à.r.l

In December 2020, Crelan Group originated a synthetic securitisation transaction. This was done to support the growth of the loan portfolio while maintaining the envisaged solvency levels (as set in the RAF of the bank). Within the Synthetic SRT securitisation the mezzanine tranches are sold (resulting in a significant risk transfer) while the first loss and the senior tranche are retained.

The first loss tranche is fully deducted from CET1 capital. As a result, only the retained senior tranche needs to be risk weighted. The RWA of the retained senior tranche amounts to € 51mln at the end of 2024. This senior tranche RWA is measured according to SEC-IRBA method as all underlying credits are IRB exposures. Adjustments are made for maturity mismatches between the credit protection and the underlying exposures, and the Senior tranche risk weight is floored at the weighted-average risk weight that would be applicable to the underlying exposures had they not been securitised. The final risk weight of the senior tranche equals 15% which corresponds with the risk weight floor applicable under the securitisation framework.

See templates SEC1, SEC3 and SEC5 in annex for more quantitative information.

9. Market risk

For market risk, Crelan Group differentiates between the market risk that is related to the 'trading book' (regulatory classification), and interest rate risk related to the 'banking book'. The trading book includes all financial instruments that are used in the context of specific trading activities. Crelan Group does not carry out any trading activities for its own account. The financial instruments falling under the 'trading book', concern the transactions for retail clients who want to purchase and sell EMTNs on the primary or secondary market. The banking book includes all other financial instruments that do not belong to the trading book. These mainly concern the bank's retail business. Crelan Group has little to no appetite for trading risk.

9.1. Interest Rate Risk Banking Book (IRRBB)

Interest rate risk in the banking book is defined as the risk to both the net interest income and the economic value of an institution arising from adverse movements in interest rates that affect interest rate sensitive instruments. It includes gap risk, basis risk and option risk.

The banking book of Crelan Group (including its branches) mainly consists of retail loans, loans towards the agriculture and professional sector and investments on the asset side of the balance sheet and retail deposits and non-retail funding (including covered bonds and EMTNs) on the liability side of the balance sheet. Generally speaking, instruments on the asset side have a longer duration than those on the liability side. This gives rise to gap risk.

Mortgage loans represent the largest share of loans on the asset side. They can have fixed or variable interest rates. In Belgium, rate resets of variable rate mortgages are linked to the evolution of OLO bonds. The resulting new interest rate of the mortgage is capped by law to protect the customer. These features of variable rate mortgages give rise to both basis risk and (automatic) option risk.

Other important types of option risk are prepayments of retail loans and the pricing of non-maturing deposits.

9.1.1. IRR Management and Governance

Interest rate risk in the banking book is extensively covered in Crelan Group's RAF:

- The sensitivity of net interest income is used as one of the elements to define strategic risk appetite statements on capital and earnings;
- The regulatory outlier tests are included as strategic risk appetite statements;
- Dedicated functional risk appetite statements set limits on the EVE and NII sensitivity of Crelan Group's banking book;
- Operational indicators are used to monitor all subcomponents of interest rate risk (basis, option and spread risks).

All (internal and regulatory) measures related to interest rate in the banking book are compared with their limits in the IRRBB dashboard. This dashboard therefore provides a comprehensive overview of all subcomponents of IRRBB, both from a value and an earnings perspective. It is discussed at the BSRC on a monthly basis.

The following measures are included:

- Internal EVE sensitivity to parallel shocks and to a steepening and a flattening shock;
- Internal NII sensitivity to parallel shocks and to a steepening and a flattening shock;
- Dedicated measures for cap risk, OLO basis risk and Euribor basis risk;
- Regulatory EVE and NII sensitivities.

Crelan Group applies the following hedging policies to mitigate the interest rate risk in its banking book:

- To keep the overall interest rate risk position (of assets + liabilities) within the internal and regulatory limits, the bank is actively managing a portfolio of interest rate swaps within its banking book activities. Production of retail assets (including pipeline) and liabilities is hedged to keep Crelan Group's exposure levels within the desired range. The non-linear effect of prepayments for different rate shocks is considered in this hedging process;
- The swaps used to hedge the overall position are included in a macro hedge accounting model.
- Cap risk embedded in variable rate mortgage loans is hedged via an active purchasing policy of market caps and swaptions. These derivatives are also included in a macro hedge accounting model;
- OLO basis risk embedded in variable rate mortgage loans is hedged via the maintenance of an OLO portfolio: declining OLO spreads generating lower revenues on mortgage loans are then compensated by capital gains on OLOs.

IRRBB measures are calculated based on cash flows derived from contractual features of interest rate sensitive instruments. For a number of instruments, behavioural models are needed to translate client behaviour into cash flows. These behavioural models have further been aligned in 2024. More details related to this topic can be found in templates **IRRBBA** and **IRRBB1** in annex.

9.1.2. Exposure to IRR in the banking book

The table below shows the changes in economic value of equity (= value sensitivity) for the 6 supervisory interest rate shocks and the changes in net interest income (= NII sensitivity) for the supervisory up and down shocks. The parallel up shock causes the largest decline in value. The decline represents approximately 8.5% of Tier 1 capital, which is a level well below the 15% threshold.

NII sensitivity is negatively impacted by the 11 bp floor on regulated savings accounts in the down shock scenario. The new EBA threshold for NII sensitivity (defining a 'large decline' of net interest income) entered into force mid-2023.

Table 19 - Interest rate risks of banking book activities

Supervisory shock scenarios	a	b	c	d
	Changes of the economic value of equity		Changes of the net interest income	
	31/12/2024	31/12/2023	31/12/2024	31/12/2023
1 Parallel up	-224.8	-182.3	29.3	36.1
2 Parallel down	-157.4	-123.5	-73.2	-91.7
3 Steepener	-74.4	-88.9		
4 Flattener	-3.5	14.3		
5 Short rates up	-27.1	-6.2		
6 Short rates down	31.6	0.0		

9.2. Credit Spread Risk Banking Book (CSRBB)

Credit spread risk (CSR) is the risk of losing money from market price movements of debt instruments that are caused by unexpected changes in credit spread (non-structural, short term).

Credit spread risk is considered as material by Crelan. It covers the instruments on the asset and liability side:

- That are sensitive to credit spread changes
- For which market prices for their credit spreads are available
- That is not already captured in another prudential framework (excluding CVA for example)
- In a stable business model of Crelan (not in recovery or resolution)

Therefore, at assets side, CSRBB covers supranational, sovereign and agencies bonds and covered bonds. At liabilities side, CSRBB covers market funding (LTRO, MRO, TLTRO), AT1, Tier2, SNP, EMTN structured notes and SCF covered bonds.

The credit spread hedging happens by balancing out the quantity, nature and sensitivities per time bucket of asset and liabilities embedded in the CSRBB scope by investing / disinvesting on the asset side.

9.3. Market Risk Trading Book

The market risk in Crelan Group's trading book is the risk of loss arising from adverse movements in interest rates, market prices or exchange rate fluctuations of the trading book.

9.3.1. Description of trading activities and policies of hedging and risk mitigation techniques

The dealing desks serve internal or external clients. None of the activities these dealing desks conduct is intended to profit, from short term movement in the markets or from bid-offer spreads.

Here is the current content of the trading book:

- Intermediation EMTN/Performance swaps activity: residual positions in performance swaps and EMTN bought back from retail clients are meant to be resold short term or cancelled and therefore this client servicing qualifies for trading.
- In addition to its offering of internally issued EMTN's, Crelan Group is also offering externally issued EMTN's to its retail clients. The consequence of the new product is that front office is agreeing on a transaction with the external issuer 6-8 weeks before the commercialisation of the note. In line with the Belgian banking law, this product is considered a trading book activity as Crelan Group bears some market risk during that period of time (conditional to potential unwinds or credit event on the third party issuer combined with withdrawals of client orders).

It is important to note that Crelan Group is not actively taking market risk in its trading book, only during the short commercialisation period of the externally issued EMTN's as explained above. The rest of the market risk originates from the buy-backs of internally issued EMTN's (and their hedges) at the client's request. Moreover, the trading book is subject to materiality thresholds that have been introduced by the NBB in 2015 in the framework of the new Belgian bank legislation. The 'Non-Risk-Based Ratio' for Crelan Group, which is based purely on volume, is well below the threshold defined by the NBB. The 'Risk-Based Ratio', which reflects the underlying risks, is also remarkably lower for Crelan Group than the regulatory threshold. This can be explained by the limited market risk strategy for its trading book resulting in low Market Risk Weighted Assets.

Furthermore, Crelan Group's risk limit framework ensures that the VaR with a 99% confidence level and a holding period of 1 day does not exceed 0.25% of T1 capital as requested as well by the Belgian banking law.

9.3.2. Market Risk Management and Governance

Crelan Group's Board of Directors defines the risk appetite and other key metrics that set the levels of acceptable market risk that can be engaged by Crelan Group's business lines and branches.

Crelan Group's Executive Committee is also responsible for ensuring that market risk management strategies are implemented and followed. It ensures that the bank's market risk appetite is respected.

Crelan Group's BSRC receives a delegation from Crelan Group's Executive Committee and is responsible for ensuring that market risk management strategies are applied. This committee reviews market risk reports, monitors compliance with agreed risk appetite limits, guarantees the adequacy of the risk infrastructure and pre-validates and maintains risk indicators and models. Afterwards, the reports and main conclusions are sent for validation and endorsement to Crelan Group's Executive Committee and BoD. The BSRC focuses both on the banking and trading book activities.

Crelan Group's Financial Services Business Lines (EMTN hedging and Treasury) form the first line of responsibility for the management of market risk (respect market risk vs. NAP charter). These tree business lines fall under the supervision of the BSRC.

Crelan Group's Risk Management department also independently ensures that all sources of market risk are identified, analysed, reported and managed on a daily basis.

Middle Office (MO) is responsible for the support of non-retail transactions and more precisely for their correct independent valuation, the development, maintenance and execution of hedge accounting solutions, the validation of the accounting P&L and related non-GAAP measures and for the production of economic reports.

Audit has a standing invitation to all BSRC meetings. It is the responsibility of the Internal Audit Department to periodically review the entire market risk management.

In terms of risk policy, Crelan Group maintains a very conservative approach to market risk of its trading book.

9.3.3. Exposures to market risk

Market risk exposures are the object of a continuous follow-up. These exposures are compared to an overall economic capital limit covering all of Crelan Group's market risks. This risk appetite limit is completed by different VaR and sensitivity limits. Alert triggering and escalation processes are also used by Crelan Group's Risk Management department to ensure that Crelan Group remains within its conservative risk appetite for market risk.

To meet the Basel III minimum regulatory capital requirements, Crelan Group uses the Standardised Approach defined in Title IV of the CRD/CRR regulation to measure, monitor, report and manage its market risks. This approach measures the following components of market risks:

- General interest rate risk;
- Specific interest rate risk;
- Foreign exchange risk.

Template **MR1** in annex provides the quantitative and template **MRA** qualitative disclosure requirements for market risk at the end of December 2024.

Crelan Group's market risk consists mainly of interest rate risk. In addition, the market risk arising from the commercialisation of Euro Medium Term Notes (EMTN) is low, since Crelan Group hedges this exposure in the financial markets. Furthermore, Crelan Group is not involved in any trading activities related to commodities.

Crelan Group is also offering externally issued EMTNs towards retail clients. During the period of commercialization, Crelan Group temporarily bears some market risk during that period of time (conditional to potential unwinds or credit event on the third-party issuer combined with withdrawals of client orders). Crelan Group currently calculates the VaR for third party EMTN issuances in a conservative way.

The activities mentioned in the previous paragraph are closely monitored by the Risk Management department from Crelan Group within a very strict limit framework. The VaR for all activities related to the trading book is limited to €5.73 mln. Crelan Group relies on Front Arena by FIS for a historical VaR model 99.5% on a 10-day horizon. The historical model is based on a 2-year time series of scenarios with a weighted factor (decay) of 0.99. The VaR for all trading book activities at the end of 2024 is equal to €0.75 mln and therefore well below the predefined limit.

Finally, this model is subject to the appropriate yearly back testing and validation by an external auditor to preserve the accuracy and relevance of the model.

9.3.4. Procedure and methodologies used for the classification of the transaction in the regulatory categories

Risk Management is responsible for the prudential definition of the boundary between trading and banking book.

The Market Risk Charter details the content of the trading book (which meets prudential definition of the boundary (see CRR article 4 (85), (86)). All changes to it need to be approved by the BSRC via a charter update and a dedicated presentation.

Furthermore, all new products, instruments and services or modifications to existing products, instruments of services are covered by the product approval process, which includes the analysis of the product sponsor, Compliance department as well as Risk Management. Those analyses ensure that all new trading activities, services or instruments launched comply with law, regulation and internal risk framework. Middle office is responsible for the daily valuation (MTM) of all the products in the trading book and must ensure together with MO the feasibility of market transactions and of BSRC decisions.

Crelan Group has no proprietary trading activities, only "client servicing" trading activities as detailed above.

Furthermore, Crelan Group holds some positions booked in 'held-for-trading' by the accounting. Those positions have a presumption to be part of the trading book due to their 'held-for-trading' accounting classification but were not included in the trading book because they all hedge banking book positions (see art. 2 § 2, ii of the Royal Decree[14]).

9.4. Currency Risk (FX)

Currency risk is the risk that the fair value or future cash flows of a financial instrument fluctuates due to changes in exchange rates. Crelan Group operates a policy to minimise exposure to currency risk. Any material residual positions are hedged systematically. This risk is followed up and hedged on a monthly basis in the BSRC. As a result, Crelan Group had no requirement for FX risk in 2024.

9.5. Prudent valuation

9.5.1. Regulation

CRR Article 34 states that all assets measured at fair value have to be taken into consideration for applying the standards of article 105 of the CRR which refers to the prudent valuation.

Hence, the Regulatory Technical Standards applies to all fair valued positions regardless of whether they are held in the trading book or banking book.

In this regards Crelan Group has developed a governance structure that screens all current procedures, policies, calculations, methodologies, etc. and makes sure that these are in line with the provisions set out by the European Union in light of the Prudent Valuation standards.

9.5.2. Framework

Crelan applies the simplified approach for prudent regulation, falling under the € 15 bln threshold for the fair valued assets and liabilities.

14 Royal Decree approving the regulations of April 1, 2014 of the National Bank of Belgium on proprietary trading activities.

10. Liquidity risk

Liquidity risk is defined as the risk of not being able to quickly and easily increase the cash position to absorb shocks as a result of financial and economic stress.

Crelan Group's Risk Taxonomy considers the following two aspects of liquidity risk which all fall within the scope of liquidity risk management:

- Short Term Liquidity Risk defined as the risk that the bank cannot meet its financial liabilities when they come due (within a month), at a reasonable cost and in a timely manner. It results from short term cash and collateral positions (intra-day, overnight, one day to one month);
- Structural Liquidity Risk defined as the risk that the bank cannot meet its financial liabilities when they come due on a medium- and long-term horizon (more than one month), at a reasonable cost and in a timely manner.

Crelan Group shows a strong liquidity position at the end of December 2024, with an LCR of 195.7% (188.4% Dec-23) and NFSR of 132% (142% Dec-23) with:

- Stable retail deposit base with little name concentration (very granular) and with 76% covered by the deposit guarantee scheme;
- Retail funding gap decreasing by € 1.5 bln explained by the successful return of money invested in the State Bond issued in 2023 and on maturity in September 2024;
- € 2.1 bln retail funding shifted from current and savings accounts to term accounts;
- This funding gap is closed by wholesale funding which mainly consists out of covered bonds, either issued on the public market either retained by Crelan Group and to be used as collateral for ECB funding and/or collateral swaps. Beside the covered bonds, the wholesale funding also consists out of Senior Non-preferred debt. Four successful Senior Non-Preferred (SNP) debt issuances resulted in a portfolio of € 2.15 bln;
- ECB funding disappeared completely with the maturity of the TLTRO's (last one in December 2024 for € 750 mln);
- Collateral swaps and repo portfolio stay at the same level around € 600 - 700 mln;
- The funding remains diversified in terms of funding sources and maturities;
- Sensitivity of the liquidity situation to changes in interest rates as every basis point drop in interest rates leads to around € 12 mln additional variation margin to be posted on a consolidated level;
- Issuance of Tier 2 in April 2024 (€ 300 mln) shows a strong position towards possible investors and has a positive impact on the rating of Crelan Group.

10.1. Liquidity Risk management and Governance

More details concerning Liquidity Risk Management can be found in template **LIQA** in annex.

10.1.1. Governance

The governance of Crelan Group's liquidity risk can be summarised as follows:

- Crelan Group's BoD and Crelan Group Executive Committee assume the responsibilities described in section 2.1 for the management of liquidity risk;
- Crelan Group's BSRC manages the structure of the bank's balance sheet, aiming to optimise its liquidity position. Consequently, it applies and implements liquidity risk management strategies. It reviews liquidity risk reports and monitors compliance within agreed limits by following relevant liquidity indicators. The BSRC is assisted in this work by the Balance sheet management team and the Financial Risk management team;
- The functional management of the bank's structural liquidity belongs to its BSM department. BSM reports on the Bank's structural liquidity risk to its senior management. It ensures that

BSRC decisions pertaining to the management of structural liquidity risk are implemented. It also develops, calibrates, and maintains Crelan Group's liquidity risk indicators;

- The Treasury Department is responsible for the liquidity of the bank up to one year. This department also acts as the central team in the liquidity management of the group units (Crelan, Crelan Home Loan SCF, etc.);
- The Financial Risk department independently ensures that all sources of liquidity risk are identified, analysed, reported, and managed.

10.1.2. Declaration on the adequacy of liquidity risk management arrangements (pursuant to Article 435 of the CRR) as part of the 2024 ILAAP submission:

In conclusion, the view of the management body is that Crelan Group has an adequate level of liquidity, both from a normative and economic point of view. Crelan Group shows throughout the ILAAP that it has a strong liquidity risk framework which allows to identify, measure, mitigate, monitor and report liquidity risks. This will allow Crelan Group to pursue its intended business strategy while at the same time ensuring a sound liquidity position, even under a prolonged period of adverse developments.

In a normal market environment, all internal and regulatory indicators are expected to remain above the RAF alert level over the next 3 years. This confirms that the strategic plan is feasible from a liquidity risk perspective. Under the severe stress scenarios of the ILAAP stress test, the LCR drops below the internal and regulatory limits. However, there are sufficient reliable mitigating actions available to restore the LCR above the limits in a timely fashion.

10.1.3. Risk policy, limit framework and reporting

The integration of ABB into the Crelan Group structure has resulted in a suitable framework for liquidity risk which is based on both regulatory and internal indicators.

In order to evaluate and manage its consolidated liquidity risk, it monitors two kinds of indicators:

1. 1. Internal indicators: Internal Liquidity Stress indicator (ILS);
2. Regulatory indicators: LCR, NSFR and ALMM.

All these indicators are underpinned by a common approach: guarantee that Crelan Group's liquidity buffer is sufficient to cope with a range of stress events. More specifically, the own Internal Liquidity Indicator has been designed to ensure that Crelan Group maintains an adequate liquidity cushion to be able to withstand combined idiosyncratic and market stresses over a three-month time horizon.

Those key liquidity indicators have been used to define the risk appetite statements.

Table 20 - Crelan Group's risk appetite statements for liquidity

Crelan Group Risk Appetite Statements for Liquidity				
Indicator	**Strategic or functional RAS**	**Standard**	**Monitoring**	**Alert**
LCR	**Strategic**	**> 130%**	**< 130%**	**< 125%**
NSFR	**Strategic**	**> 120%**	**< 120%**	**< 112%**
ILS	**Strategic**	**> €1.3 bln**	**< €1.3 bln**	**< €1 bln**

- Internal Liquidity Stresses (ILS)

Crelan Group has set up an economic liquidity indicator, called the Internal Liquidity Stress indicator (ILS). The purpose of the ILS is to determine the amount of liquidity, measured in High Quality Liquid Assets (HQLA), required to withstand a stress. The internal liquidity stress methodology is derived from the regulatory Liquidity Coverage Ratio (LCR) reporting requirements.

It contains a stress scenario which is measured of a three-month time horizon. The scenario assumes a financial market stress in which the interest rates decrease by 100 bps. This will result in more collateral outflows. Secondly, the scenario assumes a widening of credit spreads on bonds by 175 bps, which will decrease the value of the bond portfolio.

Besides the financial market stress, the ILS also assumes an idiosyncratic crisis. This will lead to retail and wholesale clients to change their behaviour resulting in potential outflows. The idiosyncratic stress applies outflow rates on deposits which are 50% higher than those of the regulatory LCR indicator, it assumes extra outflows for pipeline loans and limits the inflows to the principal payments on retail loans.

The HQLA buffer to withstand this stress scenario is also forecasted over the three-month time horizon. After subtracting the stressed outflows from the HQLA buffer, the ILS foresees the possibility of mitigating actions. These are actions that can boost the liquidity of the bank within the projected three-month time horizon. This is mainly composed of the ability for Crelan Group to issue new retained covered bonds.

Table 21 - ILS

in '000 EUR	ILS	Limit	Buffer
End of December 2024	**6,275,573**	**1,300,000**	**4,975,573**

In 2024, the ILS indicator has been expanded by adding in three new horizons on top of the existing three-month time horizon. A one-week, one-month and six-month time horizon was introduced and monitored as operational liquidity indicators. The stress scenarios are tailored for each time period, while still linked to the outflows of the LCR report.

— Regulatory Indicators

Crelan Group monitors the LCR, NSFR and ALMM of the Basel III framework.

LCR (Liquidity Coverage Ratio) became binding in October 2015 while NSFR (Net Stable Funding Ratio) became binding with the introduction of the CRR II in June 2021. ALMM (Additional Liquidity Monitoring Metrics) is reported to the regulator since April 2016.

— ILAAP (Internal Liquidity Adequacy Assessment Process)

Crelan Group is required to produce, at least once per year, a clear and formal statement on the assessment of the liquidity adequacy named the ILAAP exercise. The ILAAP contains all the qualitative and quantitative information necessary to underpin the risk appetite, including the description of the systems, processes, and methodology to measure and manage liquidity and funding risks and is part of the Supervisory Review and Evaluation Process (SREP).

10.1.4. Policies for hedging and risk mitigation techniques

As part of the ILAAP process the integration of all Crelan Group entities will result in the drafting of a consolidated liquidity contingency plan. This plan will allow the bank to establish a special task force which, during systemic or idiosyncratic liquidity crises, must immediately intervene and take appropriate action. This will lead to a stronger awareness of liquidity risk at all management levels, as well as a more rigorous follow-up. Regular forward-looking projections of the main liquidity ratios will support the active management of the liquidity risk within Crelan Group.

10.2. Liquidity Buffer assessment

Crelan Group enjoys a very robust liquidity position as demonstrated by its strong liquidity buffer that clearly exceeds regulatory and internal limits.

Both BIII indicators are well above the minimum requirements at the end of 2024 (100% limit) thanks to a comfortable stock of liquid assets and a solid financing structure.

Table 22 - Liquidity ratios

Ratio	31/12/2024	Limit
LCR	**196%**	**100%**
NSFR	**132%**	**100%**

10.2.1. LCR

The LCR disclosure template, **LIQ1** in annex, gives an overview of the calculation of the LCR buffer and the LCR ratio as a 12-month average. Template **LIQB** in annex is a complementary table to LIQ1 which provides qualitative information on LCR.

The liquidity buffer as reported in **LIQ1** is made up of central bank cash deposits and bonds. The bond portfolio consists solely of Level 1 LCR eligible assets, of which the bulk has a central government or supranational organisation as its issuer. The main contributors to the outflows are the outflows for retail funding, the outflows for non-retail deposits and the foreseen outflows for loans in the pipeline. The main contributor to the inflows is the foreseen repayments of retail loans.

In the calculation of the LCR ratio, both the additional collateral needs resulting from an adverse market scenario as well as callable excess and due collateral have to be accounted for as additional outflows.

Crelan Group adds an additional outflow corresponding to collateral needs that would result from the impact of an adverse market scenario on the credit institution's derivatives transactions, financing transactions and other contracts if material. This additional outflow is calculated based on the application of the Historical Look-back Approach.

10.2.2. NSFR

The NSFR disclosure template (see template **LIQ2** in annex) gives an overview of the calculation of the NSFR of Crelan Group. The main sources of stable funding for the Bank are Retail deposits (€43,038.3 mln on 31 December 2024) and covered bonds (€4,500 mln on 31 December 2024).

As part of the harmonisation of the NSFR reporting of Crelan and the ex-ABB entity, the implementation of the reporting was compared for the two entities. With the introduction of the new NSFR taxonomy and templates in Q2 2021, it was not clear for the ex-ABB entity at the time that the Standardized approach (SA) should be used for NSFR, even if the bank had permission to use the IRB approach for the COREP. The misreporting was discussed with the ECB and led to a resubmission of the NSFR templates for 6 quarters (between Q4 2022 and Q1 2024). Although the restatement materially impacted the NSFR ratio (impact of approximately 10-pts), the regulatory requirements were at all times respected due to high level of the NSFR ratio.

10.2.2.1. Covered Bonds

Crelan Home Loan SCF has silently bought a portfolio of Belgian residential mortgage loans directly from Crelan (the “Spot Sale”). Given that the balance of a portfolio of residential mortgage loans typically decreases every month because of scheduled redemptions and prepayments, the vehicle will need to buy on a monthly basis additional residential mortgage loans (the “Forward Sales”) in order to keep the balance of the Belgian residential mortgage loans at the required amount.

The required amount is the one requested in order to maintain at minima the 105% regulatory level as defined in the French law + 2% as buffer.

In order for Crelan Home Loan SCF to mitigate the prepayment and interest rate risk arising from the Belgian mortgage pool now directly owned, several Asset Swaps were set up between Crelan and the SCF entity. There are as many Asset Swaps as there are Covered Bonds Series and Subordinated OC Loans outstanding against the Belgian residential mortgage loans.

Covered bonds are sold on the market to investors or subscribed by Crelan (retained on Crelan’s balance).

As of December 2024, the stock of covered bonds amounted to € 10,000 mln of which € 4,500 mln are placed in the market and € 5,500 mln are retained by Crelan and hence eliminated in the consolidated balance sheet.

The strong underlying quality of Crelan’s retail mortgage portfolio in Belgium is the ideal collateral for a covered bond program. This program enables the bank to manage its liquidity risk. It provides diversification in funding sources and minimises funding concentrations in time buckets. The covered bond program gives Crelan Group access to the covered bond market, allowing the bank to reduce the cost of long-term institutional funding. Additionally, this program offers access to funding markets that remain open in times of market stress.

The issuance of covered bonds by Crelan Home Loan SCF may be subject to certain tax risks, particularly with respect to Belgian withholding tax on interest payments. Under current Belgian tax law, interest payments made by Belgian private individuals debtors are exempt from withholding tax when paid to “credit institutions or equivalent undertakings”. The Royal Decree to the Belgian Income Tax Code restricts the notion of “credit institutions or equivalent undertakings” to institutions or undertakings “established in Belgium”.

As a result, there is a potential risk that Belgian Tax authorities could challenge the application of this exemption on interest payments made to CHL SCF. Although CHL SCF obtained a tax ruling (N°2016.768) from the Belgian Ruling Commission in 2017 for a similar structure, this ruling does not specifically cover payments made to CHL SCF as the buyer of mortgage loans, leaving an uncertainty regarding the application of withholding tax. Therefore an addendum to the ruling decision was requested. The ruling Committee, however, did not wish to comment on such an addendum and the ruling procedure was concluded. Consequently , there is a risk that the Belgian tax authorities may argue that withholding tax is owed by the individual borrower with possible financial consequences for Crelan.

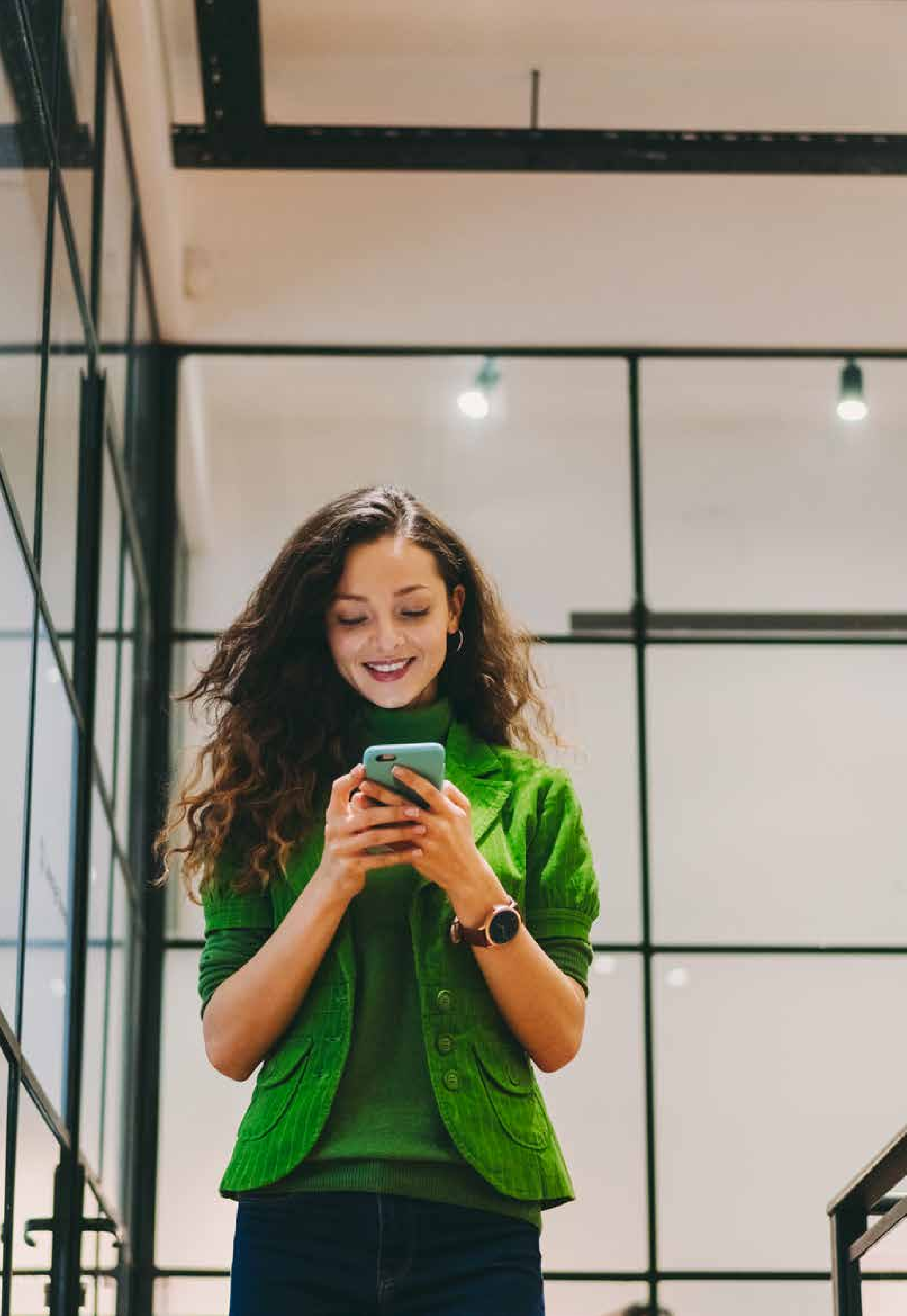
Despite this, Crelan , supported by external legal advice, believes that the risk of withholding tax being applied is low to very low. Given the European Court of Justice case law, there is a very strong argument that the restriction of the withholding tax exemption to credit institutions “established in Belgium” violates the EU principle of the freedom to provide services. (Article 56 on the functioning of European Union). As the transfer of the loans is not enforceable in absence of a notification, it is doubtful on what basis the Belgian tax administration could levy withholding tax in the hands of the debtors.

Crelan estimates its future residual exposure at maximum €34 mln (base amount net of tax).

Disclosures Crelan Home Loan SCF covered bond issuance can be found on Crelan’s website.

These disclosures detail the structure of the securitisation and covered bonds issuance, the risk factors, Crelan’s involvement in them and its governance. A quarterly investor report completes the information in the above disclosure, by providing the markets with relevant quantitative information.

All covered bonds are rated AAA by Moody’s.



11. Assets encumbrance

Qualitative information on asset encumbrance of Crelan Group and information on the impact of the business model on assets encumbrance and the importance of encumbrance to the institution's business model can be found in template **AE4** in annex.

11.1. Sources of encumbrance of assets

The total amount of encumbered assets of Crelan Group is € 6.83 bln (template **AE1** in annex) and the 6 sources of encumbrance are:

- Derivatives: € 0.37 bln cash is given as collateral for derivatives.
- Repos: € 300 mln mortgages and cash are encumbered. They represent the retained covered bonds that are used as collateral in the repo transaction.
- Covered bond: €5.36 bln mainly mortgages are encumbered for the covered bonds publicly sold to the market.
- CASPR synthetic securitisation: the cash hold by Crelan Group that securitised the sold CLNs is considered as encumbered (€ 32 mln).
- Collateral swaps: € 0.6 bln mortgages and cash are encumbered. They represent the retained covered bonds that are used in the collateral swap transaction.
- Other sources: € 149 mln cash and government bonds are used as collateral for different counterparties (Visa, Mastercard, Tax authorities, SCF ....).

Template **AE3** in annex provides following Article 443 CRR the medium value of both the carrying amount of the selected financial liabilities and the carrying amount of matching liabilities, contingent liabilities or securities lent.

11.2. Unencumbered assets

The total amount of unencumbered assets is € 49 bln of which € 1.75 bln unencumbered debt securities, available to use as collateral and which can be easily encumbered. The other unencumbered assets mainly consist out of mortgages (€ 43 bln), which could be encumbered if needed (new RMBS, new Covered bonds...). Crelan Group has also a large, unencumbered amount (€ 5.3 bln) of loans on demand (ECB deposit, cash, ...) which is a buffer for liquidity outflows. Only a small part of other assets is not available for encumbrance: tangible assets (property, plant and equipment), goodwill, tax assets, accounting specific amounts. The fair value of the hedged items for interest rate risk is negative during the whole calendar year 2024. More details concerning the encumbered and unencumbered assets can be found in template **AE1** in annex. The annex **AE2** shows that Crelan also has € 0.56 bln received assets, which are unencumbered and can be used in transactions.

12. Non-financial risks

12.1. Operational Risk

Crelan Group defines operational risk, as the risk of loss resulting from inadequate or failed internal processes, people systems or external events.

In the Basel framework, operational risk is divided into 7 categories:

i. **Internal Fraud:** fraudulent financial reporting, improper or fraudulent financial activity as well as misappropriation of assets and other internal frauds.

ii. **External Fraud:** theft and fraud as well as information system fraud.

iii. **Employment Practices and Workplace Safety:** employee relations, diversity and discrimination, safe environment, loss of key staff and talent management.

iv. **Clients, Products and Business Practices:** suitability, disclosure and fiduciary, improper business or market practices, incl. advisory activities, breach of regulation and legislation, unauthorized activity, product flaws

v. **Damage to Physical Assets:** natural disasters, vandalism, terrorism, etc.

vi. **Business Disruption and Systems Failures:** system disruptions and breach of information security

vii. **Execution, Delivery and Process Management:** data entry errors, accounting errors, failed mandatory reporting, negligent loss of client assets, etc.

Qualitative information on Crelan Group's operational risk can be found in template **ORA** in annex.

12.1.1. Integration & migration

In the weekend of 8-9 June, the migration of the data from former ABB to Crelan was successfully executed. A dedicated post-cutover organization allowed Crelan to respond quickly and adequately to the aftercare issues of the migration. At this moment only a limited number of catch-up operations (mainly further automations) in risk and finance scope are still ongoing. By successfully delivering the migration, Crelan mitigated its biggest short term operational risk.

To further expand Crelan's functioning, a Transformation plan is prepared, pointing out the priorities for the company. The risk management is done by means of risk delegates who are part of the Transformation governance. Due consideration will be given to, amongst others, a fair and clear prioritization process, good project management and a solid build process, adequate staffing and capacity plans, respect for the governance rules, ...

12.1.2. Risk management and Governance

12.1.2.1. Governance

Crelan Group's Executive Committee delegates to the Audit, Risk, and Compliance Committee (ARCC) the following responsibilities with regards to operational risk: the implementation of the operational risk management framework, giving guidelines to embed it in Crelan Group's business-as-usual activities and reviewing and validating all important decisions or information relating to Crelan Group ORM (ORM Charter, economic capital results , methodology, processes, reporting, documentation, etc.).

All business lines and entities within Crelan Group have full ownership of the operational risks they face in the practice of their activities.

The Operational Risk management team, the Compliance team and the Security & Privacy team ensure that Operational Risks are identified, assessed, measured and mitigated in accordance with the Crelan Group standards. The operational risk management process is built around 4 interconnected building blocks: loss data collection, risk and control (self)-assessment, key risk indicators and action plans. All building blocks have a unique role in the identification, measurement, management, monitoring and reporting of operational risks. To guide these activities an ORM Charter is in place as well as an Internal Control Charter and Handbook. In the ORM-Charter, the risk appetite framework is incorporated, in which the playing field for operational risk in Crelan's processes is defined and monitored.

12.1.2.2. Risk policy, limit framework and reporting

For the regulatory capital Crelan Group applies the Standardised Approach.

For its economic capital, Crelan uses an annual process based on risk assessments, that identify and quantify the relevant and material operational risks faced by Crelan in the coming year.

As in past years, the focus for 2024 remained on detecting and preventing fraud and cyber risks (hacking, phishing and cyber/virus-attacks), regulatory risks (related to MIFID, AML, GDPR, ...), people risks (key employee exposure, loss of staff, ...) and risks related to the execution of the integration & migration plan. Furthermore, the process analysis (build-up of the internal control frameworks for all Crelan processes and systems, consisting of the key risks and corresponding mitigating controls) has been largely completed for all core banking processes and some other.

The team of Operational Risk continuously works on 'risk awareness' within the entire organisation (by organising training courses for the different business lines, participating in major projects and product launches, by establishing a network of risk correspondents-Besides this, efforts continued for further optimisation of both the 'Loss Data Collection' process and the 'risk assessment' process, with a specific focus on a structural framework for 'risk responses' (action plans, risk acceptance).

12.1.2.3. Operational risk mitigation

Decisions regarding risk topics are made in the ARCC. Different options are possible:

- Accept the risk as the current situation already balances control cost and efficiency with desirable risk level;
- Transfer the risk (e.g.: insurance contract establishments for fire incidents, cyber incidents and agent fraud);
- Mitigate the risk with action plans to strengthen the process and to reduce the risk to a lower/acceptable level. These action plans are defined by the business, challenged and monitored by the operational risk team and reported quarterly to management;
- Avoid the risk by eliminating the activity, product, process, third party, ... that carries the risk (if possible).

The Internal Control team performs 2nd line monitoring of the key controls, covering the main risks in our processes.

12.1.3. Requirements for Operational risk

Crelan uses the Standardised Approach (TSA) for calculating capital requirements for operational risk as discussed in section 12.1.2.1. This approach considers the various business lines with a specific beta factor. For Crelan the relevant business lines and their beta factor are:

Table 23 - Beta factors for operational risk

Business Line	Beta factor
Trading and sales	**18%**
Retail Banking	**12%**
Commercial Banking	**15%**
Payment and settlement	**18%**
Retail Brokerage	**12%**

The own funds requirements are calculated as the 3-year average of the sum of the capital charges across each business line. Negative capital charges can offset positive capital charges without limit. For the requirement in 2024, the relevant business lines are based on the year-ends of 2022 to 2024. Given that the P&L of 2024 is considerably higher than the P&L of 2021 and given that OpRisk RWA charge is highly influenced by the average P&L over the last 3 accounting years, the OpRisk RWA increased.

The TSA method results in an Own Funds requirement of €146.1 mln with a corresponding RWA of €1,826 mln at the end of 2024 as seen in template OR1 in annex.

Table 24 - Crelan Group's total operational risk exposure amount (RWA)

Operational Risk Exposure Amount (RWA)	Dec-2024
Operational risk (€ mln)	**1,826**

12.2. Compliance Risk

Compliance risk represents the risk that an institution and/or its employees will be sanctioned at the judicial, administrative, or regulatory level due to non-compliance with the rules of integrity and legal and regulatory conduct, with the consequence, loss of reputation and possible financial harm. This loss of reputation may also be the consequence of non-compliance with the internal policy in this area, and with its own values and rules of conduct in terms of the integrity of the institution's activities. A loss of reputation can undermine the credibility of the institution and its employees. Credibility represents the fundamental element to be able to be active in the financial sector.

The risks of "compliance" can be multiple:

- Damage to reputation, which tarnishes the image of Crelan;
- Negative publicity that damages customer confidence;
- Judicial sanctions, including against natural persons whose liability would be called into question;
- administrative penalties, which may include limitations or withdrawals of approvals or licenses;
- The financial loss that the bank may incur as a result of non-compliance with applicable banking laws, external regulations issued by the supervisory authorities (NBB/FSMA) as well as codes of conduct or standards of good practice applicable to the banking sector.

Compliance risk management at Crelan Group is based on a general integrity policy, a Compliance charter, policies regarding the Compliance domains , an Anti-Bribery and Corruption Policy and a whistleblowing policy.. These documents are reviewed on a regular basis to take into account the constant evolution of the regulatory framework as well as potential changes in Crelan's business model and changes observed in public opinion.

The organization and operation of the Compliance department are as follows:

Compliance Officer (CO) who coordinates and supervises the Compliance function. The Compliance Officer therefore assumes overall responsibility for the compliance of Crelan and its subsidiaries and ensures the execution of the integrity policy.

A team of several Compliance advisers and experts, with a certain specialization in particular:

- A group, mainly in charge of recurring activities related to the prevention of money laundering and terrorist financing (AML/CFT);
- A group dedicated to formulating opinions and carrying out more specific or ad hoc analyses and which also deals with compliance such as MiFID, investor and consumer protection, etc;
- A group dedicated to monitoring activities.

Compliance Correspondents within 1LoD of Crelan where they exercise their main function. There are 26 correspondents throughout different departments.

The operation of this structure is detailed in the yearly Compliance Activity Report.

The Compliance Department intervenes in several key activities of the bank using policies, procedures and second line controls. As there are: the prevention of money laundering and terrorist financing, including in the field of granting and managing credits, sanctions and embargoes, compliance with legal and regulatory requirements regarding MiFID, market abuse, the conflicts of interests, product governance etc. ...

Crelan Group has an overall framework (policies & procedures, training, controls) in place to ensure that it is in compliance with all material requirements of the Financial Services and Markets Authority (FSMA) and the National Bank of Belgium (NBB), and any other domestic or foreign regulators. Meeting all requirements and expectations in the Compliance domain is challenging and there are specific issues and identified weaknesses for which action plans and remediation plans have been executed or defined:

- Management of potential conflicts of interest in the remuneration of tied agents; elimination of potential product push in commission and re-negotiation of the agreements with insurance partners.

- AML transaction screening (sanctions & embargoes) It is worthwhile to indicate that Crelan successfully closed an important gap in the sanctions & embargoes domain. In the Crelan set up, only Swift transactions were screened, this is not compliant with NBB-expectations (Horizontal Letter of 06/12/2016). The necessary developments were done so that in a phased approach during 2023 , all SEPA cross border transactions are screened ex ante. A lookback was done on non-screened transactions, no real hit was detected. A full report on the lookback was provided to NBB end of June 2024.

KYC review process
In 2022, key shortcomings were identified in Crelan's KYC framework, including the lack of a full KYC review when a customer's risk level increased and the absence of verification for updated client data. A remediation plan was implemented in 2023, with most actions completed, including a manual trigger-based KYC review since September 2023. An automated periodic KYC review process will be integrated into Crelan's CRM project, with full implementation expected by 2027, while interim measures such as a risk-based manual review for high-risk organizations and PEPs are in place.

- Sales tool for invest products (CWM)

Good progress has been made on the action plan covering the identified weaknesses. Remaining attention points relate to the cost/benefit analysis in case of switching transactions when advices by the bank/agent, the implementation of the Digital First principles and the review of the questions on the clients' ESG preferences.

A major project for the near future is the AML roadmap and industrialization program, to make the Bank fully compliant and resilient for further supervisory scrutiny . Aim is the industrialization of the AML, KYC & KYT, processes such that they are:

- Meeting all regulatory expectations;
- Fully integrated and automated as much as possible;
- Optimized by adding more powerful analytical techniques (reduce false positives by using AI);
- Integrated in a full customer lifecycle process.

12.3. Security Risk

Crelan Group defines security risk as a potential threat or vulnerability that could compromise the Crelan Group's operations, assets, or reputation.

The Security and Privacy team is led by the Chief Security Officer - CSO (Director Security) and is part of the 2nd line of defence. The CSO reports to the CRO.

The Security and Privacy team, i.e. responsible for security risk, is divided into 3 divisions:

1. Governance Risk & Compliance & Business Continuity;

2. Technical & Physical Security;

3. DPO Office (Privacy) – with a direct line to the CRO.

Security Risk Management activities are centralized in the Governance, Risk and Compliance team, performed by the Security Risk Expert. The Security Risk Expert is responsible for overall security risk management coordination throughout the Security and Privacy team.

The mission of Security Risk Management is to identify, assess, and manage the bank's risk exposures in a manner that supports the achievement of its strategic objectives while protecting the bank's reputation and franchise. This is done by providing independent and objective risk management advice, developing, and implementing effective risk management policies, procedures, and controls and by continuously monitoring and reporting on the bank's risk profile.

The roles and responsibilities include, but are not limited to:

- Identifying potential security risks to the organization's assets, including physical assets, intellectual property, and sensitive information;
- Assessing the likelihood and impact of identified risks;
- Include all identified security risks in the risk register;
- Prioritizing risks based on the likelihood and impact of the potential threat;
- Developing and implementing a risk management plan that includes measures to mitigate or eliminate the identified risks;
- Monitoring and reviewing the effectiveness of the risk management plan and making changes as needed;
- Communicating with management and other stakeholders about the status of security risks and the effectiveness of risk management measures;
- The Security Risk Management team is responsible for implementing the risk management plan and monitoring its effectiveness, but it may also involve other departments and employees in risk identification, assessment, and mitigation.

The governance framework that drives Security Risk Management:

Figure 17 - Security Risk governance framework

Furthermore, 'security risk awareness' is continuously highlighted within the entire organisation. A structured security awareness roadmap is present and contains various elements such as the organization of the yearly Security Day, the continuous awareness & phishing training via a dedicated platform and regular publications on the Crelan intranet on various security related topics to ensure all staff is aware of new threats and developments in the security world..

To guide internal and external staff, a general security risk register is available and reporting is derived from this register to guide the security risk management direction of Crelan.

In collaboration with Operational Risk and in order to increase (security) risk awareness within Crelan Group, a company-wide 'High level Risk Self-Assessment exercise' (see section 12.1.2.1) is conducted on a yearly basis.

Security Risk Management uses the risk appetite framework as incorporated by Operational Risk in their ORM Charter.

In 2024 the risk-based implementation of DORA continued. Hereby Crelan is focusing on bringing its critical and important processes and related assets in line with the DORA requirements. A dedicated project is setup with involvement of multiple stakeholders linked to covered domains : ICT Risk Management, ICT Incident Management, Operational Resilience Testing and Managing ICT Third Party Risk.

In addition Crelan is deploying an extensive security transformation program to maintain a high level of protection in agreement with regulatory and industry conform expectations.

In 2024 the security control and compliance framework was further elaborated to bring an overall view on security posture and security compliancy. Based on this design, the project team described the control objectives and child controls related to security to ensure compliance with all applicable regulations (eg DORA, GDPR, NIS2) & regulatory requirements. This framework will be extended with IT Security controls in 2025. The security team communicates regularly with management and other stakeholders about the status of risks and the effectiveness of the controls.

In 2024 a new security KRI dashboard was established allowing to follow up on the evolution of the key risks within several security domains and steer upon the outcome. In 2025 these KRI's will be further elaborated.

Crelan Group conducts regular assessments on its security posture. These assessments are conducted by independent teams who review the bank's ISMS policies and procedures, assess the effectiveness of controls, and ensure compliance with used standards and regulations. This process helps identify vulnerabilities, areas for improvement and demonstrates to customers and supervisors that Crelan Group takes security seriously, and it is an important aspect of the overall security strategy. It helps the bank to be aware of current threats and adjust the security measures accordingly.

12.3.1. Cyber security stress test

During the first half of 2024, the ECB conducted an inaugural Cyber Resilience Stress Test. The test exercise used a hypothetical scenario of a ransomware attack on the core banking system (CBS) and assumes that all preventive measures have been bypassed or have failed. Using table top exercises and available documentation, processes and procedures the impact on key economic functions, response & recovery strategy and economic impact was determined.

The test was perceived as very valid and useful. It allowed Crelan Group to identify its strengths and improvement points to properly react on such kind of cyberattack. Actions will be taken to mitigate the improvement points.

13. Remuneration info

This chapter reports information on remuneration as required by the Pillar 3 Disclosure report.

In 2022, an overarching remuneration policy was set up for the identified staff. This remuneration policy is established in accordance with the strategy, objectives, values and long-term interests of the bank. It also contains measures to avoid conflicts of interest. The remuneration policy is aligned with the appropriate and effective management of risks and thus forms an important element of good governance, both with regard to employees and effective and non-effective managers see more details in template **REMA** in annex.

The Board of Directors has delegated a number of members to the Remuneration Committee to submit remuneration recommendations to the Board of Directors.

The Remuneration Committee is chaired by an independent director within the meaning of Article 3, 83° of the law of April 25, 2014 on the status and supervision of credit institutions and listed companies.

The proposals of the Remuneration Committee, without prejudice to the powers of the General Meeting, include the remunerative status of the executive and non-executive directors of the bank and its subsidiaries, as well as the remunerative status of the persons responsible for the independent control functions and the so-called 'Identified Staff'.

The Remuneration Committee is composed in such a way that it can give a sound and independent opinion on the remuneration policy, practices and the incentives it creates for risk management, equity requirements and liquidity position, and specifically does so by:

- Providing advice to the Board of Directors in terms of the selection of positions categorised as Identified Staff;
- Providing advice to the Board of Directors on remuneration policies, especially for employees whose work has a material impact on the bank's risk profile ("identified staff"), as well as ensuring that remuneration policies are gender neutral and support equal treatment of employees;
- Preparing the Board's decisions on remuneration, taking into account the long-term interests of shareholders, investors and other parties with an interest, as well as the public interest;
- Monitoring the remuneration of employees responsible for the independent control functions;
- Overseeing all key retention, departure and welcome arrangements.

Without prejudice to the duties of the Remuneration Committee, in order to promote sound remuneration practices and policies, the Risk & Compliance Committee examines whether the incentives created by the remuneration system adequately take into account risk management, the bank's equity needs and liquidity position, as well as the probability and distribution of profits over time. The Risk & Compliance Committee also provides input on the identification of Identified Staff.

The Compliance function analyses the impact of the remuneration policy on the institution's compliance with laws and regulations, internal policy and risk culture, and to report all identified compliance risks and non-compliance issues to the Board of Directors.

In line with its role, the compliance function is to provide effective input into the setting of bonus pools, performance criteria and awards where there is concern regarding their impact on employee behaviour and the risk level of the activities performed. The compliance function also provides input for the identification of Identified Staff.

The remuneration policy and the list of identified staff are approved by the Board of Directors, after receiving advice from the compliance function, the Risk & Compliance Committee and the Remuneration Committee..

13.1. Definition of "Identified Staff"

Taking into account Article 67 of the Act of 25 April 2014 on the Statute and Supervision of Credit Institutions and its implementing decrees and the Commission Delegated Regulation (EU) No 2021/923, the Board of Directors within the bank has defined the perimeter of Identified Staff as follows:

- Category 1: the members of the Board of Directors;
- Category 2: the members of Senior Management;
- Category 3: employees identified in accordance with the Delegated Regulation and other regulations with a job that involves risk-taking;
- Category 4: the employees responsible for independent control functions;
- Category 5: employees identified in accordance with the Delegated Regulation, whose total remuneration places them at the same level of remuneration as senior management and those with positions involving risk-taking.

13.2. Remuneration "Identified Staff"

The remuneration policy is structured in such a way that overall remuneration package has a balanced distribution between a fixed and a variable component.

The composition of the overall package is designed to avoid encouraging exceptional risk taking. The fixed portion is structural enough to reward the identified staff members for their work, seniority, expertise and professional experience and represents a guarantee against the volatile, variable remuneration and, more specifically, the risk of non-payment of a variable remuneration.

Fixed remuneration

The base salary of Identified staff is determined by taking into account organisational responsibilities, as described in the job description, as well as positioning against an external benchmark. The base pay may also include benefits in kind.

Decisions on the evolution of Identified Staff's fixed remuneration are based on performance reviews (evaluations) and positioning against an external benchmark. Individual increases are granted based on the following principles::

- equal treatment;
- strict delegation rules; and,
- systematic double-checking by line management and the HR department.

Every year, Crelan determines the available budget for the evolution of fixed remuneration, with the results of the entity (compared to the set objectives) being the determining factor. If the results are negative or significantly below the objectives, the evolution of the fixed remuneration can be limited to the regulatory, legal or contractual increases.

The non-executive members of the Board of Directors, the Nomination and Remuneration Committee and other committees receive only an annual fixed remuneration, paid in monthly instalments. They receive no variable remuneration. The fixed remuneration covers all costs, including travel expenses, and the amount depends on the role of the non-executive director in the various specialised committees.

Variable remuneration

The variable remuneration for the Identified staff is determined according to the rules stated in the Remuneration Policy and is aligned to all risks and to the performance of the institution, the business unit and individual performance.

The performance of the team to which the Identified Staff member belongs and his or her individual performance are assessed by means of a mandatory annual individual assessment by the hierarchical manager on the following elements at a minimum:

- Qualitative achievements of established objectives;
- Professional conduct with regard to values, compliance requirements and procedures, aligned with the Group's values; Compliance with the Integrity and Anti-Bribery and Corruption Policy;
- Contribution to maintaining a robust risk and compliance culture within the bank:

- Contribution to risk management, including operational and compliance risk;
- Contribution to the ESG plan and the achievement of the associated KPI's;
- Employee's leadership skills (if applicable).

After receiving advice from the Remuneration Committee, the Board of Directors will carry out an additional assessment for all members of the Identified Staff, taking into account:

- The contribution to the permanent supervisory framework;
- Involvement in material risks and associated decisions;
- Where appropriate, monitoring of potential incidents during the year and the relevant corrective measures.

This assessment may have an impact on variable remuneration.

The variable remuneration for each Identified Staff member is limited to the higher of the following two amounts:

- An amount equal to the fixed remuneration amount, without exceeding the fixed remuneration amount and with a maximum of €50,000 ;
- 50% of the fixed remuneration amount

This restriction on the ratio of fixed to variable remuneration also applies to awards of variable remuneration in cases where the objectives have been exceeded ('above target').

Within Crelan, the annual variable remuneration for identified staff, excluding severance payments or payments for exceptional performance, is limited to a maximum of 30% of the fixed remuneration. On the proposal of the Remuneration Committee, the variable remuneration can be revised by the Board of Directors.

In accordance with the Act of 25 April 2014 on the status and supervision of credit institutions and listed companies, the variable remuneration for Identified Staff consists of a minimum of 40% (potentially rising to 60% for the highest variable remuneration) from a deferred portion (deferral).

As long as the variable remuneration is below €50,000 gross and does not exceed 1/3 of the total annual remuneration, payment is immediate (no deferral).

Where appropriate, the deferral schedule is as follows:

- The acquisition of deferred variable remuneration for the members of the Board of Directors and, in cases where they are not on the Board of Directors, senior management, will be spread over five years, with 20% of the deferred portion being acquired each year;
- For all other Identified Staff members, acquisition will be spread over four years, with 25% of the deferred portion being acquired each year.

At least 50% of the variable remuneration (both of the non-deferred and deferred portion), is composed of an appropriate balance between:

- financial instruments linked to shares, or equivalent instruments ('non-cash instruments'); and where necessary;
- Other capital instruments as provided for by the Law.

These instruments are subject to an appropriate retention policy, which means that the holder of the instruments must retain ownership of them, and which aims to align incentives with the long-term interests of Crelan.

The remaining 50% of the variable remuneration will be paid in cash, where appropriate, or – in accordance with §284 of the EBA guidelines – in other benefits that do not meet the criterion of financial instruments.

In implementation of this provision, Crelan applies a "conditional cash" plan, in accordance with the relevant legislation and after consultation with the regulator, whereby 50% of the variable remuneration (both the non-deferred and the deferred portion) is granted as "conditional cash".

All variable remuneration is reduced (malus) or reclaimed (clawback) potentially up to 100% within the maximum deferral period according to the following conditions and modalities:

After receiving the advice of the Remuneration Committee, the Board of Directors will decide to reduce (malus) the unacquired and unpaid portions, or reclaim (clawback) the already acquired or paid portions, of the variable remuneration of all or certain (including former, if any) Identified Staff if the bank or the business unit concerned records a reduced or negative financial return or if any of the following are discovered:

- Identified Staff do not comply with applicable standards of competence and professional integrity;
- the Identified Staff is involved in a specific mechanism whose purpose or effect is to promote third-party tax fraud;

— any circumstance implying that the payment of the variable remuneration would breach the bank's sound remuneration policy, risk management strategy or its low-to-medium risk profile.

In the case of a severance pay award, it should never be a reward for the employee's failure and should reflect only the employee's performance over time. If the severance payment exceeds 12 months of fixed remuneration or, on the unanimous reasoned advice of the Remuneration Committee, exceeds 18 months of fixed remuneration, the award is subject to approval by the next ordinary General Meeting.

The exceptions of Article 12/1 of the Banking Act apply to severance payments.

The bank paid the following fees in 2024 (Crelan/Europabank):

Table 25 - Director fees in 2024

Total remuneration (€ mln)	Base remuneration	Variable remuneration
Directors of Crelan Group	6,4	0,9

More details about the fixed and variable remuneration of Identified Staff for Crelan and ABB can be found in the templates **REM1-REM5** in annex.

Total Remuneration of Identified Staff in 2024 (excluding the remuneration of non-executive directors)

The quantitative information below concerns the remuneration granted for the year 2024 to the Identified Staff of Crelan/Europabank within the meaning of CRD IV and the Belgian Banking Act, but does not reflect the remuneration granted to other employees:

Population	Fixed remuneration	Variable remuneration	Sign-on payment	Severance payment		
				Paid	Awarded	Highest awarded
Executive Board Members	5.214.806 €	907.304€	€0	€0	€0	
# people concerned	10	10	0	0	0	
Higher management (beyond executive directors)	1.103.916 €	195.002 €	€0	€0	€0	
# people concerned	6	6	0	0	0	
Other Identified Staff	2.139.374 €	266.712 €	€0	€0	€0	
# people concerned	13	13	0	0	0	
Total	8.458.097 €	1.369.018 €	€0	€0	€0	
# people concerned	29	29	0	0	0	

Population	Forms of variable remuneration (awarded)				Outstanding deferred remuneration		Deferred remuneration		
	Cash	Shares	Share linked instrum.	Other types	Vested	Unvested	Awarded	Paid out	Reduced
Executive Board Members	576.152 €	N/A	N/A	331.152 €	366.535 €	1.185.852 €	362.922 €	356.946 €	€0
Higher management (beyond executive directors)	195.002 €	N/A	N/A	€0	€0	€0	€0	€0	€0
Other identified staff	266.712 €	N/A	N/A	€0	€0	€0	€0	€0	€0
Total	1.037.866 €	€0	€0	331.152 €	366.535 €	1.185.852 €	362.922 €	356.946 €	€0

14. Other risks

14.1. Business Risk

Business risk is the risk arising from a bank's long-term business strategy. It deals with the bank not being able to keep up with the assumed balance sheet, which implies uncertainty in profits or danger of loss. Business risk can also arise from the bank choosing the wrong strategy.

Several processes take part in the mitigation of this specific risk. First, targets for volumes and margins for the year are defined by both Crelan Group's Executive Committee and BoD. Sensitivity analyses are performed on these targets based on scenarios whose business risk is one. Then, there is a close monitoring of the objectives that leads, if necessary, to their review by Crelan Group's Executive Committee. This review also takes into account competitors thanks to benchmarking exercises performed on a regular basis. In addition to this follow-up, the more specific BSRC regularly monitors and manages from an ALM perspective the margins of all the assets and liabilities of the bank.

Crelan Group has also implemented strong governance regarding the commercial products. Crelan Group's Executive Committee has delegated the management of specific risks to specialised sub-committees. The launch of a product or a significant modification to an existing one should go through a rigorous New Activities and Products Approval Process (NAPC), where the business risk is taken into account through an in-depth analysis of commercial margins and potential adverse events that can affect them.

Economic capital for business risk is calculated based on a scenario approach (e.g. deterioration of margins at higher volumes).

14.2. Model Risk

Crelan Group defines model risk as the potential loss that an institution may incur because of decisions based on uncertain model output. As models tend to be complex, operational issues are also possible. The definition of model risk is therefore broadened to also include losses caused by errors in the development and implementation, or by misuse of models.

Model risk is treated by Crelan as a separate type of risk, alongside the regular financial and non-financial risks faced by the Bank. Model risk management reduces the adverse impact of model risk by:

- Model oversight (strong governance in place) to control the creation of new models, changes to existing models and the performance of models that are used in production in a well-documented, auditable manner.
- Mitigating measures, such as margins of conservatism, creating internal awareness of the existence and potential impact of model risk, promoting appropriate use of models and model results.

14.3. Reputation Risk

The reputation risk is the risk that an event will negatively influence stakeholders' perceptions of Crelan Group and its subsidiaries.

The responsibility of this risk belongs to the Board of Directors and ExCo. They are assisted in this task by various departments among which the Bank's Marketing & Communication department and the Compliance and Risk Management departments.

Crelan Group has defined processes to handle reputation risk, which ensures a prompt and appropriate reaction in case of materialization of the risk.

14.4. Political and Regulatory risk

Political risk is the risk that political decisions, events, or conditions will significantly affect the profitability of the bank.

Regulatory risk is the risk that a change in laws and regulations will materially impact a security, business, sector or market.

To ensure a clear view on the regulatory environment, Crelan Group has defined a Regulatory Watch framework, which mainly consists of a quarterly monitoring of changes in laws and regulation. A Regulatory Watch inventory is maintained by Enterprise Risk Management team and respective correspondents are defined.

14.5. Environmental, Social and Governance (ESG) Risk

While ESG risk covers environmental, social and governance aspect, the key risk focus in 2024 was on climate and environmental risks (C&E risks). Throughout 2024, Crelan Group continued to make progress in setting out its C&E strategy, improved the governance of C&E risks, performed a comprehensive materiality assessment of C&E risk drivers and improved the overall risk management of C&E risks:

Materiality assessment:
Climate-related and environmental (C&E) risks are identified through a yearly materiality assessment. An initial C&E risk materiality assessment was conducted in 2022, followed by a second exercise in 2023. The C&E risk drivers identified in the 2023 assessment served as the foundation for the 2024 review. Each risk driver was reassessed to determine its continued materiality and whether any additional risks needed to be included. Furthermore, the section on reputational risk was expanded, and a new section on biodiversity loss was introduced.

The assessment combines both a quantitative and qualitative approach. In the quantitative part, publicly available stress scenarios are used as a starting point for different risk drivers. For each risk driver, an impact is calculated and compared to a materiality threshold. For drivers for which a stress scenario is hard to construct, a qualitative approach has been applied, using a SAT/FAT matrix[15] to derive to an impact amount that can also be compared to the materiality threshold.

Since 2023, the C&E risk materiality assessment applies four categories of time horizons instead of three to add more granularity: Short-term: 1 year, Short-to-mid-term: 1 – 5 years, Mid-to-long-term: 5 – 10 years and Long-term: more than 10 years.

The Climate & Environmental risk assessment 2024 evaluated the 'Transition credit risk for retail mortgages' as material

ESG Business model and strategy:
In 2024, Crelan Group created its first ESG policy and Business Environment Scan (BES) and updated its overall ESG strategy (of which C&E is an integral part). Crelan's general ESG strategy defines specific approaches for the different pillars within Crelan: Crelan as a company, Crelan as a lender, Crelan as an investment advisor and Crelan as an institutional counterparty. Within each pillar, the group aims to not only adhere to ethical standards and strict compliance with regulatory requirements, but to also go beyond and actively contribute to a positive transition, including commitments to safeguard and generate value for cooperators, customers, partners and employees.

- **Crelan as a company**
  Crelan is a company, performing economic activities in Belgium and employing a workforce. This perspective covers how it treats its employees, how its activities (office building, mobility, etc.) create an impact on people / environment. The objective of Crelan is to create a positive impact on its employees, customers, cooperators as well as nature and society.
- **Crelan as as a lender**
  Crelan provides financing to private individuals, independent professionals and SMEs in Belgium. It decides how to inform customers on the assets or activities that require financing and Crelan decides whether and at what conditions it provides that financing. Crelan also bears the consequences of non-performing loans linked to ESG. The goal of Crelan is to embed ESG dimensions in its lending practices, with a specific focus on contributing to climate mitigation for households and supporting small businesses to transform their business model.

15 A SAT/FAT matrix allows to compute a financial impact and compare this with the materiality threshold. Hence, it allows to classify risk drivers as material, even though they are only assessed in a qualitative way, using two axes: frequency and severity.

- **Crelan as an investment advisor**
  Crelan supports customers in their investment choices, and how to integrate ESG factors in them. Crelan informs clients on how ESG factors impact their investments' value, and how their investments create ESG impact. Crelan also understands customers' ESG preferences and advises them on appropriate products accordingly. The goal of Crelan is to facilitate the selection of products that meet the ESG preferences of its clients, hence propose an inclusive offering to these clients.
- **Crelan as an institutional party**
  Crelan interacts with other institutional counterparties through its bond issuances in the market. The goal of Crelan is to make optimal use of sustainable finance solutions to collect capital from institutional investors (via the Green Bond Program).

For each lever of the ESG strategy, Crelan conducted an assessment to evaluate what type of action / services / products would be needed to activate these levers. This analysis resulted in the development of new products, offerings or services contributing to Crelan playing an active role in the transition (such as renovation loans, advantageous financing conditions for green loans, offering of green investment products to clients, development of an ESG scorecard, implementation of a dedicated tool – Setle – for the identification of improvement area's for retail clients, etc.). These initiatives / actions are described in the topical sections of this report.

ESG Governance:
The ESG Office is integrated in the Cooperative Bank Office, which reports directly to the CEO. The ESG Office is responsible for the coordination of the group's ESG strategy and action plan, in which climate-related and environmental actions are considered. It collects information from different action owners and reports progress to the ESG SteerCo.

In addition to the core ESG team, different people within a number of departments were assigned ESG responsibilities for their area of expertise, to support a broad activation of the ESG strategy throughout the bank. These departments include credit, wealth, finance, risk management, IT & Data, HR, Facilities & Buildings, Cooperative Bank Office and Procurement. There is also support from external parties foreseen for specific projects.

There are three workstreams that support and prepare the ESG SteerCo based on the three business areas of Crelan. Each stream is responsible for implementing their own ESG projects, with business owners responsible for the domains within the streams. The ESG Office plays an overarching role and organizes and coordinates all streams, centralizing all status updates of each project. These workstreams have bimonthly meetings (alternating with SteerCo meetings).

Table 26 - Crelan's workstreams

Crelan & its clients With sub-groups 'Lending' a 'Wealth'	- The integration of ESG into the offering of investment and lending products - Customer support regarding ESG - Training and support for agents - Integration of ESG factors in credit policy
Crelan & institutional parties	- Follow-up of all risk and finance related ESG projects - Green Bond Framework - Inclusion of ESG factors in Crelan's own investment portfolio - Relationship with institutional investors - Regulatory reporting
Crelan as a company	- ESG priorities for own operations and workforce - Diversity and inclusion, wellbeing, leadership - Governance, ethics, remuneration policy - Procurement - Cooperation with external partners. - Concern for community

To support a broad implementation of the ESG strategy throughout the bank and in coordination with the ESG office, different people in different departments hold ESG responsibilities according to their area of expertise. For proper integration of ESG impacts, opportunities and risks into its organization, Crelan has established clear roles and responsibilities, also in line with the three lines of defense model which is already in place from a risk management perspective.

Risk management: In 2023, Crelan Group created a C&E risk charter which describes the risk management for C&E risks. The C&E risk charter was updated in 2024. More specifically, this policy aims at describing the requirements to achieve the following objectives:

Table 27 - Objectives C&E risk charter

Section	Objective
1. Roles and responsibilities	Ensure that the roles and responsibilities of each line of defence within Crelan Group with regard to C&E risk is explained
2. Risk assessment process	Describes how C&E risks are identified, measured or assessed, evaluated via risk appetite statements and reported within the organisation and to the general public
3. Stress testing	Provide C&E stress scenarios which are computed on a regular basis in order to assess the impact of C&E risks under stressed conditions
4. Review and validation	Ensure that there is a regular process in place in order to reevaluate C&E risks
5. Data aggregation and IT systems	Describe the available data and systems as well as the projects that are ongoing to increase data quality and aggregation capabilities

More details on these items are given in the Corporate Sustainability Reporting Directive (CSRD) which replaces the Sustainability Report and the Climate Report that Crelan previously published.

Monitoring & reporting:
ESG metrics play a pivotal role in holding Crelan accountable for its sustainability performance. Therefore, the bank sets several targets on metrics to guide and accelerate the implementation of the ESG strategy. Each target and metric is assigned an owner (member of Crelan circle – group of the company's senior managers reporting to ExCo members), who is responsible to (1) build an action plan, (2) execute it and (3) report on the progress. Those metrics are updated on a yearly basis and are tracked on a quarterly basis by ExCo and BoD. They are also integrated in the remuneration policy. Further details can be found in Chapter 4, 'Metrics and Targets,' of the CSRD.

Transition and physical risks:
This section further focuses on the transitional and physical risks to which the bank is exposed. The outcome of the materiality assessment shows that the bank is mostly exposed to:

- Increasing energy prices (retail and professional portfolio): potential impact on PD (increasing costs resulting in lower disposable income) and collateral value (less energy efficient real estate becoming less attractive).

Transition risk

A good proxy for transition risk with respect to the portfolio collateralised by real estate is the energy performance of the collateral. The table below shows the gross carrying amounts of loans collateralised with commercial and residential immovable property and of repossessed real estate collaterals for all counterparty sectors, including non-financial corporates and households.

Where possible, the level of energy efficiency has been estimated. For this estimation the actual EPC (energy performance certificate) value was used (when available) in combination with the rating classes per region in Belgium. The level of energy efficiency (EP score in kWh/m²) information is provided in the table below.

Table 28 - Portfolio per EP score

Counterparty sector			Total gross carrying amount (in € mln)							
			Level of energy efficiency (EP score in kWh/m² of collateral)						Without EPC label of collateral	
			0; <= 100	> 100; <= 200	> 200; <= 300	> 300; <= 400	> 400; <= 500	> 500		Of which level of energy efficiency (EP score in kWh/m² of collateral) estimated
	CODE	a	b	c	d	e	f	g	o	p
Total EU area	1	45.418,36	2.004,16	4.928,72	12.643,24	16.596,10	4.137,35	1.533,09	2.370,30	92%
Of which Loans collateralised by commercial immovable property	2	6.567,74	92,54	246	987,53	3.187,56	312,38	20,54	1.611,68	74%
Of which Loans collateralised by residential immovable property	3	38.850,62	1.911,62	4.682,72	11.655,71	13.408,54	3.824,97	1.512,55	758,62	95%
Of which Collateral obtained by taking possession: residential and commercial immovable properties	4	-	-	-	-	-	-	-	-	0%
Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	5	6.717,26	-	-	1.157,98	5.559,28	-	-	-	0%
Total non-EU area	6	61,09	3,44	9,37	18,86	24,24	3,41	-	1,41	97%
Of which Loans collateralised by commercial immovable property	7	0,07	-	-	-	-	-	-	0,07	0%
Of which Loans collateralised by residential immovable property	8	61,02	3,44	9,37	18,86	24,24	3,41	-	1,35	97%
Of which Collateral obtained by taking possession: residential and commercial immovable properties	9	-	-	-	-	-	-	-	-	0%
Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	10	5,04	-	-	3,81	1,23	-	-	-	0%

As from December 2024 reporting, Crelan further enriched its dataset based on Gudrun provider. For collateral where the EPC label is available, the latest accessible EPC label has been used. When a property or loan covers multiple buildings with different EPC labels, the loan is divided over the according collaterals and their values. The table below shows the gross carrying amounts of loans collateralised with commercial and residential immovable property and of repossessed real estate collaterals for all counterparty sectors, including non-financial corporates and households.

In case where an EPC label is missing, an estimation was done based on the NUTS score and the type of property. (see also template **2.CC Trans-BB.RE collateral** in annex).

Table 29 - Portfolio per EPC label

Counterparty sector			Total gross carrying amount (in € mln)						
			Level of energy efficiency (EPC label of collateral)						
			A	B	C	D	E	F	G
	CODE	a	h	i	j	k	l	m	n
Total EU area	1	45.418,36	1.894,36	4.533,52	9.288,47	12.275,21	10.076,76	3.727,14	1.252,60
Of which Loans collateralised by commercial immovable property	2	6.567,74	77,94	237,72	756,66	1.989,69	1.589,35	229,95	74,75
Of which Loans collateralised by residential immovable property	3	38.850,62	1.816,42	4.295,81	8.531,81	10.285,52	8.487,41	3.497,19	1.177,85
Of which Collateral obtained by taking possession: residential and commercial immovable properties	4	-	-	-	-	-	-	-	-
Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	5	6.717,26							
Total non-EU area	6	61,09	2,91	5,49	10,04	13,63	11,49	8,20	7,91
Of which Loans collateralised by commercial immovable property	7	0,07	-	-	-	-	-	-	-
Of which Loans collateralised by residential immovable property	8	61,02	2,91	5,49	10,04	13,63	11,49	8,20	7,91
Of which Collateral obtained by taking possession: residential and commercial immovable properties	9	-	-	-	-	-	-	-	-
Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	10	5,04							

Note that Crelan Group has no exposure to the top-20 carbon intensive firms in the world (see template **4.CC Transition-toppollutcomp** in annex).

Physical risk

Next to this, physical risks (**see template 5.CC Physical Risk**) such as flooding can affect the bank, with a potential impact on PD (reparation costs decreasing disposable income) and collateral value (damaged collateral and less interest in high-flood risk areas for future buyers).

Crelan Group has assessed its exposure to physical climate risks and identified drought and heat risk as well as flood risk as the most relevant threats. The following table illustrates the exposures considered vulnerable to these physical risks.

For each type of risk a different method was developed to identify the potential physical risk.

The identification of drought and heat risk is based on the sector classification framework (NACE codes) established by the European Central Bank (ECB). Specifically, sectors classified under codes A, B, C, D, E, F, G, H, and L are considered within the scope of drought and heat risk.

As of December 2024 reporting, flood risk was determined using data from Gudrun, a specialized provider. Gudrun offers enhanced analytics by calculating flood risk at the address level, along with other relevant metrics, providing a more granular and accurate assessment of flood-related physical risks.

At the end of 2024 Crelan Group was not able to distinguish acute and chronic physical risk, as a result all physical risk was reported as 'acute and chronic' physical risk. For drought and heat risk an exemption was made for the agricultural sector. Given that it is a strategic sector for Crelan Group, a subdivision is performed into chronic and acute physical risk. Based on the type of activity a split was made between acute, chronic and 'acute and chronic'. Cultivation of crops (annual or multi-annual) is considered as subject to acute physical risk. Livestock, plant propagation, hunting, forestry, fisheries and aquaculture is considered as subject to chronic physical risk. For more details, the bank refers to template 5.CC Physical risk in annex.

Regulatory changes (professional portfolio): new regulation on C&E topics (e.g. carbon tax) can lead to lower profit margins or obligate business to invest in cleaner technologies, new production methods etc... Some sectors are more sensitive to these new regulations than others (e.g. carbon intensive sectors).

14.6. Pension Risk

Historically, actuarial Management of the ABB pension plans were done by AXA Belgium and regular reporting on valuation / risk is provided as well as the determination of the assumptions (via the AXA Group Policy). Assets are managed by AXA Belgium via Group insurance contracts (Branch 21). The Crelan Group pension funds were managed actuarially by Willis Towers Watson. As from the start of year 2024 the actuarial Management of the pension plans for Crelan is done by EMFEA Consulting, Part of AXA Group.

The annual IAS 19 calculations mitigate this risk. In addition, on an annual basis, the Balance Sheet Management team calculates the sensitivity of the OCI to changes in interest rates and inflation.

Moreover, the operational risk associated to the pension plans and fund is reviewed during the annual operational risk assessments.

14.7. Step-in Risk

Step-in risk is the risk that banks prefer to support certain entities in financial distress, rather than allow them to fail and face a loss of reputation, even though the bank has neither ownership interests in such entities nor any contractual obligations to support them.

In 2023, Crelan Group performed an assessment of its step-in risk. The analysis is based on the 5-step process described by the Basel Committee in the guidelines on the identification and management of step-in risk. The conclusion of this assessment is that no material step-in risk is identified and therefore, no mitigation is foreseen.

TTable 30 - Acute and chronic physical risks

Geographical area subject to climate change physical risk - acute and chronic events		Gross carrying amount (€ mln)													
			Of which exposures sensitive to impact from climate change physical events												
			Breakdown by maturity bucket					Of which exposures sensitive to impact from chronic climate change events	Of which exposures sensitive to impact from acute climate change events	Of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
			<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity							Of which Stage 2 exposures	Of which non-performing exposures
CODE	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
1	A - Agriculture, forestry and fishing	826,62	110,70	129,16	167,05	5,16	20,83	213,01	184,91	14,14	41,95	17,46	-7,17	-0,42	-6,61
2	B - Mining and quarrying	0,57	1,42	-	0,18	-	4,78	-	-	-	-	-	-0,00	-	-
3	C - Manufacturing	261,47	74,56	52,14	89,82	0,75	13,33	-	-	217,27	24,87	3,93	-1,83	-0,39	-1,34
4	D - Electricity, gas, steam and air conditioning supply	13,38	8,55	1,57	3,10	-	6,28	-	-	13,22	2,03	1,21	-0,56	-0,02	-0,51
5	E - Water supply; sewerage, waste management and remediation activities	19,37	3,96	1,65	5,76	0,01	9,92	-	-	11,38	0,02	0,39	-0,02	-0,00	-0,02
6	F - Construction	836,98	232,85	113,16	284,22	3,19	14,87	-	-	633,42	64,27	12,66	-4,74	-0,86	-3,62
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	732,73	185,36	145,17	245,74	4,37	15,19	-	-	580,64	44,90	8,62	-5,77	-0,59	-4,94
8	H - Transportation and storage	147,37	39,40	11,52	23,47	0,90	10,62	-	-	75,29	7,60	1,69	-0,91	-0,09	-0,78
9	L - Real estate activities	715,39	62,88	101,11	514,91	4,04	26,80	-	-	682,94	96,75	15,00	-3,73	-1,33	-2,06
10	Loans collateralised by residential immovable property	38.911,74	383,09	639,37	2.647,07	1.435,00	20,33	100,25	63,47	4.940,82	520,59	72,24	-14,98	-4,89	-9,39
11	Loans collateralised by commercial immovable property	6.567,96	172,92	238,72	376,98	17,97	16,22	269,16	168,28	369,15	77,35	17,02	-8,31	-0,86	-7,17
12	Repossessed colalterals	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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04/2025