



# 2024 Risk Report

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# 1 Introduction

Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 laying down implementing technical standards with regard to public disclosures by institutions. It aims to address the information asymmetry by providing stakeholders (like clients, members and investors) with information on the solvency, risks and risk exposures of financial institutions. The access to information is one of the conditions necessary to promote the transparency of financial institutions and to contribute to the orderly functioning of financial markets. Disclosure requirements should be a cornerstone of market discipline, enhancing the ability of stakeholders to assess risk in financial institutions which may lead them to change their behaviour. Consequently, the EBA believes that market discipline provides an opportunity for institutions with sound risk management policies and practices to be rewarded with lower capital costs.

Institutions may decide how frequently to disclose information. Given its low risk profile and its size, CPH decided to disclose the required information on an annual basis. This report is published on the website of CPH and is adequately completed by the risk indicators in appendix.

CPH group covers in fact *Banque CPH* and its subsidiary *CPH Life*, respectively a credit institution under Belgian law and an insurance company under Belgian law. Both of them, as Less Significant Institutions (LSI), are supervised by the National Bank of Belgium (BNB) and the Belgian Financial Services and Markets Authority (FSMA). This report focusses on *Banque CPH*. The total balance sheet of CPH Life, which is a captive insurance company, is considered as not material.

## 2 Executive Summary

### 2.1 Version Française

La Banque CPH est une banque indépendante et coopérative qui se définit comme une Banque locale de proximité offrant des services bancaires destinés essentiellement à une clientèle de particuliers, indépendants, professions libérales, PME, non-marchands et ASBL.

Banque de référence tablant sur le rôle capital des agences dans la relation avec ses clients, la stratégie de la Banque CPH consiste à offrir à ses clients des produits et services bancaires de qualité, adaptés à leurs besoins et à un juste prix, au travers de canaux de distribution appropriés, de façon à entretenir avec eux une relation globale à long terme et à être reconnue dans le marché comme un exemple en termes de qualité de service et de suivi.

Le ratio « Common Equity Tier 1 » de **23,73%** (**23,73%** de ratio global de solvabilité) pour le CPH est clairement au-dessus la moyenne des banques Belges et Européennes.

L'asymétrie naturelle des échéances dans le banking book entre le côté actif, avec principalement des crédits retail à moyen-long terme et le côté passif, avec des dépôts retail à court terme est suivie de près par le Comité de Direction et le Conseil d'administration de la banque. De plus, la banque gère l'exposition au risque de taux qui est liée à cette asymétrie d'une manière proactive et dispose d'instruments de couverture pour garder l'exposition dans les limites réglementaires.

Finalement, le CPH a une position de liquidité très solide qui lui permet d'absorber un choc de liquidité inattendu. Il y a deux raisons pour justifier l'important excédent de liquidité : premièrement, les dépôts retail sont une source de financement stable et deuxièmement, les positions de haute qualité dans le portefeuille d'investissement donnent un coussin que l'on peut facilement convertir en cash si c'est nécessaire.

## 2.2 English Version

Banque CPH is an independent cooperative bank that defines itself as a local bank offering banking services mainly to private individuals, self-employed, liberal professions, SMEs, non-traders and non-profit associations.

As a reference bank that relies on the key role played by its branches in customer relations, Banque CPH's strategy is to offer its customers quality banking products and services, adapted to their needs and at a fair price, through appropriate distribution channels, so as to maintain a long-term global relationship with them and to be recognized in the market as an example in terms of quality of service and follow-up.

The Common Equity Tier 1 ratio of **23,73%** (**23,73%** global solvency ratio) is clearly above the average of both the Belgian and European banking sector.

The natural maturity mismatch in the banking book between on the one hand, the assets principally middle and long-term retail loans and the liabilities principally short-term retail deposits on the other hand is closely followed by the bank's Management Board and the Board of Directors through the Risk Committee. The interest rate risk exposure associated to this mismatch is actively managed and hedging instruments are used in order to keep this risk within the internal limits.

Finally, CPH has a very strong liquidity position enabling the bank to absorb sudden unforeseen liquidity outflows. There are two reasons for the important excess of liquidity. First, the retail deposits are a stable funding source and second, the high-quality positions in the investment portfolio provide a liquidity buffer that can easily be turned into cash if needed.

## 3 General Risk management

### 3.1 Risk Profile

CPH is a local, cooperative bank that collects deposits from retail clients on the one hand and provides credit facilities to households, professionals and small to medium sized entities on the other hand. The bank aims to keep a close relation with its clients. The bank has 28 branches in Wallonia and Walloon Brabant and its activities are focused on these regions as well.

The positive evolution of the stock of retail deposits during the last decade underlines the stability of CPH's main funding source. The combination of stable retail deposits with a conservative investment strategy results in a solid liquidity buffer.

The current credit portfolio mainly consists of mortgage and corporate loans. CPH applies strict acceptance and collateral criteria in order to mitigate the exposure to the credit risk of its debtors.

CPH only offers standard products and the products are integrated in the internally developed information system. The full ownership of its applications and the systems enable CPH to achieve its business objectives with a lean organisation and helps to keep the operating costs under control. On the path to digitalisation, the CPH has now a fully integrated omni-channel digital banking platform (web and mobile banking) which fully fulfils PSD standards.

CPH is not involved as sponsor in any securitisation and the off-balance sheet positions are limited. This makes the balance sheet of the bank shows a low asset encumbrance and has a strong leverage/MREL ratios.

Taking into consideration the previous elements and mainly local activities, our AML/FT exposure is also reduced.

Each branch employee knows their clients well, has face-to-face contact with them, and therefore establishes a close and long-term relationship.

### 3.2 Risk objectives and policies

CPH recognises the importance of a sound risk management in order to sustain the stability and profitability of the bank. The risk framework is constantly adapted to the evolutions of bank's activities and proactively implements the new regulations.

The overall policy and risk appetite frameworks are defined by the Board of Directors. In order to monitor the risk profile of the bank, the Board of Directors created a dedicated risk committee (including ESG and IT risks).

Each member of the CPH's Management Board is responsible for the proper risk management of the activities and functions falling under his responsibility (first line of risk management). The independent Risk Management (second line of defence) reviews and assesses the measures implemented by the business and supervises as well the business to assure the compliance with the relevant regulations.

Finally, as mentioned in the previous paragraph, the Board of Directors with the dedicate risk committee supervises risk policies applied across the bank and intervenes where needed. Upfront these risk management Committees, there is the Audit Committee and the internal audit department (third line of defence) that regularly evaluates the different risk processes of the bank.

### 3.3 Risk Processes

#### 3.3.1 ICAAP (Internal Capital Adequacy Assessment Process)

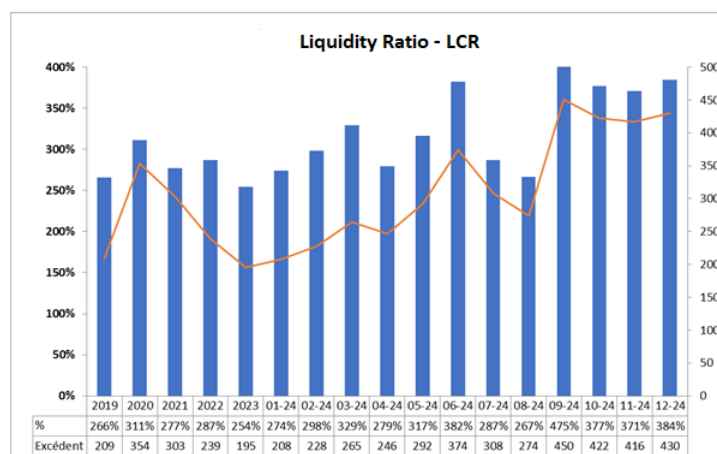
Each year the CPH Management Board is conducting an ICAAP. The results of this process are documented in a comprehensive report transmitted to the National Bank of Belgium (NBB). The NBB compares the ICAAP results with the outcome of the SREP (Supervisory Review Process), that is the assessment of risks and capital requirement undertaken by the NBB using its own internal methodology.

Both the ICAAP and SREP are the cornerstones of the so-called Pillar 2 of the Basel framework. Recall that the Pillar 1 covers the general capital and liquidity requirements.

CPH exceeds both the Pillar 1 and Pillar 2 and SREP requirements.

#### 3.3.2 ILAAP (Internal Liquidity Adequacy Assessment Process)

Within our local banking institution in Wallonia, we have strengthened our commitment to transparency and financial solidity through the thorough integration of Pillar 3 and ILAAP principles. We have implemented rigorous processes to evaluate and communicate our liquidity risks, ensuring perfect alignment with regulatory requirements. Our financing strategy, aligned with our risk profile, is regularly tested through stress scenarios, guaranteeing our resilience against potential shocks. Key liquidity indicators, such as the LCR (384% as of 31/12/2024) and NSFR (130% as of 31/12/2024), are closely monitored, and their changes are communicated transparently. We have also reinforced our governance and internal control framework to ensure effective risk management. Our clients and partners can thus have full confidence in our ability to maintain solid and sustainable financial stability, while supporting the local economy.



### 3.3.3 Recovery Plan

The European Commission has developed a crisis management framework in response to the recent banking crisis. One of the corner stones of the EU crisis management is the Bank Recovery and Resolution Directive. Banks have to design their own recovery plan whereas the national competent authorities are asked to draft their resolution plan on a national level. The recovery plan forces banks to identify its potential weaknesses and assess the effectiveness of plausible options to recover from very severe events without state intervention.

This plan is reviewed and updated according to the bank’s strategy and new regulations (like the ESG risk guidelines), on an annual basis and transmitted to the Board for validation and approbation.

### 3.4 Hedging and risk mitigating

CPH has a natural exposure to credit and interest rate risk. In order to limit these exposures and align them with its risk appetite, the bank has put strict risk mitigation procedures in place. First, the availability and the quality of collateral is a key element in the bank’s counterparty risk assessment of each individual credit request. The high recovery rate of defaulted credit openings proves the effectiveness of the banks collateral policy. Second, the bank is actively managing its interest rate risk position of its core banking activities and it has developed a hedging strategy to keep the exposure to interest rate swings within the bank’s risk appetite. The hedging strategy is based on a well-balanced mix of interest rate derivatives. The effectiveness of the hedges is closely monitored by the bank’s risk management.

# 4 Solvency Position

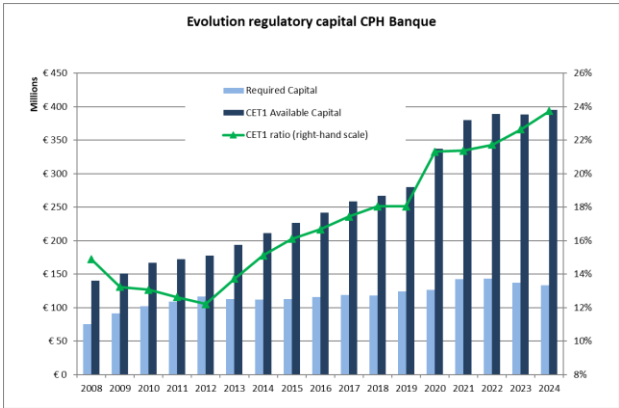
## 4.1 Evolution overall solvency

CPH Banque has an unambiguous objective to fulfil all European and national regulatory capital requirements, more in particular those specified in CRR<sup>1</sup> for the banking activities and Solvency II<sup>2</sup> for its insurance activities. In addition to the regulatory requirements, CPH aligns its objectives with the recommendations of the *Conseil National de la Coopération*, this is the Belgian consultative intuition established by the Belgian law of 20 July 1955 in order to promote the principles of a co-operative statute and preserve the co-operative ideal. Therefore, the bank does not aim at a pure capitalistic return but at a sustainable evolution with respect for its **Environmental, Social, and Governance role**. The general conditions for co-operative institutions limit the yearly dividend of the co-operative shares to a maximum of 6%.

As a forward-thinking financial institution, our bank has actively prepared the implementation of Basel IV, demonstrating our unwavering commitment to regulatory compliance and prudent risk management. We are confident that our proactive approach and dedicated resources will enable us to meet and exceed the requirements of Basel IV, reinforcing our position as a stable and resilient bank.

Since its creation and over time, CPH was able to build a solid capital basis that enforces its total independency and allows staying a local bank where both clients and employees know each other and feel respected. Moreover, as a member of the *Confédération Internationale des Banques Populaires*, CPH benefits from an implicit support of this international confederation and its members if needed.

Even during the financial crisis, CPH Banque was able to maintain a Common Equity Tier 1 (CET1) ratio above 12%, which is far above the Basel II and even the Basel III thresholds. Over the last three years, the CET1 steadily evolved to a solid **23,73% at the end of 2024**.



<sup>1</sup> CRR: REGULATION (EU) No 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012

<sup>2</sup> Solvency II DIRECTIVE 2009/138/EC of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II)

The average CET1 ratio of **Belgian** banking sector stood on average at **16,7%**<sup>3</sup> at the end of **2023**. On a **European** point of view EBA shows CET1 ratio of **16,1%**<sup>4</sup> at the end of **2023** so one can conclude that CPH's solvency position clearly outperforms both the **Belgian** and the **European** sector. The CPH Solvency ratio is **23,73 %** end **2024**.

## 4.2 Own funds

CPH's own funds only consists end **2024** of high-quality common equity tier 1 capital, namely co-operative shares (paid up capital) and mainly retained earnings accumulated over the past two decades (other reserves and funds for general banking risk). More than half of the retained earnings are placed in the funds for general banking risk which underlines CPH's intention to lock in its capital buffer and maintain a large cushion to absorb unexpected losses. At the end of **2024**, CPH owns 100% of CPH Life<sup>5</sup> shares corresponding to € 6 million. This participation is deducted from the common equity tier 1 capital.

The tier 2 capital is zero in **2024**.

The total own funds have **increased** by € **7,5** million between 31 December **2023** and 31 December **2024**.

Composition Own funds	31/12/2024	31/12/2023
<b>TIER 1 CAPITAL</b>	<b>395 442 386</b>	<b>387 927 836</b>
COMMON EQUITY TIER 1 CAPITAL	395 442 386	387 927 836
<i>Paid up capital instruments</i>	82 975 733	82 181 219
<i>Accumulated other comprehensive income</i>	31 533 418	31 004 227
<i>Other reserves</i>	106 527 306	105 633 807
<i>Funds for general banking risk</i>	182 500 000	178 000 000
<i>(-) Goodwill accounted for as intangible asset</i>		
<i>(-) Other intangible assets before deduction of deferred tax liabilities</i>	-2 094 071	-2 891 417
<i>(-) CET1 instruments of financial sector entities where the institution has a significant investment</i>	-6 000 000	-6 000 000
ADDITIONAL TIER 1 CAPITAL		
<b>TIER 2 CAPITAL</b>	<b>0</b>	<b>0</b>
<i>General credit risk adjustments (Internal Security Fund)</i>	0	0
<b>TOTAL OWN FUNDS</b>	<b>395 442 386</b>	<b>387 927 836</b>

## 4.3 Capital requirements

The Pillar 1 capital requirements mainly consist of capital needs for the bank's credit risk under the standardised approach<sup>6</sup>. CPH only offers standard products like mortgage loans and consumer credits to households or commercial loans to professionals and small to medium sized entities. Given the low loss rate of CPH retail loans portfolio and the Belgian sector in general, the standardised approach is a

<sup>3</sup> Source BNB Financial Stability Report **2024** [fsr\\_2024\\_report.pdf](#)

<sup>4</sup> Source ECB Risk assessment report **July 2024** [Risk assessment report July 2024.pdf](#)

<sup>5</sup> CPH Life is an insurance company under Belgian law

<sup>6</sup> defined in TITLE II CAPITAL REQUIREMENTS FOR CREDIT RISK, CHAPTER 2 Standardised Approach of the EU Regulation 575/2013 (CRR)

very conservative risk measure since it does not fully recognise the low risk profile like more sophisticated internal models do. During the internal capital adequacy assessment (ICAAP), the bank puts the conservative of the standard model for its retail loan portfolio into evidence.

Own funds Pillar 1	31/12/2024	31/12/2023	31/12/2022	31/12/2021	31/12/2020	31/12/2019	31/12/2018	31/12/2017
Required Capital for Credit Risk	124 912 761	128 485 963	135 080 312	134 508 524	118 961 794	115 871 011	109 253 898	109 340 858
Required Capital for Operational Risk	8 380 276	8 635 979	8 241 968	7 576 583	7 759 936	8 303 582	9 017 991	9 088 911
Required Capital for Market Risk	0	0	0	0	12 284	32 091	63 987	113 949
Total Required Capital	133 293 036	137 121 941	143 322 280	142 085 107	126 734 014	124 206 684	118 335 876	118 543 719

It is commonly known that internal models for credit risk result in lower capital requirements and thus, requirements under the standard formula are considered to be a conservative risk measure, especially in a Belgian mortgage loan context. The conservatism of the standard model for credit is considered in the internal capital adequacy assessment.

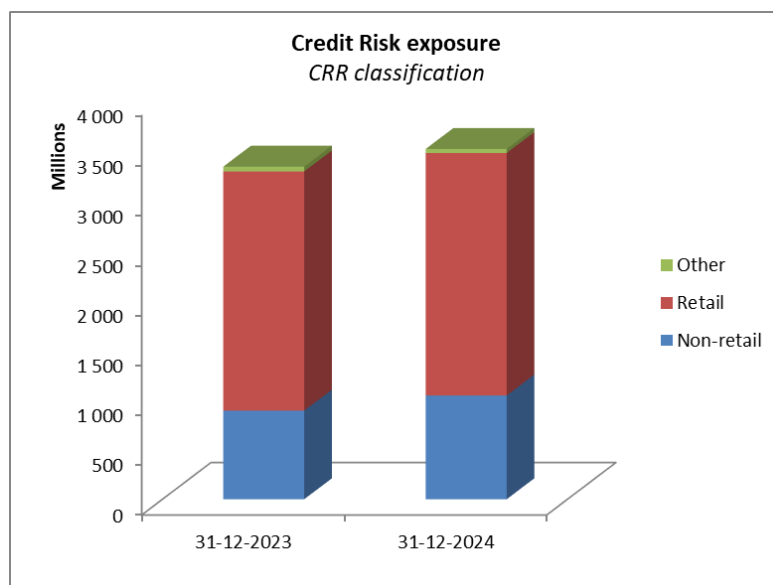
CPH's intermediation activities, in particular retail deposits on passive side and credits on active side of the balance sheet, have an inherent interest rate risk component. The internal assessment for interest rate risk of the banking book activities is based on both internal and regulatory indicators. These indicators provide different angles on interest rate sensitivities of the bank. The interest rate risk hedging positions limit the negative impact on the both income and economic value of the bank's banking book.

CPH opts for the Basic Indicator Approach (BIA) for operational risk capital requirements. Since CPH is not involved in exotic banking activities and it has a typical organisation, the operational risk standardised model is considered to be an appropriate risk measure for a bank like CPH.

The **2024** ICAAP exercise confirmed the adequacy of CPH's capital buffer. The available own funds largely exceed both the pillar 1 and the internal capital needs.

## 5 Credit Risk Management

The bank's credit risk exposure can be almost evenly split in retail and non-retail credit risk. The exposure to retail risks rose slightly from € 2.395 million at the end of 2023 to € 2.429 million at the end of 2024 mainly due to the net retail credit production of 2024 mainly investment and consumer loans. Exposure to non-retail risk decreases. The exposures classified as "others" are mainly accounting items related to the amortisation of own properties and (IT) infrastructure.



### 5.1 Exposure to retail credit risk

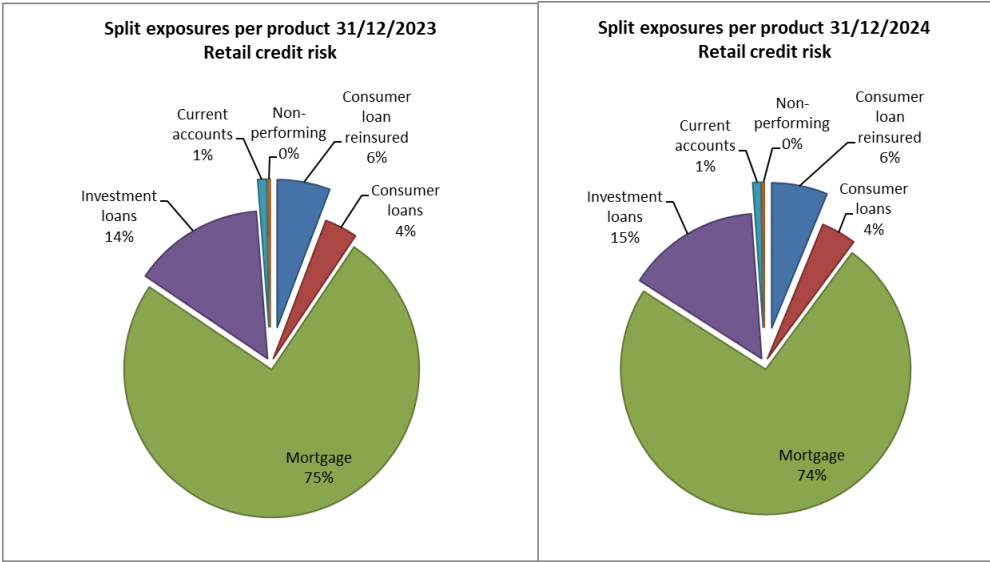
CPH, as local and cooperative bank in close contact to its clients, aims at providing a wide range of credit facilities to natural persons, to professionals and small or medium sized enterprises located in its geographical area of activities. The bank can follow its clients outside its initial area.

The low historical credit loss rates over the last years proof the conservatism of CPH and the effectiveness of the mitigation actions, including reinsurance. The credit risk policy targets a secure balance between risk and return that takes the overall business strategy defined by the Board of Directors into account. The policy consists of the following components:

- a general code of conduct
- a code of conduct to frame-up the yearly production objectives
- a credit acceptance process
- a monitoring of limits per counterparty
- a supervision and control of the credit activities
- a code of conduct for classification and provisioning

The performing loans are subjected to a tracking with automated reminders in case of delays in payments. CPH has an automated process to classify credit lines under “uncertain evolution”. The local branches are in charge of the follow-up of the credit lines under uncertain evolution with the support of the front office and litigation department. Several initiatives can be considered going from a renegotiation of the credit modalities to the liquidation of borrower’s belongings. Credit lines with more than 90 days past due are tracked by the litigation department. The litigation department evaluations these lines on an individual basis and assesses the value of the underlying collateral in order to book impairments if needed.

Mortgage loans represent more than **73%** of the total retail exposure and their share is lightly decreasing. Investment loans to professionals and small or medium sized companies represent **14%** of the total non-retail exposure. The consumer loans are split into two groups: loans where the credit risk is reinsured and loans where the credit risk is taken by CPH. The two groups represent about **10%** of the overall retail exposure. Between the end of **2023** and the end of **2024**, the situation **remains stable**.



Credits to “retail” clients with an exposure above €1 million are considered as non-retail from a regulatory point of view but these loans are also viewed as retail by our institution.

In order to ensure rigorous oversight and mitigate potential risks, our institution implements close monitoring of credit exposures exceeding or equal to 2 million €. By proactively identifying and addressing potential vulnerabilities, we strengthen our portfolio's resilience and maintain robust asset quality, aligning with our commitment to sound risk management practices.

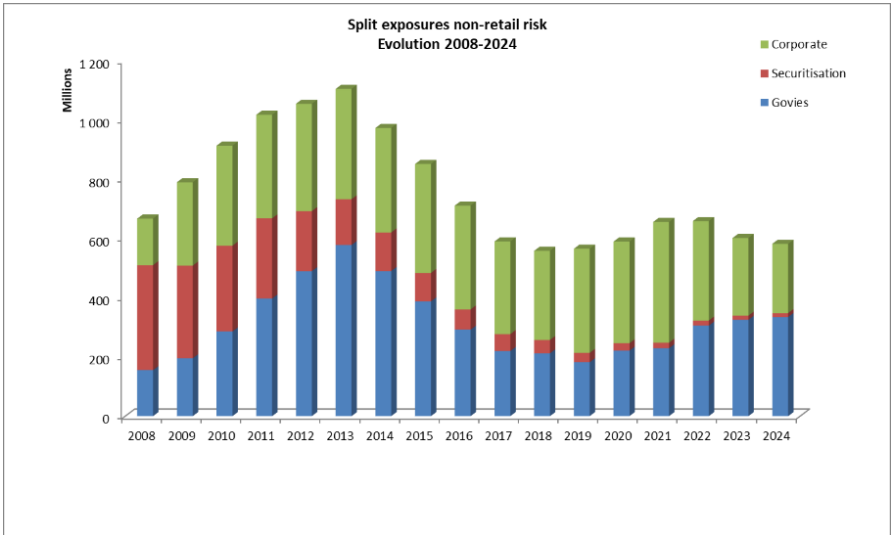
## 5.2 Exposure to non-retail credit risk of the Bank investment portfolio

The credit risk policy linked to the investment portfolio aims at an appropriate balance between risk and return taking the global strategy defined by the Board of Directors into account. The policy is based on several elements.

The first element is a code of conduct based on the following courses of action: (1) obtain a majority of investment grade positions and (2) maximize the diversification by limiting the exposures per region, per underlying instruments, and if applicable per tranche of the same deal. The limit framework for the investment portfolio enables the monitoring and controlling of the desired level of diversification in the portfolio.

In practice, the supervision of the investment portfolio takes place at different levels of CPH’s organisation. On the one hand, there is the overall monitoring performed by risk management ,external audit, internal audit, and the Board of Directors (via the Risk Committee). On the other hand, the Management Board and the “Front Office Treasury (FOT)” committee are supervising the daily portfolio management. The FOT committee is a technical body (with no decision power) that regularly reviews the evolution of the portfolio. As a member of this committee, the external expert assures an independent and professional oversight of the portfolio. Finally, the Front Office Treasury (FOT) department is responsible for the close follow-up of each individual position. For this follow, the FOT department makes use of reports published by rating agencies, traders and other trustees extended by its own expertise of the financial markets and by information of rating financial news providers.

The investment portfolio is historically split into four sub-portfolios: Corporate bonds, Securitisation, Government bonds (Govies) and Term Deposits. Since 2023, there are new Term Deposits but the size of the Term Deposits sub-portfolio is small compared to three others (see the table at below the next graph).

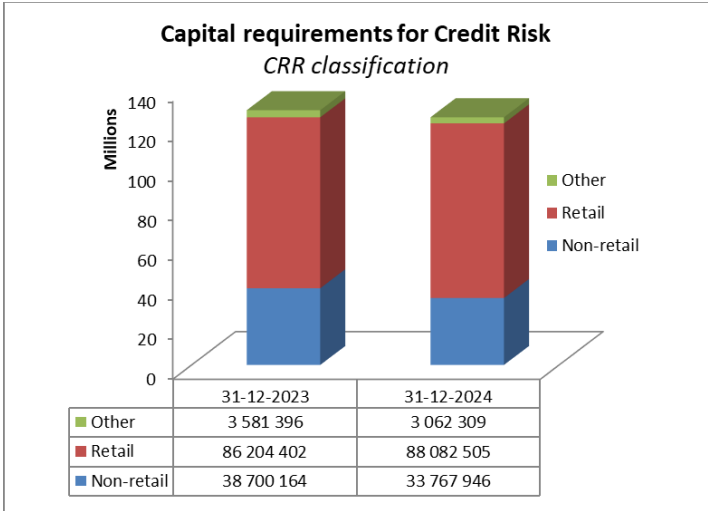


At the end of 2008, CPH had an exposure of about €354 million in securitisation positions and €155 million in Govies and €157 million in Corporates. The securitisation portfolio is in run-off since then and only € 13 million remains on December 31, 2024. The position in government bonds has gradually increased until 2013 and decreased until 2019. **It is now increasing again to end up to € 335 million** on December 31, 2024 with the increase of interest rates level. The exposure in corporate bonds decreased since 2023 mainly because of the non-renewal of commercial papers.

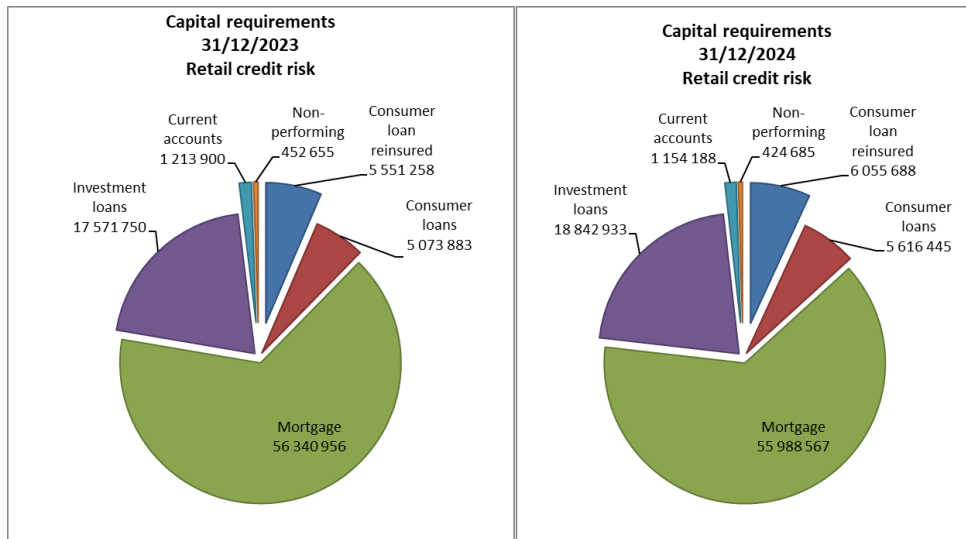
Exposure investment portfolio in million eur					
	Govies	Securitisat	Corporate	Term Deposits	Total
31/12/2008	155	354	157	79	746
31/12/2009	195	313	281	66	856
31/12/2010	286	289	337	-2	911
31/12/2011	397	271	349	-3	1014
31/12/2012	489	203	362	-34	1020
31/12/2013	577	154	372	1	1105
31/12/2014	490	130	352	-2	970
31/12/2015	387	96	368	-27	824
31/12/2016	292	68	350	0	711
31/12/2017	220	57	313	-29	561
31/12/2018	212	45	301	37	595
31/12/2019	182	31	351	53	617
31/12/2020	221	25	343	0	589
31/12/2021	229	18	407	0	655
31/12/2022	305	17	336	0	658
31/12/2023	325	14	262	2	604
31/12/2024	335	13	234	3	584

### 5.3 Capital buffers

CPH uses the standardised approach to all its credit risk exposures. Larger banks tend to opt for internal credit risk models what typically result in significantly lower capital requirements.



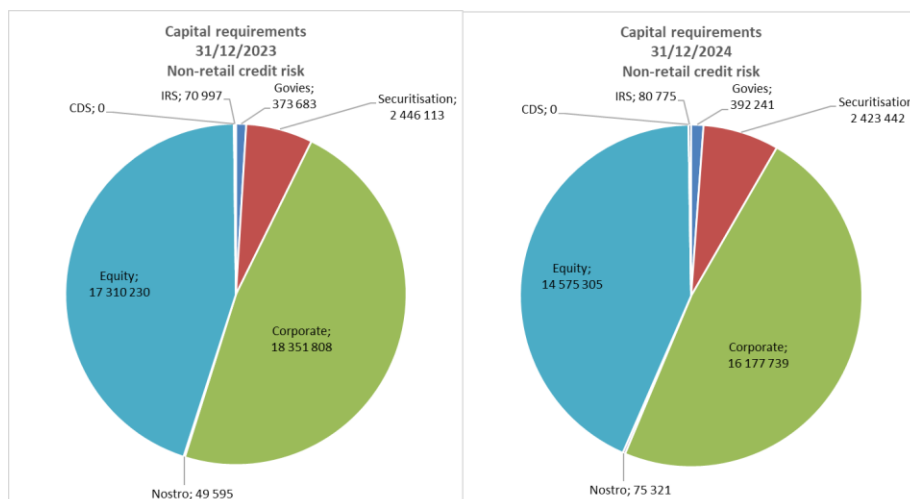
The total capital requirements for credit risk on December 31, 2024 is about € 124,9 million versus €128,5 million at the end of 2023. The capital requirements for non-retail credit risks decreased (- € 4,9 million) and those for retail credit risk increased (+€ 1,8 million).



A closer look to the evolution capital requirements between December 31, **2023** and December 31, **2024** for retail credit risks learns that the needs for the mortgage loans went down by € **0,3** million which is in line with the production of mortgage loans in **2024**. Also, the investment loans required more capital at the end of **2024** (+ € **1,2** million).

The capital requirements for non-retail credit risk **decreased** in **2024**. This is mainly explained by the **decrease** in the **equity portfolio** (- € **2,7** million) and the **corporate portfolio** (- € **2,1** million).

The needs for other exposures **remain globally stable**.



## 5.4 Zoom on the exposures

An overview of all credit risk exposures grouped by type is available in appendix. In the following subsections, the principal counterparty categories in the investment portfolio are highlighted.

### 5.4.1 Government bond positions

Over the last years, CPH has had both short term (maturity shorter than 1 year) and long-term positions in government bonds. The positions in Belgian government bonds (OLOs) went **down** by € **1,2** million during **2024** due to new positions. The positions on other countries remain quite stable.

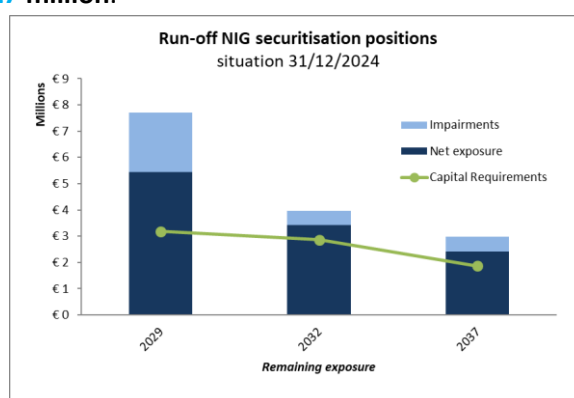
	PAYS	31/12/2012	31/12/2013	31/12/2014	31/12/2015	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	NEW rating 31/12/2024		
CT	Europe	1 235 518															
	Italie	44 770 636	59 692 922	29 973 590													
	Espagne	54 663 954	114 389 120	9 989 306													
	France																
	Total CT	100 670 108	174 082 042	39 962 896	0	0	0	0									
LT	Belgique	285 347 608	310 952 239	296 159 605	239 326 348	143 004 952	111 581 050	127 052 362	136 509 268	193 557 841	206 781 155	261 959 426	281 829 791	280 598 315	AA-	-1 231 476	
	Europe	1 659 328														0	
	France	50 061 672	50 063 467	50 050 528	50 037 683	50 042 594	50 042 594	50 000 000		4 365 376	4 673 424	4 901 620	4 671 038	13 248 936	AA	8 577 898	
	Espagne	7 039 750	8 700 804	50 806 938	43 228 517	42 677 897	31 960 587	30 324 784	40 779 046	30 577 738	30 502 306	30 425 784	30 347 622	25 368 057	A	-4 979 564	
	Italie	31 776 149	31 718 607	51 501 961	50 735 324	49 959 737	16 056 440									0	
	Pologne	10 086 567	4 900 830	4 931 033	4 962 202	4 995 906	5 030 720	5 067 224	5 104 984	5 145 629						0	
	Slovenie	8 193 941	8 199 992	8 206 373	8 212 515	8 220 173	8 227 610	3 080 876	3 090 203	2 052 730	2 052 811	2 052 896	2 052 837	1 038 793	A	-1 014 044	
	Slovaquie															2 251 687	
	Lituanie															2 616 155	
	Rép Tchèque	1 530 386	1 531 276	1 532 199	1 533 046	1 534 148	1 535 177	1 536 244	1 537 241	1 538 498						0	
	Chypre	1 021 233														0	
	Grèce	26 034	26 034	26 034	26 034	26 034	26 034	26 034	26 034	26 034	26 034	26 034	26 034	26 034	26 034	BBB	0
	Brsil	2 548 713	2 037 293	1 977 383	1 411 399	967 939	806 224	692 656	652 257	440 026	420 670					0	
	US												9 311 166	9 014 323	9 617 526	AA+	603 203
	Total LT	399 291 383	418 130 540	465 192 053	399 473 068	301 429 379	225 266 436	217 780 179	187 699 033	237 703 871	244 456 399	308 676 925	327 941 644	334 765 503			
	Total CT + LT	499 961 491	592 212 582	505 154 949	399 473 068	301 429 379	225 266 436	217 780 179	187 699 033	237 703 871	244 456 399	308 676 925	327 941 644	334 765 503			
	CT	UE	0,2%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,00%	0,00%	
		autres pays UE	19,9%	29,4%	7,9%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,00%	0,00%	
	LT	Belgique	57,1%	52,5%	58,6%	59,9%	47,4%	49,5%	58,3%	72,7%	81,4%	84,6%	84,9%	85,94%	83,82%		
		UE	0,3%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,00%	0,00%		
autres pays UE		21,9%	17,8%	33,1%	39,7%	52,2%	50,1%	41,3%	26,9%	18,4%	15,2%	12,1%	11,31%	13,31%			
hors UE		0,5%	0,3%	0,4%	0,4%	0,3%	0,4%	0,3%	0,3%	0,2%	0,2%	3,0%	2,75%	2,87%			

### 5.4.2 Securitisation positions

The portfolio with securitisation positions has been put in run-off in 2008. Since then, the exposure in these structured products has been reduced by the natural run-off of the portfolio. After impairments, the remaining exposure in book value was € **10** million on December 31, **2024**, of which **41,35** % positions in non-investment grade bonds. The non-investment grade bonds are less liquid and thus less easy to sell at a fair price. Nevertheless, the capital requirements decrease by **0,93**% (-€ **0,022** million) between December 31, **2023** and December 31, **2024** while the average Basel III risk weight of the standard formula for credit risk remains stable. The average risk weight is a proxy for the quality of the portfolio so the average quality of the remaining portfolio remained more or less stable over the last five years.

Evolution securitisation positions						
	Gros book value	Impairments	Net book value	percentage non-investment grade	Required capital	Average risk weights
31/12/2007	367 680 702	0	367 680 702	1,36%	16 471 333	56%
31/12/2008	358 341 496	7 410 219	350 931 277	6,47%	20 164 238	72%
31/12/2009	312 641 958	11 550 993	301 090 965	16,74%	26 705 932	111%
31/12/2010	287 744 154	14 907 593	272 836 561	21,31%	39 035 575	179%
31/12/2011	269 764 046	16 908 615	252 855 432	25,67%	38 611 402	191%
31/12/2012	202 063 544	17 116 372	184 947 171	30,87%	38 530 739	260%
31/12/2013	154 151 165	16 871 287	137 279 878	36,29%	31 616 306	288%
31/12/2014	130 065 855	16 144 965	113 920 890	36,37%	28 631 047	314%
31/12/2015	95 883 192	15 052 880	80 830 312	41,38%	19 115 599	296%
31/12/2016	68 401 663	13 640 641	54 761 022	41,45%	12 206 416	279%
31/12/2017	57 066 192	12 958 942	44 107 250	44,51%	9 825 296	278%
31/12/2018	45 068 228	7 741 089	37 327 139	36,95%	8 058 853	270%
31/12/2019	31 350 710	6 933 759	24 416 950	43,75%	6 793 774	348%
31/12/2020	24 936 294	4 892 384	20 043 909	38,57%	4 079 818	254%
31/12/2021	18 421 830	3 386 659	15 035 171	38,17%	2 870 449	239%
31/12/2022	17 111 720	3 326 547	13 785 173	38,47%	2 843 829	258%
31/12/2023	14 286 976	3 180 995	11 105 981	38,17%	2 446 113	275%
<b>31/12/2024</b>	<b>13 179 566</b>	<b>3 180 995</b>	<b>9 998 571</b>	<b>41,35%</b>	<b>2 423 442</b>	<b>303%</b>

A look at the natural run-off of the securitisation positions over the coming years learns that both the exposures and capital requirements will gradually go down. **At the end of 2024**, the total net exposure on the NIG is **around € 2,27 million**.



### 5.4.3 Non-investment grade positions

CPH holds some positions in foreign countries (inside and outside the EU) but no exposure to countries having a rating below investment grade (<BBB-).

## 6 Other Material Risks

### 6.1 Interest rate risk management in the banking book

The bank is actively managing its interest rate risk and uses several indicators to monitor the exposure to interest rate shocks. One of the indicators is the one defined by the BNB, the so-called “90.30 report”, that assesses the impact of several interest rate scenarios on the economic value of the bank. In order to calculate the economic value of its assets and liabilities, several assumptions on the client behaviour are considered like for instance the prepayment rate of the credits and duration of the non-maturity deposits. The duration of the deposits and the prepayment rates for each scenario are estimated by the bank using the standardized approach. The internal indicators provide different angles on the duration of the bank’s own funds. A technical working group defines and reviews the internal indicators and its hypothesis. Several functions are involved in the bank’s interest rate management while all important decisions are made at Management Board level.

The risk management regularly performs detailed analyses on the stability and maturity of the retail deposits and it often reviews the observed prepayment rate of the credit loans. Since 2014, as a result of the low interest rate regime, the Belgian banking sector has observed a refinancing wave of the mortgage loans. This trend has now disappeared due to higher interest rates.

In order to keep the interest rate exposure into the desired limits, the bank has developed a hedging strategy and makes use of interest rate derivatives.

### 6.2 Operational risk management

The bank’s risk management has implemented an efficient operational risk management framework across the three lines of defence. This approach helps to structure and clarify the roles and responsibilities of each employee in operational risk management with risk management playing a coordinating role.

The operational risk management framework is composed of the following elements, which are interdependent:

- The internal control framework includes all the policies, procedures and control measures intended to ensure the effectiveness of operations considering the risks inherent to our activities;
- Risk mapping is used to provide a synthetic view of the risks inherent to Bank’s activities with their potential probability and impacts but also on the residual risks, after the application of the internal control framework;
- An incident management process is also in place in order to manage negative operational events and limit their impact(s);
- A business continuity policy has also been enhanced to enable the bank to continue its activities even in the event of extreme disruption, with particular attention to the resilience of IT components.

- Finally, the bank attaches particular importance to staff awareness in order to reinforce its culture of sound operational risk management and to ensure that each employee understands his role and responsibility in this context.

Each component of the operational risk management framework is reviewed annually to ensure its relevance over the years.

Thanks to this framework, the Bank is able to attest, with reasonable assurance, that it has control over its operational day-to-day activities.

### 6.3 Liquidity risk management

The major funding source of the banks is retail deposits. A large part of these retail deposits (more than 70 %) are protected by the deposit guarantee scheme (DGS) up to one hundred thousand euros by individual. During the financial crisis, CPH was able to strengthen the stock of retail deposits, more details on the evolution of the deposits can be find in the bank’s annual report<sup>7</sup>. There is a close monitoring of the in- and outflows of the deposits by the bank’s Management Board. Meanwhile, the bank has built a solid stock of highly liquid assets that can absorb sudden extreme liquidity needs.

The company performs each year the ILAAP (Internal Liquidity Adequacy Assessment Process) exercise which confirms the strong liquidity position of the bank.

### 6.4 Remuneration policy

CPH’s remuneration policy is available on the public website (URL: <https://www.cph.be/la-banquecph/corporate-governance.html> ).

### 6.5 Leverage ratio

Leverage ratio							
	31-12-24	31-12-23	31-12-22	31-12-21	31-12-20	31-12-19	31-12-18
Tier 1 capital	395.442.386	387.927.836	389.007.062	379.486.966	337.457.697	280.109.895	266.876.959
Total exposures	3.464.541.263	3.277.702.097	3.362.582.778	3.276.107.893	3.055.428.700	2.858.114.446	2.616.959.289
Regulatory adjustments	-8.094.070	-8.891.417	-9.436.260	-8.481.481	-8.530.622	-8.224.997	-7.563.613
Total exposures for the calculation of the leverage ratio	3.456.447.193	3.268.810.680	3.353.146.518	3.267.626.412	3.046.898.078	2.849.889.449	2.609.395.677
Basel III leverage ratio	11,44%	11,87%	11,60%	11,61%	11,08%	9,83%	10,23%

The leverage ratio is a popular solvency indicator in the Anglo-Saxon world since it is straightforward to compute and it is used across different business sectors. The regulatory minimum is fixed by the European Banking Authority at 3%. On December 31, 2024, CPH Tier 1 capital represented 11,44% of its total expose which is more than three time the proposed regulatory minimum of 3%.

<sup>7</sup> Annual report is available on : <https://www.cph.be/la-banque-cph/corporate-governance.html>

## 6.6 Unencumbered assets and MREL

Encumbered assets refer to assets that are securing liabilities in the event that an institution fails to meet its financial obligations. The typical transactions that are collateralised or asset-backed are repurchase agreements (repos), securitisations, covered bonds, or derivatives. The higher the number of unencumbered assets, the better the depositors and even (cooperative) shareholders are protected in case of financial distress.

CPH has no securitisation program, unlike some major (Belgian) banks that have repackaged a part of their retail loans. This makes that about 95% of CPH assets are unencumbered. Only the remaining 5% are collateralised for repos and derivative positions.

The MREL's (Minimums Requirement for own funds and Eligible Liabilities) excesses are comfortable.

The TREA, or Total Risk Exposure Amount, represents the total amount of a bank's risk-weighted exposures. In simpler terms, it is a measure of a bank's assets, weighted to reflect their level of risk.

The MREL LRE (leverage ratio exposure) may be translated as the application of MREL requirements in relation to the bank's leverage ratio.

The MREL is the minimum amount of equity and subordinated debt a firm must maintain to support an effective resolution. As of 31/12/2024, the MREL TREA is 23,73% while the MREL LRE is 11,44%.

## 6.7 Market risk

Market risk is the risk of loss due to unfavorable moves in market variables. Those moves can be due to exchange rates, prices, interest rates, credit spreads, volatilities. Market risk is then made of interest rate risk, foreign exchange risk, equity market risk and volatility risk. It occurs either through the positions of the trading portfolio or through the positions of the banking book. CPH Banque has no trading portfolio.

The interest rate risk has been developed before at point 6.1.

Exposures to currency risk are on major standard currencies and in relatively small amounts. As of 31/12/2024, the exposure on USD is around 20 MEUR.

We no longer have a trading activity following the banking law of 25 April 2014.

## Appendix: Overview Credit Risk Exposures

Credit risk exposure on 31/12/2023								
	catégorie	Category	Gross exposure	Impairments	Net Exposure	RWA	Required Capital	Average weight
	Trésorerie CPH	Govies	327 941 644	0	327 941 644	4 671 038	373 683	1%
		Securitisations	14 286 976	3 180 995	11 105 981	30 576 414	2 446 113	275%
		Corporate	259 052 251	1 339 548	257 712 703	229 397 599	18 351 808	89%
		Nostro	33 118 327	0	33 118 327	619 942	49 595	2%
		Term Deposits	2 443 439	0	2 443 439	1 221 719	97 738	50%
		Equity	246 475 992	41 279 974	205 196 018	216 377 874	17 310 230	105%
		CDS	0	0	0	0	0	0%
		IRS	4 437 338	0	4 437 338	887 468	70 997	20%
		Derivatives	0	0	0	0	0	0%
Non-retail		<b>Total</b>	<b>887 755 966</b>	<b>45 800 517</b>	<b>841 955 450</b>	<b>483 752 054</b>	<b>38 700 164</b>	<b>57%</b>
	Crédit Retail	Consumer loan reinsured	138 480 143	35 132	138 480 143	69 390 722	5 551 258	50%
		Consumer loans	86 403 770	0	86 403 770	63 423 542	5 073 883	73%
		Mortgage	1 791 468 828	0	1 791 468 828	704 261 946	56 340 956	39%
		Investment loans	342 413 993	0	342 413 993	219 646 874	17 571 750	64%
		Current accounts	23 513 003	0	23 513 003	15 173 748	1 213 900	65%
		Non-performing	12 585 462	6 986 588	5 598 874	5 658 193	452 655	101%
Retail		<b>total</b>	<b>2 394 865 198</b>	<b>7 021 720</b>	<b>2 387 878 611</b>	<b>1 077 555 025</b>	<b>86 204 402</b>	<b>45%</b>
Other	Autres		47 868 037	0	47 868 037	44 767 454	3 581 396	94%
		<b>Total</b>	<b>3 330 489 202</b>	<b>52 822 237</b>	<b>3 277 702 097</b>	<b>1 606 074 533</b>	<b>128 485 963</b>	<b>49%</b>
Credit risk exposure on 31/12/2024								
	catégorie	Category	Gross exposure	Impairments	Net Exposure	RWA	Required Capital	Average weight
	Trésorerie CPH	Govies	334 765 503	0	334 765 503	4 903 011	392 241	1%
		Securitisations	13 179 566	3 180 995	9 998 571	30 293 024	2 423 442	303%
		Corporate	229 465 035	790 838	228 674 197	202 221 743	16 177 739	88%
		Nostro	235 169 407	0	235 169 407	941 516	75 321	0%
		Term Deposits	2 695 158	0	2 695 158	539 032	43 123	20%
		Equity	218 364 904	33 047 201	185 317 703	182 191 313	14 575 305	98%
		CDS	0	0	0	0	0	0%
		IRS	5 048 431	0	5 048 431	1 009 686	80 775	20%
		Derivatives	0	0	0	0	0	0%
Non-retail		<b>Total</b>	<b>1 038 688 004</b>	<b>37 019 034</b>	<b>1 001 668 970</b>	<b>422 099 325</b>	<b>33 767 946</b>	<b>42%</b>
	Crédit Retail	Consumer loan reinsured	151 022 717	35 132	151 022 717	75 696 099	6 055 688	50%
		Consumer loans	94 687 920	0	94 687 920	70 205 559	5 616 445	74%
		Mortgage	1 789 833 890	0	1 789 833 890	699 857 087	55 988 567	39%
		Investment loans	358 652 418	0	358 652 418	235 536 659	18 842 933	64%
		Current accounts	22 548 618	0	22 548 618	14 427 355	1 154 188	64%
		Non-performing	11 891 387	6 580 894	5 310 493	5 308 560	424 685	100%
Retail		<b>total</b>	<b>2 428 636 950</b>	<b>6 616 027</b>	<b>2 422 056 056</b>	<b>1 101 031 319</b>	<b>88 082 505</b>	<b>45%</b>
Other	Autres		40 816 238	0	40 816 238	38 278 863	3 062 309	94%
		<b>Total</b>	<b>3 508 141 192</b>	<b>43 635 061</b>	<b>3 464 541 264</b>	<b>1 561 409 507</b>	<b>124 912 761</b>	<b>45%</b>