INDUSTRIAL AND COMMERCIAL BANK OF CHINA (EUROPE) S.A.

Pillar 3 Disclosure Report

As at 31 December 2022

Pursuant to Part Eight of Regulation (EU) No. 575/2013, as amended

ICBC 工银欧洲

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (EUROPE) S.A.

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1 Introduction

Pursuant to Article 431 of the Regulation (EU) No 2019/876 (CRR2) amending Regulation (EU) No 575/2013 of the European Parliament and of the Council (‘CRR’) as amended, ICBC (Europe) S.A. has to publicly disclose the information specified in Part Eight, Title II of the CRR2, subject to the provisions laid down in Article 432 of the CRR.

CRR2 is completed by relevant regulatory papers: EBA Implementing Technical Standards (EBA/ITS/2020/04) specifying uniform disclosure formats, and associated instructions in accordance Titles II and III of Part Eight of the amended Regulation (EU) No 575/2013, the related EU Implementing Standards (ITS on Pillar 3 disclosures), the CSSF circular 23/830 and the Luxembourg law of 5 April 1993, as amended, as regards to disclosure requirements.

By way of derogation from article 433(c) of CRR2, other institutions that are non-listed institutions are not required to disclose all EBA templates and tables.

Unless otherwise stated, all figures are as of December 31, 2022.

All information in this report is disclosed in Euro being the legal entity accounting and reporting currency.

Background

The CRD and the CRR are the transposition of the Basel framework.

The Basel framework is structured around three pillars:

- **Pillar 1 – Minimum Capital Requirement -** establishes minimum capital requirements for credit, market and operational risk, defines eligible capital instruments, and defines rules for calculating risk weighted assets.

- **Pillar 2 – Internal Capital and Liquidity Adequacy Assessment Process (‘ICLAAP’) and Supervisory Review and Evaluation Process (‘SREP’)** - processes aim to enhance the link between an institution's risk profile, its risk management and risk mitigation systems, and its capital planning. Pillar 2 can be divided into two major components:

  - Establish sound, effective and complete strategies and processes to assess their own risk profile and to determine the level of additional capital required over and above the Pillar 1 requirements, to cover risks either not captured, or not fully captured, by the Pillar 1 requirements, as well as robust governance and internal control arrangements.

  - Supervisory review and evaluation process (SREP). The key purpose of SREP is to ensure that institutions have adequate arrangements, strategies, processes and mechanisms as well as capital and liquidity to ensure a sound management and coverage of their risks, to which they are or might be exposed, including those revealed by stress testing and risks institution may pose to the financial system.

- **Pillar 3 - Market Discipline -** requires the disclosure of information regarding the risk management policies, capital resources as well as the results of the calculations of minimum capital requirements with the aim of promoting market discipline.

This document fulfils the Pillar 3 report disclosure requirements.

1.1 Scope of application

- **Name of the institution to which the requirements of this Regulation apply: Article 436 (a)**

Industrial and Commercial Bank of China (Europe) S.A (the "Bank") is a credit institution formed under the law of 5 April 1993 of Luxembourg and is subject to the supervision and regulation by the Commission de Surveillance du Secteur Financier ("CSSF") which requires to comply with Pillar 3 disclosures.

The Bank formerly named the Industrial and Commercial Bank of China (Luxembourg) S.A. was incorporated in Luxembourg on 5 September 2006 with an initial capital of USD 18,500,000. Since then, the share capital of the Bank has been increased after three capital injections and in 2022 the subscribed capital of the Bank is EUR 437,432,880.

The Bank is a wholly owned subsidiary of the Industrial and Commercial Bank of China Limited ("ICBC Limited", "ICBC Head Office", "parent company") which is a credit institution incorporated in the People's Republic of China ("PRC"), governed by the laws of the PRC, and regulated by the China Banking and Insurance Regulatory Commission (''CBIRC'').

As of 31 December 2022, the Bank operates six branches ('EU Branches'): Paris Branch, Amsterdam Branch (incl. a sub-branch in Rotterdam), Brussels Branch (incl. a sub-branch in Antwerp), Milan Branch (incl. a sub-branch in Rome), Spain Branch (incl. a sub-branch in Barcelona) and Poland Branch. In addition, the Bank has set-up a Greece Representative Office in Athens.

The Bank stands as an essential platform for development in European Continent for ICBC Limited, and will be steadily supported by ICBC Limited on every potential aspect such as business development, capital and liquidity management.

- **Outline of the differences in the basis of consolidation for accounting and prudential purposes: Article 436 (b)**

EU CC2 - Reconciliation of regulatory own funds to balance sheet in the audited financial statements

		a	b	c
		Balance sheet as in published financial statements	**Under regulatory scope of consolidation**	**Reference -> EU CC2**
		31.12.2022	**31.12.2022**	
Assets - *Breakdown by asset classes according to the balance sheet in the published financial statements*				
1	Cash, balances with central banks and post office banks	2,018,547,779	2,018,547,779	
2	Treasury bills and other bills eligible for refinancing with central banks	655,781,591	0	
	- Treasury bills	372,878,080	0	
	- Other bills eligible for	282,903,511	0	

	refinancing with central banks			
3	Loans and advances to credit institutions	888,843,669	890,003,373	
	a) repayable on demand	375,366,752	375,341,546	
	b) other loans and advances	513,476,917	514,661,826	
4	Loans and advances to customers	2,975,427,745	3,038,769,331	
5	Debt securities and other fixed-income securities	787,316,476	1,430,725,459	
6	Shares and other variable-yield securities	15,801,488	18,221,156	
7	Intangible assets	65,624	65,802	(c)
8	Tangible assets	25,729,168	57,081,697	
9	Other assets	2,903,621	42,587,657	
10	Prepayments and accrued income	33,131,135	33,164,958	
xxx	**Total assets**	**7,403,548,295**	**7,529,167,212**	
Liabilities - *Breakdown by liability classes according to the balance sheet in the published financial statements*				
1	Amounts owed to credit institutions	2,761,981,943	2,761,981,943	
	a) repayable on demand	211,127,507	211,127,507	
	b) with agreed maturity dates or periods of notice	2,550,854,436	2,550,854,436	
2	Amounts owed to customers	3,947,849,046	3,947,849,046	
	a) repayable on demand	2,457,605,446	2,457,605,446	
	b) with agreed maturity dates or periods of notice	1,490,243,600	1,490,243,600	
3	Other liabilities	8,481,694	47,983,224	
4	Accruals and deferred income	55,717,471	37,946,097	
5	Provisions	20,412,177	20,412,177	
	a) provisions for taxation	4,284,480	4,284,480	
	b) other provisions	16,127,696	16,127,696	
6	Subordinated liability	200,000,000	200,000,000	(d)
xxx	**Total liabilities**	**6,994,442,330**	**7,016,172,487**	
Shareholders' Equity				
1	Subscribed capital	437,432,880	437,432,880	(a)
2	Reserves	7,884,416	(3,492,091)	(e)
3	Profit/(Loss) brought forward	111,495,294	120,424,150	(b)
4	Profit/(Loss) for the financial year	(147,706,626)	(41,370,214)	
xxx	**Total shareholders' equity**	**409,105,965**	**512,994,725**	

- **Article 436 (c) to Article 436 (d)**

Not applicable

1.2 Frequency

- **Frequency of disclosure: Article 433**

- The Bank publishes the Pillar 3 Disclosure Report in accordance with Article 433 of the CRR on an annual basis. The Bank will assess the need to publish some or all disclosures more frequently than annually in the light of the relevant characteristics of its activity and in accordance EBA Implementing Technical Standards (EBA/ITS/2020/04) specifying frequency of reporting templates for “other institutions (not listed)” category.

1.3 Means of disclosure

- **Determine the appropriate medium, location and means of verification: Article 434**

- Location of publication: available on the Bank’s website upon request: http://www.icbc.eu
- Verification: subject to internal review and validation by Authorized Management before being submitted to the Board of Directors (‘BoD’) for approval. The Bank’s Pillar 3 report has been reviewed and approved by the BoD.

2 Risk management objectives and policies

Overall Risk Management objectives and policies for each category of risk, the structure and organisation of the relevant risk management function, the scope and nature of risk reporting and measurement systems and the policy for hedging and mitigating risk: Article 435(1) (a) to (d)

2.1 Governance

Stakeholder	Risk management governance and arrangements
Management body **-** **Board of Directors** **-** **Supervisory function**	The BoD has the overall responsibility for the institution. Directors define, monitor and bear responsibility for following key elements of the central administration, internal governance and risk management arrangements, including but not limited to: • the business strategy (business model) of the institution, including long-term financial interests, solvency, liquidity situation, risk appetite, environmental, social and governance risks; • the risk strategy of the institution, including the risk appetite and the overall framework for risk-taking and risk management of the institution; • the strategy of the institution with respect to regulatory and internal capital and liquidity reserves; • a clear and consistent organisational and operational structure. • the guiding principles relating to: ▪ systems, technology and security; ▪ the internal control mechanisms, including the internal control functions; ▪ the remuneration policy; ▪ the professional conduct, corporate values and the management of conflicts of interest; ▪ escalation and sanctions, the purpose of which is to ensure that any behaviour which does not comply with the applicable rules is properly investigated and sanctioned; ▪ the central administration in Luxembourg, including: the human and material resources which are required for the implementation of the organisational and operational structure as well as the institution's strategies; ▪ an administrative, accounting and IT organisation with integrity, and complying with the applicable laws and standards; ▪ the guiding principles relating to outsourcing, including IT-related outsourcing, whether or not it is based on a cloud computing infrastructure; ▪ the guiding principles governing the change in activity (in terms of market coverage and customers, new products and services) and the approval and maintenance of non-standard or potentially non-transparent activities; ▪ business continuity and crisis management; ▪ the appointment and succession to the management body and to key

functions in the institution, as well as the procedures governing the composition of the supervisory body, including the aspects of diversity, responsibilities, organisation, operation, and individual and collective assessment of its members.

The BoD entrusts the Authorized Management with the implementation of the strategies and guiding principles.

Risk Strategy, Risk Appetite Statement and related indicators, ICLAAP, Recovery Plan, Pillar 3 are all introduced to BoD on an annual basis. Quarterly Risk report aims to report current situation of all material risks, key indicators, emerging risks and remedial actions taken or intended to be taken.
Any other material issues or emerging risks are escalated to BoD through direct communication by the AM and/or the CRO.

Management body
-
Authorized Management & Management Committee
-
Management function

The AM is in charge of the effective, sound and prudent day-to-day management of the activities (and inherent risks). The AM exercises in compliance with the strategies and guiding principles approved by the BoD and the applicable regulations, by considering and safeguarding the institution's long-term financial interests, solvency and liquidity situation.

The AM critically assesses all the proposals, explanations and information submitted to it for decision, including but not limited to following main duties:

- ensuring the set-up of all the strategies and guiding principles laid down by the BoD;
- implementing internal control mechanisms, technical infrastructures and human resources to ensure a sound and prudent management of the activities (and inherent risks) within the context of robust internal governance arrangements pursuant to CSSF circular 12/552, as amended;
- promptly and effectively implementing the corrective measures to address the weaknesses (problems, shortcomings, irregularities or concerns) identified by the internal control functions, external auditors or through the internal alert arrangements, by considering the recommendations issued in this respect;
- assessing the implementation, adequacy, effectiveness of and compliance with the internal governance arrangements, comprising the state of compliance (including the concerns raised through the internal alert arrangements) and of internal control as well as the ICAAP/ILAAP reports on the situation and the management of risks, internal and regulatory capital and liquidity reserves.

	Specialized committee (latest applicable organization – December 2022)
	Committees of the BoD x2
Audit & Compliance Committee (ACC)	This Committee is a specialized committee of the BoD in the sense of circular 12/552 as subsequently amended. The mission consists in providing the BoD with observations and recommendations relating to the organization and the functioning of the Bank in audit and compliance.
Remuneration and Nomination Committee	The Remuneration and Nomination Committee is a specialized committee of the BoD in the sense of circular 12/552 as subsequently amended, and has the general responsibility to oversee the Bank's remuneration policy and the nominations of members of Board of Directors, Authorised Management and Key Function Holders.
	Sub-committees of the Authorized Management x8
Management Committee	The Management Committee is a committee established (i) to oversee the Bank's business and operation and implements its strategy, (ii) to give instructions to the business, operation and administration of the Bank, (iii) to keep the Bank developing stably.
Credit Committee (CC)	The CC supports the decision-making of the AM in credit risk management and takes the responsibility of collectively reviewing the financing, investment and other credit business that shall be examined and provides the decision-making support for authorized approvers.
Risk Management Committee (RMC)	The RMC is responsible on aspects related to the overall risk and risk appetite strategy and also assist in assessing the incurred risks, the Bank's ability to manage these risks, and the level internal and regulatory capital and liquidity reserves. The RMC is also responsible to critically assess the risk profile of the Bank, its development as a result of internal and external events, its adequacy in relation to the approved risk strategy, the risk appetite, the policies and the risk limit systems and the ability of the institution to manage and bear these risks on an ongoing basis, considering its internal and regulatory capital and liquidity reserves. The RMC proposes the necessary measures to promptly address the identified problems, shortcomings and irregularities.
Asset & Liabilities Management Committee (ALCO)	The Asset and Liability Committee acts as a supervisory group that aims at coordinating and deliberating Asset and Liability Management challenges with a goal of earning adequate returns taking into account the appropriate risk tolerance.
Information Technology (IT) and Information Security Management (ISM) Committee	The purpose of Information Technology and Information Security Management Committee is to assist the authorized management and the Board of Directors of the Bank to make important decisions and to fulfil its oversight and management responsibilities on Information Technology and

	Information Security management.
Financial Affairs Committee (FAC)	The FAC supports the decision-making of the AM on financial affairs approval. It is responsible for the examination, discussion, analysis and supervision of important financial affairs and provides the decision-making support for authorized approvers.
New Product Assessment Committee	This committee oversees the implementation and manages risks associated with new, expanded, significantly modified Bank's products and services. The committee is in charge to collectively review new products and submit their collective decision to General Manager for endorsement after deep assessment of the governance framework, operational process, resources, financial impact and potential risks. The Committee is also responsible for requiring relevant departments which initiated a specific new product to submit post-approval assessment report on this specific new product.
Client Relationship Acceptance Committee (CRAC)	This Committee assesses from an AML/CTF and reputation risk perspective the acceptance of high-risk clients, as well as high risk business relationships. The CRAC is also in charge of re-assessing existing client/relationship when potential suspicion such as related to financial crime conducted compliance department to investigate client/relationship or to file a SAR/STR (Suspicious Activity Report/Suspicious Transaction Report).

2.2 Risk Management Framework

This sub-chapter refers to the overall risk management framework; the risk management objectives for each category of risk are further detailed under Chapter 5: Capital Requirements.

Overall Strategies and processes to manage the risks

The governance framework and the process to manage the risks are defined within the Bank's Rules of Enterprise-wide Risk Management.

Risk Strategy

The risk strategy sets out the objectives that risk management activities in the Bank are seeking to achieve and provides an overarching framework for the acceptance and management of risks within the Bank.

The risk strategy has as its primary objective to ensure a sound, sustainable and prudent management of the Bank, preserve its continuity, contribute to the development of the Bank's business, and protect its reputation.

These objectives are realized through the following elements:

- setting clear governance, business authorizations, control and organization;
- defining the Bank's risk appetite;
- implementing adequate controls mechanisms;
- raising risk awareness.

The risk strategy is done in conjunction with the Bank's business strategy, and consistently with the provisions of the Bank's:

- risk appetite statement;
- rules for enterprise-wide risk management;
- rules of three lines of defense for enterprise-wide risk Management;
- internal capital and liquidity capital assessment and;
- governing regulatory environment.

Enterprise-wide risk management

The Bank's rules for enterprise-wide risk management aims to ensure appropriate alignment of risk, capital, performance targets and to achieve the objectives set in the Bank's Risk Strategy.

Enterprise-wide risk management mentioned in these Rules refers to the set-up of a consistent and exhaustive institution-wide risk management framework, which covers all the activities and operational units of the institutions, including the internal control functions, and which fully recognises the economic substance of all their exposures, allowing the management body to retain control over all the risks to which the institution is or may be exposed.

Under the umbrella of these Rules, Enterprise-wide risk management framework must include a set of policies and procedures, limits, controls and alerts for each material risk type. These Rules set the overall framework of a sound Enterprise-wide risk management framework. These Rules are then cascaded down through the risk appetite statement, risk limits, authorizations, various risk policies, procedures and reporting to promote a better identification, measurement, management and mitigation of these risks.

All risks identified as material are expected to be addressed in all parts of the ICAAP in accordance with internally defined risk taxonomy.

For all risks identified as material, the Bank either allocate capital to cover the risk or document the justification for not holding capital. For each risk types, the Bank analyses the probability of risk occurrence, the severity of risk losses and summarizes results by drawing-up a heat map.

For the sake of risk control, the Bank adopts the following risk management measures:

- setting the definition for different types of risk, reinforcing the regional risk management through the unified risk appetite, the unanimous risk identification standard and centralized risk monitoring and controlling mechanism;
- identifying and understanding the types of risk inherent in the Bank's business activities or major new products or services to be launched;
- setting the risk limits in line with the Bank's risk appetite, the authorization of the ICBC Head Office and the regulation of the CSSF;
- effective contingency plan when the risk undertaken is inherent with above-mentioned limits, which especially contains the risk mitigation and transfer strategies;
- clear risk reporting system and mechanism.

The Bank specifies applicable business authorisation limits to the EU Branches, which include the credit approval authorization, credit risk weighted assets limit, country risk limit, large exposure limit, etc. These limits are communicated to the business units, understood by the relevant staff and also closely monitored by the risk control function at the branch level and at Headquarters level.

Risk Management Principles

The Bank has set some principles that describe the risk management culture:

- Integrity and appropriateness of risk management: risk management policies cover all material risks taking into account the following factors: the Bank's 3 years business strategy including but not limited to; the size, nature and complexity; risk appetite and risk-taking capacity; the sophistication of the Bank's risk monitoring capability, risk management systems and processes; the management expertise; and the legal and regulatory requirements;
- Independence of risk management: risk management function is independent from the Front Office and other departments responsible for the operations and in particular those taking risks. The risk management function identifies, measures, and assesses the overall risks faced by the Bank;
- Combination of quantitative management and qualitative management: quantitative management aims mainly at identifying, measuring, monitoring and controlling the material risks and ensure capital adequacy, and effectively managing all types of risks. Qualitative management focuses mainly on analysing, assessing and controlling the Bank's corporate governance, internal control and risk management;
- Progressive and orderly management: the Bank aims to improve its risk management governance, process and system to ensure the Bank's business development is coordinated and consistent with its risk management.

Risk Appetite

The Risk strategy's objectives are implemented through the Bank's risk appetite statement which aims at setting the levels and types of risk that the Bank is willing to accept, or to avoid, in order to support the business objectives. It includes qualitative statements as well as quantitative measures relating to earnings, capital, risk measures, liquidity and other relevant metrics as appropriate.

The Risk appetite statement address some form of boundaries, limits or qualitative measures for non-quantifiable risks (e.g. reputation risk). In addition, the Bank has set several risk limits per risk category at consolidated and/or EU Branches' level.

Together, the Bank's Risk Appetite Statement and Risk limits address a list of Risk indicators, thresholds and limits with the goal of ensuring compliance with regulatory and internal Risk indicators. Those indicators and related targets and limits constitute key elements to achieve a sustainable business strategy.

The Risk Appetite Framework (RAF) is the overall approach, including policies, processes, controls, and systems through which ICBC's risk appetite (hereafter "RA") is established, communicated, and monitored.

In 2022, the Bank has issued the annual "Risk Appetite Statement (2022 version)" in order to comply with regulatory requirements and reinforce risk management by updating/adding some risk indicators and their related limits.

The Bank's Risk Appetite Statements are defined by means of minimum thresholds for a number of key ratios; a mix of financial ratios and regulatory & internal ratios. Indicators follow a traffic-light approach (early warning, tolerance and minimum regulatory requirement, if applicable). Clear steps, roles and responsibilities have been set in order to effectively monitor the Bank's Risk Appetite indicators and escalate any breaches.

The Bank's Risk appetite framework consists of three levels:

- guidance by AM and BoD;
- organizational design, i.e. policies, infrastructure and governance;
- execution, i.e. ownership, metrics, reporting and awareness & culture.

The Bank's Risk appetite framework is developed in order to be used as a reference point:
- to support strategy and planning;
- to ensure that business objectives are in line with regulatory requirements;
- to drive performance in terms of growth and value creation;
- to help making day-to-day decisions on investments, financing and funding.

The Bank's Risk appetite indicators:
- include a combination of material risks;
- are timely, clear and can be easily monitored;
- cover a range of indicators on capital, credit, market, operational, compliance, interest rate risk, country risk, liquidity, profitability, concentration, Bank's reputation;
- include both point in time and forward-looking indicators.

Stress testing

The Bank assesses, through stress scenarios, sensitivity analysis and stress testing, the impact of external and internal events on the risk profile of the Bank and the ability to bear its risks.

RMD with the cooperation of ALMD on the delegated areas, provides to both executive and management body through stress testing results, the correlation between risks and the own funds and liquidity reserves and the institution's ability to manage these risks in normal times and in times of stress.

Three lines of defence

The Bank complies with the principles of the "three lines of defence" model.

The first line of defence consists of the business units which take or are exposed to risks, which are responsible for their management and which monitor compliance with the policies, procedures and limits imposed on them, on a permanent basis.

The second line consists of support functions, such as the IT, the Legal, the Asset Liability Management, the Sustainable Finance Department, the financial and accounting functions, and especially the compliance and the risk control function which control risks on an independent basis and supports the business units in complying with the applicable policies and procedures.

The third line consists of the internal audit function which makes an independent, objective and critical assessment of the first two lines of defence and of the internal governance arrangements as a whole.

The three lines of defence are complementary, each line of defence assuming its control responsibilities regardless of the other lines.

Internal Control Function Hierarchical Supervision

Within the EU Branches, the internal control functions depend, from a hierarchical and functional point of view, on the control functions of the Headquarters.

Declaration by the management body on the adequacy of risk management arrangements of the Bank and on its overall risk profile associated with the business strategy: Article 435 (1) (e) & (f)

- The BoD considers that the risk management arrangements of the Bank are adequate with regard to the Bank's profile and strategy. This declaration is based on the reliability of the risk-related information communicated to the Management Body through dedicated committees and reports foreseen by the governance.

- The BoD signs a liquidity and capital adequacy statements on an annual basis as part of the Internal Liquidity Adequacy Assessment Process (ILAAP) and Internal Capital Adequacy Assessment Process (ICAAP). In the view of the Internal Liquidity Adequacy Assessment Process and on-going monitoring metrics, the Board of Directors considers that the Bank holds sufficient available liquidity resources and has adequate liquidity and funding risk management. The Bank's risk-bearing capacity was sufficient in 2022 to cover both expected and unexpected losses. This is reflected by key prudential ratios as of 2022 year-end: Capital adequacy ratio: 19.04%, Tier 1 ratio: 13.66 %, CET1 ratio: 13.66%, NPL rate:1.46%, LCR:252.14%, NSFR:127.31% and by the full set of indicators controlled and monitored as part of the Bank's Risk Appetite Statement. The Bank aims at managing its risk profile in such a way that it remains within its Risk Appetite. In this purpose, boundaries have been established (i.e. thresholds and limits) commensurate with the Bank's Risk Appetite and in line with its risk capacity and its strategy.

  - **Number of directorships held by members of management body: Article 435 (2) (a)**

The number of directorships held by the management body in its supervisory and management functions enables the Bank to ensure a sound and prudent management of the activities, including of inherent risks. The Board is compliant with the Directive 2013/36/EU, as amended, and article 38-2 of the Law of 5 April 1993 on the Financial Sector as amended with regards to the limitation of mandates of the Bank's management body. Consequently, the Board members commit sufficient time available to perform their duties as directors of the Bank.

  - **Recruitment policy for the selection of the members of the management body: Article 435 (2) (b)**

Selection and Assessment Policy for the Suitability of Members of the Management Body and Key Function Holders

In accordance with CSSF Circular 12/552 as amended and the guidelines on the assessment of the suitability of members of the management body and key function holders published by the European Banking Authority ("EBA/GL/2021/06"), identified positions of the Bank are:

- Members of BoD;
- Members of Authorized Management at Headquarters and Branches level;
- Heads of Internal Control Functions at Headquarters level (i.e. European Chief Compliance Officer (CCO), Chief Internal Auditor (CIA), and Chief Risk Officer (CRO)).

Roles and Responsibilities

- BoD has legal authority, which it may not delegate, to determine the general policies and strategies of the Bank, in the context of the strategy determined the Head Office for ICBC Group. The Head Office is, therefore, regularly informed and consulted prior to initiating appointment procedure for any open position pursuant to the present Policy, including the appointment of members of the BoD.

- In accordance with the organisational and functional requirements applicable to all credit institutions under the CSSF Circular 12/552, as amended, the Bank has a Remuneration and Nomination Committee composed of non-executive and independent members of the BoD. Responsibilities of the Committee is, among others, acting in an advisory capacity to review and provide feedback to Shareholders on proposed candidates for directors and key function holders appointments.

- The Authorized Management is involved in the selection process of the Key Function Holders by recommending potential candidates to the Committee with the collaboration and support of Human Resources Department.

- The Human Resources Department advises and supports the Authorized Management, the Remuneration and Nomination Committee and the BoD within the framework of the recruitment of candidates for key function positions.

Criteria of selection and assessment of members of management body and key function positions

In line with the EBA/GL/2021/06 and Circular CSSF 12/552 the Bank assesses and validates the suitability of candidates based on criteria of knowledge, skills and experience, reputation, honesty and integrity, independence of mind and availability for the functions to be performed.

Whenever a candidate is proposed to join the management body, the Remuneration and Nomination Committee analyzes the candidate in a collective perspective, in order to assess whether it contributes to the balance of the governing body that will integrate and comply with the collective criteria set forth in the Directive 2013/36/EU, ensuring a sound and prudent management of the Bank.

The selection procedure favors the diversity of personalities, qualifications and technical and sectoral skills. The Bank's search for and selection of candidate is guided by the criteria of objectivity, competence and professionalism, under the application of the principle of equal opportunity without favoritism.

Planning and Review

At least once a year, under instructions of BoD, the Remuneration and Nomination Committee (with the assistance of Human Resources Department) should review the status and potential succession of management body and key function holders.

Application to and Approval of CSSF

The Bank notifies appointments or re-elections of members of the management body and key function holders to the CSSF as soon as possible by providing required documents.

- **Diversity with regards to selection of members of the management body: Article 435 (2) (c)**

The Bank's priority is to attract and retain suitable profiles by ensuring that talents are identified, attracted, retained and developed, while also ensuring that competences for holding the specific position is favored and, in addition, that diversity in terms of gender, age, experience and knowledge is present among the Bank members. The principle of non-discrimination and equal treatment is observed at all stages of the recruitment process.

3 Key Metrics

The following table is set in application of article 447 of the CRR, and includes a summary of the main prudential and regulatory information and ratios covered by the CRR.

EU KM1 – Key Metrics template

		31.12.2022	31.12.2021
	Available own funds (amounts)		
1	Common Equity Tier 1 (CET1) capital	508,541,452	607,840,478
2	Tier 1 capital	508,541,452	607,840,478
3	Total capital	708,541,452	807,840,478
	Risk-weighted exposure amounts		
4	Total risk-weighted exposure amount	3,722,123,260	4,054,174,934
	Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	13.66%	14.99%
6	Tier 1 ratio (%)	13.66%	14.99%
7	Total capital ratio (%)	19.04%	19.93%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)		
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.00%	2.50%
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.13%	1.41%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	1.50%	1.88%
EU 7d	Total SREP own funds requirements (%)	10.00%	10.50%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
8	Capital conservation buffer (%)	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%	0.00%
9	Institution specific countercyclical capital buffer (%)	0.16%	0.07%
EU 9a	Systemic risk buffer (%)	0.00%	0.00%
10	Global Systemically Important Institution buffer (%)	0.00%	0.00%
EU 10a	Other Systemically Important Institution buffer	0.00%	0.00%
11	Combined buffer requirement (%)	2.66%	2.57%
EU 11a	Overall capital requirements (%)	12.66%	13.07%
12	CET1 available after meeting the total SREP own funds requirements (%)	8.04%	9.09%
	Leverage ratio		
13	Total exposure measure	8,173,245,409	7,066,838,371
14	Leverage ratio (%)	6.22%	8.60%

	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)		
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-
EU 14b	of which: to be made up of CET1 capital (percentage points)	-	-
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)		
EU 14d	Leverage ratio buffer requirement (%)	-	-
EU 14e	Overall leverage ratio requirements (%)	3.00%	3.00%
	Liquidity Coverage Ratio		
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	2,693,135,701	1,557,266,015
EU 16a	Cash outflows - Total weighted value	1,622,134,191	1,007,135,471
EU 16b	Cash inflows - Total weighted value	554,017,887	914,581,624
16	Total net cash outflows (adjusted value)	1,068,116,304	251,783,868
17	Liquidity coverage ratio (%)	252%	618%
	Net Stable Funding Ratio		
18	Total available stable funding	4,334,762,117	3,718,642,763
19	Total required stable funding	3,404,856,598	3,223,807,820
20	NSFR ratio (%)	127%	115%

4 Regulatory Own funds

4.1 Capital instruments' main features

- **Full terms and conditions of all Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments: Article 437 (1) (c) CRR**

The Bank's own funds are calculated in accordance with article 72 of the CRR and consist of the sum of its Tier 1 capital (Common Equity Tier 1 + Additional Tier 1 capital) and Tier 2 capital.

The Bank's own funds are composed of CET1 and Tier 2.

- CET1: The Bank CET1 paid-up amounts to EUR 437,432,880 which represents 36,452,740 shares at a par value of EUR 12, each fully paid-up. CET1 is also made of retained earnings and Accumulated Other Comprehensive Income (and other reserves)
- Additional Tier 1 capital: none.
- Tier 2: issuance of EUR 200M Tier 2 subordinated loan to the parent company done during the course of 2021.

4.2 Own funds disclosure

- **Disclosure of nature and amounts of specific items on own funds - template of the Commission Implementing Regulation (EU) No 1423/2013 of 20 December 2013, Article 5 (Annex VI): Article 437 (1) (d) CRR**

In accordance with points (a), (d), (e) and (f) of Article 437 of CRR, the following table EU CC1 discloses the composition of regulatory own funds. The Bank is not subject to restrictions applying to the calculation of own funds in accordance with CRR.

EU CC1 - Composition of regulatory own funds

		31.12.2022 (a)	(b)
		Amounts	**Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation**
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	437,432,880	**(a)**
2	Retained earnings	120,424,150	**(b)**
3	Accumulated other comprehensive income (and other reserves)	(3,492,091)	**(e)**
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	554,364,939	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments	(2,499,388)	

	(negative amount)		
8	Intangible assets (net of related tax liability) (negative amount)	(65,713)	**(c)**
EU-25a	Losses for the current financial year (negative amount)	(41,370,214)	
27a	Other regulatory adjusments	(1,888,172)	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	(45,823,487)	
29	**Common Equity Tier 1 (CET1) capital**	508,541,452	
Additional Tier 1 (AT1) capital: instruments			
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	-	
Additional Tier 1 (AT1) capital: regulatory adjustments			
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	-	
44	**Additional Tier 1 (AT1) capital**	-	
45	**Tier 1 capital (T1 = CET1 + AT1)**	508,541,452	
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	200,000,000	**(d)**
51	**Tier 2 (T2) capital before regulatory adjustments**	200,000,000	
Tier 2 (T2) capital: regulatory adjustments			
57	**Total regulatory adjustments to Tier 2 (T2) capital**	-	
58	**Tier 2 (T2) capital**	200,000,000	
59	**Total capital (TC = T1 + T2)**	708,541,452	
60	**Total risk exposure amount**	3,722,123,260	
Capital ratios and requirements including buffers			
61	Common Equity Tier 1	13.66%	
62	Tier 1	13.66%	
63	Total capital	19.04%	
64	Institution CET1 overall capital requirements	8.28%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical capital buffer requirement	0.16%	
67	of which: systemic risk buffer requirement	0.00%	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.00%	

	requirement		
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	1.13%	
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	8.04%	
Amounts below the thresholds for deduction (before risk weighting)			
Applicable caps on the inclusion of provisions in Tier 2			
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			

4.3 Capital buffers

- **Institutions shall disclose information related to capital buffers: Article 440**

The Bank shall meet an overall capital requirement (OCR) which is the sum of:

1. the total SREP capital requirement (TSCR) and;
2. the combined buffer requirement.

1. The TSCR, which must be met at all times, is set at 10,5% of the Bank's Total Risk Exposure Amount (TREA) as defined in article 92(3) CRR, where:

- 8 % of TREA represent own funds requirements as specified in Article 92(1) CRR,
- 2 % of TREA represent the additional own funds (in excess of the requirements specified in article 92 CRR) further to article 28(1) of CSSF Regulation 15-02, to be held in the form of 56,25% CET1 capital and 75% of Tier 1 capital as a minimum.

2. The combined buffer requirement is the CET1 capital corresponding to the sum of the following:

- 2,5% of TREA corresponding to the capital conservation buffer as defined in article 59-5 LSF;
- The amount of CET1 capital resulting from the application of CSSF Regulation 15-01 (countercyclical capital buffer) taking into account all applicable country-specific buffer rates;

- **Countercyclical Buffers**

Pursuant to article 59-7 of the law of 5 April 1993, as amended on the LFS, and in accordance with article 440 (0) of the CRR, the Bank's specific countercyclical buffer to be considered amounted to 0.16%, which is slightly higher compared to last year (0.07% in 2021). The following EU CCyB2 and EU CCyB1 templates are set in order to disclose the information referred to in point (a) of Article 440 of CRR by following the EBA ITS.

EU CCyB2 - Amount of institution-specific countercyclical capital buffer

1	Total risk exposure amount	3,722,123,260
2	Institution specific countercyclical capital buffer rate	0.16%
3	Institution specific countercyclical capital buffer requirement	5,881,934

EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

	a=f	g=j	k	l	m
	General credit exposures	**Own fund requirements**	**Risk-weighted exposure amounts**	**Own fund requirements weights (%)**	**Countercyclical buffer rate (%)**
	Exposure value under the standardised approach	**Relevant credit risk exposures - Credit risk**			
Breakdown by country:					
AT	35,765,428	2,861,234	35,765,428	0.016	0.00%
BE	193,654,476	15,492,358	193,654,476	0.084	0.00%
CN	241,225,009	19,298,001	241,225,009	0.105	0.00%
DE	125,984,519	10,078,762	125,984,519	0.055	0.00%
DK	8,531,250	682,500	8,531,250	0.004	2.00%
ES	275,100,663	22,008,053	275,100,663	0.120	0.00%
FR	318,889,163	25,511,133	318,889,163	0.139	0.00%
GB	98,636,054	7,890,884	98,636,054	0.043	1.00%
HK	81,007,516	6,480,601	81,007,516	0.035	1.00%
HU	30,500,000	2,440,000	30,500,000	0.013	0.00%
IT	80,358,250	6,428,660	80,358,250	0.035	0.00%
KY	15,539,914	1,243,193	15,539,914	0.007	0.00%
LU	268,065,995	21,445,280	268,065,995	0.117	0.50%
NL	193,462,202	15,476,976	193,462,202	0.084	0.00%
NO	16,003,918	1,280,313	16,003,918	0.007	2.00%
PL	234,305,993	18,744,479	234,305,993	0.102	0.00%
PT	184,120	14,730	184,120	0.000	0.00%
SE	0	0	0	0.000	1.00%
SG	21,732,967	1,738,637	21,732,967	0.009	0.00%
VG	56,536,787	4,522,943	56,536,787	0.025	0.00%
Total	**2,295,484,226**	**183,638,738**	**2,295,484,226**		

4.4 Leverage

4.4.1 Qualitative statement

- **Disclosure on how the institution applies article 499 (2) and (3): Article 451 (1) (a) CRR**

Leverage ratio calculation as at 31 December 2022 is based on the CRR 2 with regard to the leverage ratio. According to this regulation, the leverage ratio is calculated by dividing Tier 1 capital resources by a defined measure of on-balance sheet assets and off-balance sheet items, while the Tier 1 capital is based on fully-fledged definition as the transitional provisions of CRR do not apply to the capital instruments of the Bank and therefore Article 499 (2) is not applicable to the Bank.

- **Description of the processes used to manage the risk of excessive leverage: Article 451 (1) (d) CRR**

Leverage ratio is essentially a non-risk-based capital measure in order to limit the excessive use of leverage across banking system. The Bank reports a leverage ratio equal to 6.22% as of 31.12.2022 significantly exceeding the regulatory requirement set at 3% since June 2021. As part of the Risk appetite framework, this metric is controlled, monitored and reported to the RMC and to the AM which will take any corrective actions when required.

- **Description of the factors that had an impact on the leverage Ratio during the period to which the disclosed leverage Ratio refers: Article 451 (1) (e) CRR**

Compared with 31 December 2021, the Bank's leverage ratio decreased along the year 2022 but remained safely above the limit. The main factor that led to the decrease in leverage ratio was the decreasing Tier 1 Capital (-16% in 2022) mainly impacted by the OCI components which mechanically decreased the ratio. At the same time, total exposure increased by 15% in 2022 mainly due to an important deposit made at Central bank for year end. The combined effect of these two factors explains the change on the leverage ratio.

4.4.2 Leverage Ratio disclosure

- **Breakdown of the total exposure measure as well as reconciliation of the total exposure measure with the relevant information disclosed in the published financial statements: Article 451 (1) (b) CRR**

EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

		31.12.2022
		Applicable amount
1	Total assets as per published financial statements	7,529,167,212
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	-1,201,557
8	Adjustments for derivative financial instruments	9,580,992
10	Adjustment for off-balance sheet items (ie. conversion to credit equivalent amounts of off-balance sheet exposures)	925,634,479

12	Other adjustments	910,420,010
13	**Total exposure measure**	**8,173,245,409**

EU LR2 - LRCom: Leverage ratio common disclosure

		CRR leverage ratio exposures	
		31.12.2022	**31.12.2021**
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	7,240,436,054	5,970,044,56
6	(Asset amounts deducted in determining Tier 1 capital)	-2,565,101	-2,685,023
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**7,237,870,952**	**5,967,359,540**
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie. net of eligible cash variation margin)	9,739,977	2,312,093
13	**Total derivatives exposures**	**9,739,977**	**2,312,093**
Securities financing transaction (SFT) exposures			
18	**Total securities financing transaction exposures**	-	-
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	1,818,496,518	2,161,386,707
20	(Adjustments for conversion to credit equivalent amounts)	-892,862,039	-1,061,907,876
22	**Off-balance sheet exposures**	**925,634,479**	**1,099,478,832**
Excluded exposures			
EU-22k	(Total exempted exposures)	-	-
Capital and total exposure measure			
23	**Tier 1 capital**	508,541,452	607,840,478
24	**Total exposure measure**	**8,173,245,409**	**7,069,150,464**
Leverage ratio			
25	Leverage ratio	6.22%	8.60%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	6.22%	8.60%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	6.22%	8.60%
26	Regulatory minimum leverage ratio requirement (%)	3.00%	3.00%
EU-27a	Overall leverage ratio requirement (%)	3.00%	3.00%
Choice on transitional arrangements and relevant exposures			

EU-27b	Choice on transitional arrangements for the definition of the capital measure	NA	NA
Disclosure of mean values			
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	8,173,245,409	7,069,150,464
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	8,173,245,409	7,069,150,464
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	6.22%	8.60%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	6.22%	8.60%

EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		31.12.2022
		CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**7,240,436,054**
EU-3	Banking book exposures, of which:	7,240,436,054
EU-5	Exposures treated as sovereigns	2,758,852,751
EU-7	Institutions	2,510,059,355
EU-9	Retail exposures	2,816,089
EU-10	Corporates	1,867,241,0945
EU-11	Exposures in default	12,174,827
EU-12	Other exposures (eg. equity, securitisations, and other non-credit obligation assets)	89,291,937

- **Where applicable, the amount of derecognized fiduciary items in accordance with Article 429 (11) of the CRR: Article 451 (1) (c) CRR**

Not applicable

5 Capital requirements

5.1.1 Internal Capital Adequacy Assessment Process (ICAAP)

- **Summary of the Bank's approach to assessing the adequacy of its internal capital to support current and future activities: Article 438 (a)**

In addition of the Pillar 1 regulatory capital requirement, the Bank performs an Internal Capital and Liquidity Adequacy Assessment Process (ICLAAP) pursuant to (i) Circular CSSF 07/301 (ICLAAP), as amended, as well as (ii) circular CSSF 11/506 (principles of a sound stress testing programme) and (iii) the general (risk) governance principles of Circular CSSF 12/552, as amended, that apply to ICAAP and ILAAP in particular.

The Bank's ICLAAP is sub-divided in two parts:

1. The Internal Capital Assessment Process ICAAP aims at:
   - identifying all risks the Bank is exposed to as a result of its business strategy;
   - assessing related risk management capabilities & mitigation strategies;
   - evaluating capital adequacy in accordance with its risk appetite.
2. The Internal Liquidity Assessment Process (ILAAP) aims at:
   - defining a robust and specific framework for liquidity and funding risk management;
   - setting a process for identifying, measuring and controlling liquidity and funding risks.

In the context of the ICLAAP, the Bank performs an internal risk identification and assessment and identifies risks which are not covered or not fully captured in the minimum prudential own funds requirements.

For all risks identified as material, the Bank either allocates capital to cover the risk or document the justification for not holding capital. For the purpose of this internal assessment of the capital and liquidity adequacy, the Bank defines material risks as any risks that may have a direct impact on the Bank's capital and liquidity positions. For each risk, the Bank analyses the probability of risk occurrence and the severity of the risk losses based on different criteria and build up a risk matrix.

The Bank projects its capital ratios over a 3-years horizon as the short term-perspective complemented by a longer-term forward looking-perspective of at least 3 years. The applicable thresholds for the capital ratios for both the baseline scenario and the stress scenarios are measured to define the excel of capital. The internal capital is tested in accordance with extreme, but plausible, stress scenarios which results are communicated to AM and BoD.

The Bank's internal capital is conformed to the strategic goals, business developing plans and risk management objectives of the Bank. Internal capital is mainly distributed by allocating a maximum RWA.

The Bank's ICLAAP applied two perspectives: a normative and an economic perspective. Whilst the normative perspective aims at fulfilling all capital-related legal requirements, supervisory demands and internal objective; the economic perspective covers all material risks which might threaten the Bank's economic viability.

Both perspectives are designed to safeguard the Bank’s ability to survive: they are based on internal assessments on the capital required to safeguard the Bank’s continued existence – considering all of its specific effects, risks and losses.

They are also implemented considering the principle of proportionality, the Bank’s simplified and stable capital structure (mainly made of CET1: 71.81%% of total own funds), its business type (corporate lending and bonds investment), its asset size, its non-systemic risk, the Bank’s size compared to its parent company and the fact that its parent company has committed itself to grant the solvency and the liquidity of the Bank including its EU Branches at any time, if deemed necessary.

Over and above the risk-bearing capacity analysis, the ICLAAP comprises additional management tools, including a system of limits and early-warning thresholds based on risk and capital indicators, together with a comprehensive monthly and quarterly monitoring and reporting process.

Under the normative perspective, the Bank has adopted:

Pillar 1 risks	**Approach**
Credit risk	Standardized
Market risk	Standardized
Counterparty Credit Risk	Full-standardized
Operational Risk	Basic indicator

Under the economic perspective, the Bank has performed an internal risk identification and assessment and has identified risks which are not covered or not fully captured in the minimum prudential own-funds requirements. The risks identified are mainly related to liquidity risk, interest rate risk in non-trading book and concentration risk. These risks are subject to a separate assessment and are added to the risks of the Pillar I in order to define the overall internal capital requirements.

At the end of December 2022, the Bank’s capital adequacy ratio amounted to 19.04% (-4.32% YoY). An additional capital requirement for risks not covered under Pillar I is set at 1.4% (+100% YoY) and need to be covered with CET1 capital.

The Bank’s internal capital in excess amounts to EUR 139.14M, representing a buffer of +4.0% compared to minimum requirements (including Pillar 2 capital charge).

The main purpose of the ICAAP including the stress tests performed is to assess whether adverse events would jeopardize the adequacy between ICBC’s business model including risk profile and its existing capacity to manage and bear risks and ensure that the Bank would have sufficient capital even under stress.

As per the capital projections under normal and stressed conditions and the overall governance and risk management framework, the Bank’s forecasted capitalization together with current macroeconomic environment will require a close monitoring of the risks in order to cover both expected and unexpected losses and achieve objectives for the next 3 years.

The ICLAAP concluded that the Bank has in place adequate mitigation processes (governance, limits, and monitoring tool) and sufficient internal capital to cover the nature and level of the risks (Pillar 1 and Pillar 2 risks) as of Q4 2022. Considering the 3-years financial projection plan and projected business strategy plan in terms of business growth, that no material changes in terms of mix-products/customers are expected, the Bank will keep closely monitoring CET1 components subject to macroeconomic influences to keep maintaining satisfactory capital ratios levels. The Bank also met the Bank’s internal

Risk Appetite.

- **Upon demand of the relevant competent authority, the result of the Bank's Internal Capital Adequacy Assessment Process: Article 438 (b)**

Not applicable

5.2 Regulatory capital requirement

The table EU OV1 below summarises RWAs and minimum capital requirements by risk type for the Bank. Further information on individual risk types is found in subsequent tables in this report. Minimum Capital Requirement is calculated as 8% of RWAs.

The following table is set in application of article 438(d) of the CRR, and provides an overview of the risk-weighted assets and regulatory capital requirements of the Bank.

EU OV1 – Overview of total risk exposure amounts

		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		31.12.2022	31.12.2021	31.12.2022
1	**Credit risk (excluding CCR)**	**3,576,481,514**	**3,898,748,699**	**286,118,521**
2	Of which the standardised approach	3,572,103,340	3,899,211,118	285,768,270
6	**Counterparty credit risk - CCR**	**4,378,144**	**462,419**	**350,252**
7	Of which the standardised approach	4,378,144	462,419	350,252
20	Position, foreign exchange and commodities risks (Market risk)	-	7,586,037	-
21	Of which the standardised approach	-	7,586,037	-
23	**Operational risk**	**141,263,603**	**147,377,780**	**11,301,088**
EU 23a	Of which basic indicator approach	141,263,603	147,377,780	11,301,088
29	**Total**	**3,722,123,260**	**4,054,174,934**	**297,769,861**

5.3 Credit Risk

5.3.1 Risk management framework

- **Credit and Counterparty credit risk management: Article 435 (1)**

The Bank defines credit risk as the risk of losses arising because counterparties fail to meet all or part of their payment obligations to the Bank. The counterparty credit risk refers to the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows.

Credit risk is inherent to the business model of the Bank and is therefore the most crucial risk facing by the Bank. As of 31.12.2022, Credit Risk RWA accounts for 96.20% of Total Risk Exposure Amount ('TREA') under Pillar 1 and Counterparty Credit Risk accounts for 0.12% of TREA.

The main sources of Credit risk for the Bank are:

- On-balance sheet credit exposures: bilateral loans, syndicated loans participated and bonds purchased by the Bank.
- Off-balance sheet credit exposures: loan commitments given and guarantees given.

Structure of assets

	31.12.2022	31.12.2021
	EUR	EUR
Cash, cash balances at central banks and other demand deposits	2,393,889,325	784,065,625
Financial assets held for trading (economic hedge)	158,985	245,163
Debt securities at FVOCI	1,290,334,849	1,595,911,889
Debt securities at Amortized Cost	146,992,799	136,926,294
Debt instruments	17,529,669	17,859,490
Equity instruments	691,488	1,046,032
Loans and advances at FVOCI	1,190,075,911	1,020,106,845
Loans and advances at Amortized Cost	2,374,976,002	2,692,067,909
Tangible assets	57,059,362	59,467,921
Intangible assets	65,713	49,853
Tax assets	48,175,092	9,268,633
Other assets	9,218,018	14,603,629
Total assets	**7,529,167,212**	**6,331,619,283**

The Bank's total assets amount to EUR 7,529,167,212 as of December 31, 2022 (2021: EUR 6,331,619,283). The amount of total assets has been increased by 18.9% mainly due to increase in Cash, cash balances at central banks and other demand deposits which increased by EUR 1,609M.

Structure of off-balance sheet assets

	31.12.2022 EUR	31.12.2021 EUR
Loan commitments given	1,445,490,255	1,804,356,357
Other commitments given	220,000.00	399,489
Financial guarantees given	372,786,263.09	356,630,861

- Loan and other commitments of EUR 1,445.5 million and EUR 0,22 million reciprocally, represent undrawn loan exposures provided to customers, when loan commitments received of EUR 401.78 million are due from non-financial corporations.
- Financial guarantees split up into guarantees given of EUR 372.8 million (2021: EUR 356.6 million) and guarantees received of EUR 2,934.5 million (2021: EUR 2,074.2 million).

Corporate and Financial Institution Lending

Syndicated loans, bilateral loans, and SSDs ("Schuldscheindarlehen") and loan commitments given; to corporate and financial institutions, as well as company loans guaranteed by ICBC domestic branches or other domestic Chinese banks are the Bank's main business operations on lending. Bond loan can be operated by Poland branch and Spain branch. Company loans guaranteed by the ICBC domestic branches and other Chinese financial institutions, differing from other lending products, are the Bank's lower credit risk business operations for lending.

Guarantee facilities

The EU branches issue guarantee upon request of clients, which means that the EU Branches issue to the beneficiary of the guarantee a guarantee committing to pay an amount of money in case the client does not fulfil certain conditions. Most of guarantees are non-financial purposes such as bidding guarantees, performance bonds, prepayment guarantees, quality guarantees and maintenance guarantees, etc.

Investment portfolio: fixed income and variable income

As at December 31, 2022, debt securities and other fixed-income securities and treasury bills in the investment portfolio are held for their investment return. According to FINREP the financial assets at amortized cost - Debt securities under IFRS 9 amounts to EUR 147 million (2021: EUR 136.9 million.)

Structural portfolio: fixed income and variable income

The key objective of the fixed income investment of the Bank is to deploy surplus funds of the Bank to maximize earnings for the Bank at minimum risk. Also, part of the fixed income portfolio could be used as high-quality liquidity assets to improve the liquidity ratio. As at December 31, 2022, debt securities and other fixed-income securities and treasury bills in the structural portfolio are intended to be used on a continuing basis in the Bank's activities. According to FINREP the financial assets at fair value through other comprehensive income - Debt securities under IFRS 9 amounts to EUR 1,290.3 million (2021: EUR 1,595.9 million).

Credit Risk Management framework

- EU Branches can only conduct credit business within their approval authorization and can only approve credit business within the limit authorized by the HQ (annual basis).

- Credit Approval Department at HQ aims to support the centralized management of credit approval, guide credit development of EU Branches and enhance the Bank's specialization of credit examination and approval.

- Decision-making structure on loans is hierarchically organized according to the customer's risk profile. Above a specific threshold, credit business application must be deliberated by Credit Committee and ratified by AM in headquarter. The Credit committee deliberate on the credit risk and provides the decision-maker with supportive analysis through collective deliberation

- The standardized credit approval flow goes through three steps: (i) due diligence, (ii) examination (analysis and evaluation) and (iii) credit approval.

- The business exceeding credit authorization limit must go through higher-level for approval (EU Branches ► Luxembourg Headquarters ► Head Office).

- Credit committee aims to support decision-maker (as defined within the charter of the Credit committee) with expertise financial and non-financial information on customers' profile (i.e. borrower's operation & financial situation, solvency, purpose of the loan, guarantee, country risk, Risk Transfer Pricing…).

Risk control measures

The Bank establishes a unified procedure and measurements on credit rating and credit line, as well as the business entry thresholds, strengthening the risk identification and the control of large exposures to groups of connected clients. The Bank aims to assume risks only within the limits of applicable risk management framework and its credit policy.

The Bank also specifies applicable limits within the Business Authorization to the EU Branches, including credit approval authorization, loan security policy, access criteria for credit facilities, weighted credit risk assets limit, country risk limit, large exposure limit, etc. Apart from the above-mentioned aspects, RMD monitors credit exposures, issues risk reminder notices where necessary and verifies the respect of business authorizations and credit limits of correspondent banks for daily dealing activities.

Internal ratings are based on HO methodology and are strictly used during credit approval process. Internal rating is used to map PD's table and thus have a direct impact on the prudential capital of the Bank.

Credit facilities authorization are directly capped and mapped on the internal rating.

Credit line size is directly calculated and granted based on a combination of qualitative and quantitative analysis & measures which are embedded in the Global Credit Management System GCMS.

Credit RWA allocation

Credit RWA is allocated to EU Branches based on quantitative indicators and strategy. The Bank has built a dedicated tool and process for the allocation, monitoring and control of risk weighted credit assets.

The EU Branches calculate the credit risk weighted assets amount already used before entering in a new credit business and ensure that their total used limit will not be breached.

An internal weekly report is performed by the EU Branches and sent to the RMD HQ which keeps a close review and examination in case of surpassing limit, which will avoid taking too much risky credit assets that cannot be covered by the current own funds. It is also the same process for the large exposure and other limits.

Post-loan management

The duration management of corporate customer credit and agent investment business of the Bank includes:

- a clear definition of the duties and responsibilities of each department;
- a review of asset quality and allowance for credit losses depending of the defined credit classification;
- post-loan analysis reporting including follows up, checks, monitoring and alert financing customers, collateral management, utilization of the funds, etc;
- risk indicators.

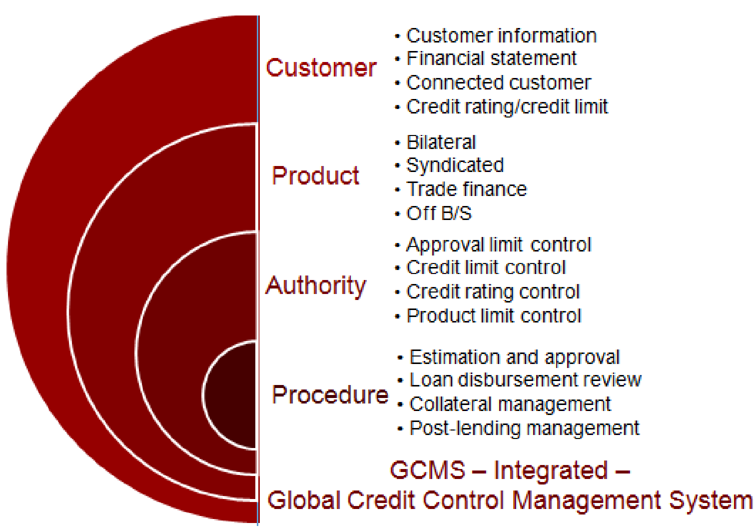
The Bank has developed the monitoring and issued the post-loan management performance assessment on front offices in HQ and the EU Branches with a frequency depending on the internal rating.

The EU Branches keep a close watch on their customers, perform strictly the daily post-lending management, and draft the monitoring report periodically which should be submitted to the RMD for review. Ongoing follow-up on developments (post-loan/duration management) in the customer's financial situation enables the Bank to assess whether the basis for the credit facility has changed. The credit facilities should match the customer's creditworthiness, capital & future cash-flow positions and assets.

Systems infrastructure

GCMS is the in-house system platform developed by ICBC HO, which supports domestic and overseas branches and institutions in credit business risk control and management, covering corporate customers, institutional customers and personal customers as well as their credit rating, credit limit and all kinds of on-balance-sheet and off-balance-sheet credit business.

The Bank has fully used the GCMS to gain internal credit ratings as well as the related credit line of customers, to prevent surpassing the credit approval power and to monitor the overall occurring credit business.



- ➢ Customer management: create and maintain customer's basic information and financial statements; set related party relationship between customers.

- ➢ Credit rating: input rating information according to scoring card model, and determine customer's credit rating after review and approval.

- ➢ Credit limit: the customers are classified into single customer and group customer. The process of credit limit determining include credit information collection, calculate the reference amount of credit limit according to quantitative measurement, qualitative analysis, credit limit application, review and approval.

- ➢ Examination and approval: credit risk officer and authorized approver can complete examination and approval procedure within the range of respective authorities in GCMS. The credit approval powers in GCMS of General Manager are set by ICBC Europe Headquarters. Afterwards General Manager delegates some powers in GCMS to Deputy General Manager in charge of credit risk management. Once the amount exceeds the credit approval powers beforehand set in GCMS, the credit business cannot be approved and need to be submitted to the authorized approver. This is how the GCMS prevents potential breaches of credit approval powers.

- ➢ Application for drawdown and subsequent service for loan: create permits for the application for drawdown based on approved agreement after going through control steps; Support subsequent service for loan which includes: prepayment, interest rate adjustment, extension or contraction of loan tenor, etc.

- ➢ Credit assets classification: it provides different types of classification models. The system will automatically generate a preliminary credit asset quality classification result. If the preliminary classification result has not truly reflected the practical business risks, adjustment can be made in accordance with specified procedure and authorization.

- ➢ Post-lending management and risk warning: it allows the relationship manager to input inspection and investigation opinion and make a risk control proposal when performing post-lending management. Risk warning information can be given according to the set warning indicators and parameters in the system; the users are allowed to check and process warning information.

- ➢ IFRS 9 stage: as for credit assets classification, the system will automatically generate a preliminary IFRS 9 stage grade.

Use of ECAIs

- ○ **Names of the nominated ECAIs and ECAs and the reasons for any changes: Article 444 (a)**

Pursuant to article 138 of the CRR, the Bank has nominated the following three External Credit Rating Assessment Institutions ('ECAI's) to calculate regulatory capital requirements under the credit risk standard approach (hereafter "CRSA"):

- Standard & Poor's Ratings Services ('S&P').
- Moody's Investors Service.
- Fitch Ratings Ltd.

These three ECAIs comply with the regulation (Article 3 (98) of the CRR) as they are registered or certified in accordance with Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies or a central bank issuing credit ratings which are exempt from the application of Regulation (EC) No 1060/2009. The Bank does not make use of Export Credit Agencies (‘ECA’) for credit risk assessment.

- **The exposure classes for which each ECAI or ECA is used: Article 444 (b)**

These three nominated ECAIs are applied on a standardized basis for all CRSA exposure classes.

- **Description of the process used to transfer the issuer and issue credit assessments onto items not included in the trading book: Article 444 (c)**

External credit assessments on the borrower (the issuer) or specific securities issued by the borrower (the issue) are the basis for the determination of risk weights under the standardised approach for exposures to sovereigns, central banks, public sector entities, institutions, corporate as well as certain other specific portfolios.
In cases where an exposure does not have an issuer or issue rating, the exposure shall be deemed unrated and shall be accorded a risk weight appropriate for unrated exposures in their respective exposure category in accordance with article 111-134 of the CRR.

The Bank uses external ratings for capital adequacy purposes on a consistent basis. The Bank complies with articles 138 and 139 of the CRR and articles 111-134 which imply that:

- External rating announcements are closely monitored.
- Risk weights are revised promptly following any changes in external ratings.
- The latest ratings assigned to the issuers or issues are used.
- Where two credit assessments are available from nominated ECAIs and the two correspond to different risk a weight for a rated item, the higher risk weight is assigned.
- Where the Bank invests in a particular security which has an issue-specific rating, the risk weight for this exposure will be based on this rating assessment.
- Where there is no specific rating available, the credit rating assigned to the issuer or counterparty of the particular credit exposure is used.
- The Bank follows the provision of the CRD IV, Part three, Chapter 2, where external ratings cannot be obtained.

- **Association of the external rating of each nominated ECAI or ECA with the Credit quality steps prescribed in Part Three, Title II, Chapter 2, taking into account that this information needs not be disclosed if the institution complies with the standard association published by EBA: Article 444 (d)**

The Bank complies with the standard association published by EBA. The Bank uses these three ECAIs for the determination of risk weights to be assigned to assets and off-balance sheet items. A mapping of these three ECAI’s credit assessments to credit quality steps is performed for each exposure class in order to define the risk weight to be applied as defined under the standardised approach for credit risk under Articles 111-134 of the CRR.

Credit rating agencies and credit quality step under the standardised approach

S&P	Moody's	Fitch	Credit Quality Step
AAA to AA-	Aaa to Aa3	AAA to AA-	1
A+ to A-	A1 to A3	A+ to A-	2

BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	3
BB+ to BB-	Ba1 to Ba3	BB+ to BB-	4
B+ to B-	B1 to B3	B+ to B-	5
CCC+ and below	Caa and below	CCC and below	6

Own funds requirement for CVA risk is based on ECAIs ratings of the derivatives counterparties pursuant to article 384 (2) of the CRR.

For off balance-sheet items, the exposure amounts are multiplied by the credit conversion factor ('CCF'). Pursuant to article 111 (1) of the CRR, the CCF factor level is:

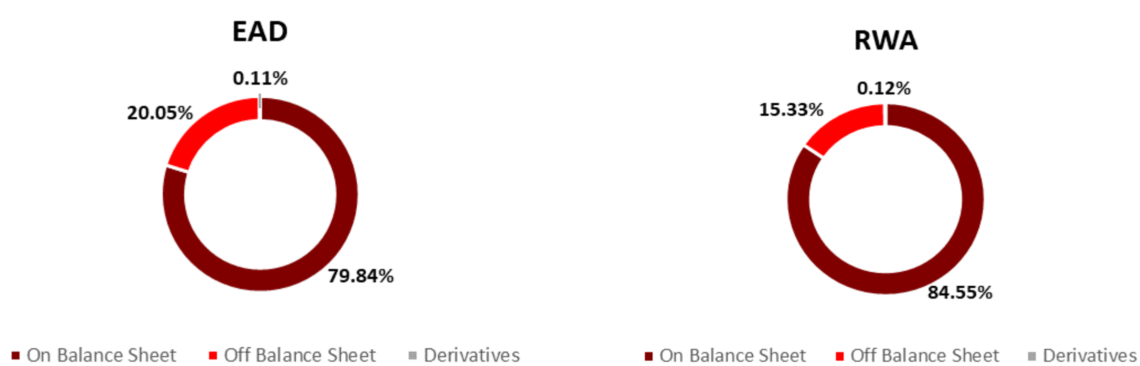
- 100 % if it is a full-risk item;
- 50 % if it is a medium-risk item;
- 20 % if it is a medium/low-risk item;
- 0 % if it is a low-risk item.

5.3.2 Capital requirement

- **Risk weighted exposure amounts in accordance with the standardized approach: Article 438 (c)**

A rebound of credit exposures by 17.7%, and a decrease of RWA by 8.16%, is observed in 2022.It is important to note that 20% of the EAD is composed of a Central Bank deposit established for year end. Excluding this deposit, the EAD decreased by 5.9% in 2022. Contributions to total amount remain slightly similar from 2021 with 79.84% of contribution coming from on-balance sheet exposures. By the end of 2022, the Immediate Credit exposure (before CRM) stood at EUR 9,293M, increasing by 10.3% from 2021 (EUR 8,423M). After CRM, the Ultimate Credit exposure was EUR 9,068M, increasing by 17.69% since 2021 (EUR 7,705M).

Breakdown of Credit exposures by exposure types (Exposure after CRM & before CCF) (EUR M)



	2022				2021			
Credit Risk	**EAD***	**%**	**RWA**	**%**	**EAD***	**%**	**RWA**	**%**
On Balance Sheet	7,240.44	79.84%	3,027.46	84.55%	5,541.39	71.9%	3,044.27	78.1%
Off Balance Sheet	1,818.50	20.05%	549.03	15.33%	2,161.39	28.1%	854.48	21.9%
Derivatives	9.74	0.11%	4.38	0.12%	2.31	0.0%	0.46	0.0%

∑	9,068.67	100%	3,580.86	100%	7,705.09	100%	3,899.21	100%

* Exposure after-CRM and before-CCF

On-Balance sheet credit business remains the main activity of the Bank, the contribution of Off-balance sheet exposure to Total Credit Exposure has decreased to 20.05% in 2022 (-8.05% vs 2021). The contribution of derivatives remained insignificant (0.11%) compared to total credit exposures.

- **The exposure values and the exposure values after credit risk mitigation associated with each credit quality step prescribed in Part Three, Title II, Chapter 2 as well as those deducted from own funds: Article 444 (e)**

Exposure values after credit risk mitigation: aggregated exposure values of on-balance sheet and off-balance sheet exposures and exposure amounts from derivatives.

For on balance-sheet exposures, the exposure amounts on institutions are deducted of the total amount related to the netting agreement for exposure on ICBC Ltd as further detailed under section 4.4 on "Credit risk mitigation techniques: Article 453 of the CRR".

Exposure classes: exposure classes are defined in Article 112 to Article 134 in Part Three, Title II, Chapter 4 of Regulation (EU) 575/2013.

Credit exposure post-CCF and post-CRM: Exposure value after taking into account specific credit risk adjustments as defined in Commission Delegated Regulation (EU) No 183/2014 and write-offs as defined in the applicable accounting framework, all credit risk mitigations and credit conversion factors. This is the amount to which the risk weights according to Article 113 and Part Three Title II Chapter 2 section 2 of Regulation (EU) 575/2013 are applied. It is a net credit equivalent amount, after having applied CRM techniques and CCF.
The standardized method for credit risk uses external ratings linked to certain risk weightings. Under the standardized approach, capital requirement for credit risk is calculated by applying a flat rate (8%) to the total of its risk weighted exposures. The risk weight is directly coming from the CRR tables depending of the ECAI credit ratings mapping table.

Contribution of RWA by exposure class – ON&OFF B/S exposures (EUR M)

	2022		2021		2020	
On/Off Balance Sheet in million EUR	**RWA**	**RWA %**	**RWA**	**RWA%**	**RWA**	**RWA %**
Central Gov and Central Bank	37.84	1.06%	53.90	1.4%	45.85	1.3%
Public Sector entities	-	-	-	-	-	-
Multilateral Development Bank	-	-	-	-	-	-
Institution	1,401.94	39.2%	887.26	22.8%	1,186.71	33.2%
Corporates	2,033.12	56.85%	2,873.19	73.7%	2,241.25	62.7%
Equity	0.69	0.0%	1.05	0.0%	-	-
International Organization	-	-	-	-	-	-
CIU	17.53	0.49%	17.86	0.5%	16.36	0.5%
Retail	2.11	0.06%	2.11	0.1%	-	-
Default	12.17	0.34%	1.86	0.0%	1.17	0.0%

Secured by mortgages on residential	-	-	0.08	0.0%	1.14	0.0%
Other exposures	71.07	1.99%	61.44	1.6%	81.78	2.3%
∑	**3,580.86**	**100%**	**3,898.75**	**100%**	**3,574.26**	**100%**

The RWA of the Bank mainly arise from two exposure classes which are Institutions and Corporates with 96.05% of the total RWA. This trend is stable compared to 2021 nevertheless the contribution between these two classes has evolved with an increasing contribution of Institutions from 22.8% in 2021 to 39.20% in 2022. At the same time, corporates exposures class contribution decreased from 73.7% to 56.85%.

- **Geographic distribution of the exposures, broken down in significant areas by material exposure classes, and further detailed if appropriate: Article 442 (d)**

The below table includes the risk exposure of loan, trade finance, Interbank deposit, Interbank financing, bond and undrawn credit facilities, but exclude the immediate country risk exposure of intra-ICBC Group.

Risk Transfer refers to where the country exposure is reallocated from the country of Immediate Counterparty to the country of Ultimate counterparty (meaning the party that provides country risk mitigation). If only credit risk is mitigated where country is not transferred, that should not be recognized as Risk Transfer. Risk Transfer comprises: Guarantees, Insurance Policies, Credit Derivatives and others.

Credit exposures by geography (EUR M)

Country	Immediate exposure	%	Risk Transfer	Ultimate exposure	%
Italy	1,503.72	21.90%	-85.00	1,418.73	20.67%
China Mainland	788.01	15.18%	205.81	1,038.82	15.13%
Poland	1,042.28	11.48%	-26.63	1,015.66	14.79%
Spain	779.27	11.35%	-70.00	709.27	10.33%
Netherlands	476.47	6.94%	-9.35	467.12	6.80%
France	473.08	6.89%	-19.40	453.68	6.61%
Belgium	446.25	6.50%	0	446.25	6.50%
Others	1,355.96	19,76%	-0.44	1,355.52	19,75%

The table is distributed in 22 countries and economic area. For Immediate Country Exposure, Italy counted 21.9% of all the immediate country exposure, China Mainland and Poland were the second and the third with the ratio of 15.18% and 11.48%. There was no case which exceeded the immediate country risk exposure limit set by ICBC HO.

For Ultimate Country Exposure, Italy counted 20.67% of all the ultimate country exposure, China Mainland and Poland were the second and the third with the ratio of 15.13% and 14.79% respectively. At the end of Q4 2022, there was no ultimate country exposure towards countries with high and relatively high risks.

- **Distribution of the exposures by industry or counterparty type, broken down by exposure classes, including specifying exposure to SMEs, and further detailed if appropriate: Article 442 (e)**

The below provides a breakdown of credit business such as project loans, working capital loans by industry.

Breakdown of On-Balance sheet credit business exposures by Industry (EUR M)

Industry	2022 Q4	2021 Q4	%	vs. 2021	% change with 2021
Manufacturing	846	738	24.87%	108	15%
Finance	699	408	20.55%	291	71%
Electricity, gas supply	377	252	11.08%	125	50%
Telecommunication	309	288	9.08%	21	7%
Leasing and business service industry	307	104	9.03%	203	195%
Health and social work	234	205	6.88%	29	14%
Transportation	148	133	4.35%	15	11%
Wholesale and retail	130	145	3.82%	-15	-10%
Oil, natural gas, mining	114	80	3.34%	34	43%
Real estate industry	95	195	2.79%	-101	-52%
Construction	57	144	1.68%	-87	-60%
Accommodation and catering industry	49	50	1.44%	-1	-1%
Others	35	28	1.03%	7	24%
Total	**3,401**	**2,770**	**100%**	**631**	**23%**

The Bank is quite well diversified with a focus on manufacturing, finance and telecommunication. The total balance of manufacturing industry was the largest and accounted for 24.87% at the end of 2022Q4, and real estate industry sector was the largest decrease by EUR 101 million (-52%) compared with the year end of 2021.

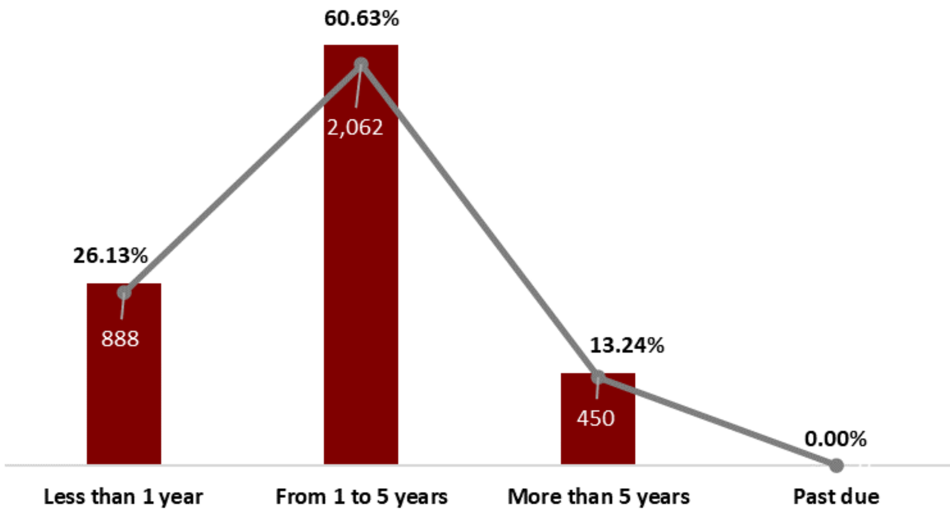
Among all the sectors the balance of Finance activities increased most by EUR 291M (+71%) compared with the year end of 2021

Among manufacturing industry (24.87%), pharmaceutical manufacturing was EUR 147M and accounted 4.32% which was EUR 7M decrease compared with the end of 2021; motor and tyre manufacturing was EUR 107M and accounted 3.14% of all the on-balance-sheet credit business which was EUR 27M decrease compared with end of 2021; manufacturing of computers, communications and other electronic equipment was EUR 123M and accounted 3.62% which was EUR 36M increase compared with end of 2021.

There is no evidence of excessive concentration towards one sector, especially as the manufacturing, finance and energy sectors encompass very different businesses and sub-sectors which are not all directly correlated and would not especially move down at the same time under stress period.

- **Residual maturity breakdown of on balance-sheet credit risk exposures: Article 442 (f)**

Maturity structure of on-balance-sheet credit business (EUR M)



- **Risk weighted exposure amounts in accordance with an internal rating based ("IRB") approach (Chapter 3 of Part Three, Title II,): Article 438 (d)**

Not applicable, the Bank uses the standardized approach in accordance with Chapter 2 of Part Three, Title II of the CRR.

5.4 Credit risk mitigation techniques

Article 453 The Bank currently uses cash collateral, financial and corporate guarantees and netting agreement as credit risk mitigation techniques.

The Bank applied classified management to collateral and classified collateral into nine categories based on characteristics:

- Real estate.
- Land ownership or land use rights.
- Transportation equipment.
- Resource assets.
- Cash and cash equivalents.
- Documents of titles and securities.
- Accounts receivable.
- Precious metals.
- Other assets and movable properties.

For each of the above collateral categories, strict conditions and characteristics shall be met for eligibility purpose.

Credit risk mitigation of on-balance-sheet credit business (EUR M)

Mitigation type	2022 Q4		2021 Q4	
	Amount	Percentage	Amount	Percentage
Guarantee	1,574	46.28%	975	35.20%
Unsecured	1,502	44.17%	1,627	58.72%

Mortgage	324	9.53%	168	6.08%
Pledge	0	0%	0	0%
Total	**3,401**	**100%**	**2,770**	**100%**

- For each collateral type, a maximum loan-to-value is defined in the risk management policy of the Bank.

- Netting agreement: The Bank has signed a netting agreement (NA) with its Parent company, which allows the Bank to net on-balance sheet assets and liabilities with the specific entities of ICBC Limited. It is compliant with CRR regulation EU No 5675/2013.

- Guarantees and risk participation agreements: part of the Bank's lending activities benefit from guarantees, standby letters of credit and risk participation agreements. In accordance with the standardized approach, the Bank considers credit risk as being the guarantee providers rather than the underlying borrowers. Eligible guarantors are mainly large financial institutions with long-term external credit rating of A or above as categorized under Standard & Poor's rating scale.

The Bank's policy regarding the use of collaterals may vary between the different types of credit products. The Bank considers the necessity of security arrangements according to the risk profile of customers and transactions.

- The Bank prudentially and reasonably determines the acceptable types of collaterals and the collateralization ratio. It included the assessment of the eligibility of the CRM under the standardized approach, its valuation frequency, currency, the identification of the guarantor credit risk profile and legal clauses inserted in the contracts.

5.5 Credit risk adjustments and Credit quality

- **Accounting definition of 'past due' & 'impaired': Article 442 (a)**

Past due: assets qualify as past due when counterparties have failed to make a payment when contractually due. (Annex V. Part 2, paragraph 48 of the Regulation (EU) No 680/2014 13 ITS on supervisory reporting of institutions)

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

Evidence that a financial asset is credit-impaired include observable data about the following events:
(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event;
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
(e) the disappearance of an active market for that financial asset because of financial difficulties; or
(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event, instead, the combined effect of several events may have caused financial assets to become credit-impaired.

The Bank uses a five-category classification of credit assets which consists of Pass, Special Mention, Substandard, Doubtful and Loss. The first two categories are collectively referred as "Performing" loans and the last three categories as "Non-performing" loans. The five categories are defined as follows:

- Pass: the customer duly performs the loan contract or obligations guaranteed by the Bank and there is no reasonable ground to doubt customer's ability to fully repay principal and interest when due or the Bank is required to effect loan advance under its guarantee undertaking. Off-balance sheet exposures at gross notional amount.

- Special Mention: there are adverse factors that undermine the customer’s ability to repay or perform contract. However, the customer currently still has the ability to fully repay loan principal and interest or perform obligation guaranteed by the Bank.

- Substandard: the “Substandard” exposures are those that satisfy either or both the following criteria: (1) material exposures which are more than 90 days past-due; (2) the debtor is assessed as unlikely to pay its credit obligations in full without realization of collateral, regardless of the existence of any past-due amount or of the number of days past due. The Excepted Loss ratio will not exceed 40%.

- Doubtful: the “Doubtful” exposures are those that satisfy either or both the following criteria: (1) material exposures which are more than 180 days past-due; (2) assessed as unlikely to pay its credit obligations in full without realization of collateral, regardless of the existence of any past-due amount or of the number of days past due. The Expected Loss ratio will exceed 40%, but the loan does not meet “Loss” characteristics yet.

- Loss: after exhausting all possible measures or legal procedures, the loan principal and interest recovery is nil or very minimal. EL ratio exceeds 90% or the loan meets the “Loss” characteristics.

In order to enhance the post-classification monitoring and management and in the aim to add more granularity to credit asset quality classification, the Bank sub-divides corporate customers and financial institutions credit assets into twelve grades based on five-category classification, namely: Pass I, Pass II, Pass III, Pass IV, Special Mention I, Special Mention II, Special Mention III, Substandard I, Substandard II, Doubtful I, Doubtful II and Loss.

- **Credit risk adjustments and impairments: Article 442**

- Specific Credit adjustments:

IFRS 9 establishes a model for recognition and measurement of impairments in loans and receivables that are measured at Amortized Cost or FVOCI, the “expected credit losses” model.

IFRS 9 requires an impairment allowance against the amortized cost of financial assets held at amortized cost or FVOCI. The change in this allowance is reported in profit and loss. For most such assets, when the asset is acquired the impairment allowance is measured as the present value of credit losses from default events projected over the next 12 months.

The allowance remains based on the expected losses from defaults over the next 12 months unless there is a significant increase in credit risk. If there is a significant increase in credit risk, the allowance is measured as the present value of all credit losses projected for the instrument over its full lifetime. If the credit risk recovers, the allowance can once again be limited to the projected credit losses over the next 12 months.

Breakdown of Expected Credit Loss (ECL) by IFRS9 stage (EUR M)

ECL Stage	ECL 2022	ECL 2021
Stage 1	11.06	12.39
Stage 2	2.62	3.58
Stage 3	37.9	3.13
Total	**51.57**	**19.10**

The provisions to cover the ECL under IFRS9 amount for EUR 51.57M at end of Q4 2022, increasing by EUR 32.47M since 2021. The significant increase is driven by the Stage 3 bracket which increased by 34.6M. It connects to single customer where EUR 35.1M ECL was allocated toward the EUR 45M exposure. Stage 1 and Stage 2 shows stable trend, no significant change compared to 2021.

EU CR1 - Performing and non-performing exposures and related provisions

	Gross carrying amount/nominal amount					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					Collaterals and financial guarantees received
	Performing exposures			Non-performing exposures		Performing exposures - Accumulated impairment and provisions			Non-performing exposures - Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		On performing exposures
		of which: stage 1	of which: stage 2		of which: stage 3		of which: stage 1	of which: stage 2		of which: stage 3	
Cash balances at central banks and other demand deposits	**2,393,778,202**	**2,393,778,202**	**-**	**-**	**-**	**(62)**	**(62)**	**-**	**-**	**-**	**-**
Loans and advances	**3,564,949,924**	**3,395,640,067**	**169,309,857**	**47,587,224**	**47,587,224**	**(9,589,094)**	**(7,027,991)**	**(2,561,104)**	**(37,896,141)**	**(37,896,141)**	**1,760,055,031**
Central banks	369,119	369,119	-	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	516,125,704	516,125,704	-	-	-	(185,315)	(185,315)	-	-	-	-
Other financial corporations	94,867,626	94,867,626	-	-	-	(58,398)	(58,398)	-	-	-	-
Non-financial corporations	2,949,058,744	2,779,748,887	169,309,857	47,587,224	47,587,224	(9,335,969)	(6,774,866)	(2,561,104)	(37,896,141)	(37,896,141)	1,707,993,146
Of which: SMEs	-	-	-	5,721,745	5,721,745	-	-	-	(2,796,141)	(2,796,141)	-
Households	4,528,731	4,528,731	-	-	-	(9,412)	(9,412)	-	-	-	4,516,712
Debt	**1,457,002,712**	**1,439,473,044**	**-**	**-**	**-**	**(2,145,396)**	**(2,145,396)**	**-**	**-**	**-**	**-**

Securities											
Central banks	-	-	-	-	-	-	-	-	-	-	-
General governments	539,969,319	539,969,319	-	-	-	(648,215)	(648,215)	-	-	-	-
Credit institutions	306,961,808	306,961,808	-	-	-	(127,084)	(127,084)	-	-	-	-
Other financial corporations	170,796,104	153,266,436	-	-	-	(40,478)	(40,478)	-	-	-	-
Non-financial corporations	439,275,481	439,275,481	-	-	-	(1,329,619)	(1,329,619)	-	-	-	-
Off-balance sheet exposures	**1,818,496,518**	**1,717,288,185**	**101,208,333**	**-**	**-**	**2,006,980**	**1,951,346**	**55,634**	**-**	**-**	**159,652,752**
Central banks	-	-	-	-	-	-	-	-	-	-	-
General governments	576,890	576,890	-	-	-	14	14	-	-	-	576,890
Credit institutions	162,505,665	162,505,665	-	-	-	8,764	8,764	-	-	-	-
Other financial corporations	75,660,965	75,660,965	-	-	-	156,406	156,406	-	-	-	14,660,965
Non-financial corporations	1,579,752,998	1,478,544,665	101,208,333	-	-	1,841,797	1,786,162	55,634	-	-	144,414,898
Households	-	-	-	-	-	-	-	-	-	-	
Total	**9,234,227,357**	**8,946,179,498**	**270,518,190**	**47,587,224**	**47,587,224**	**(13,741,471)**	**(11,124,733)**	**(2,616,738)**	**(37,896,141)**	**(37,896,141)**	**1,919,707,783**

EU CQ1 - Credit quality of forborne exposures

	Gross carrying amount/ Nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures
			Of which defaulted	Of which impaired		
Cash balances at central banks and other demand deposits	0.00	0.00	0.00	0.00	0.00	0.00
Loans and advances	69,246,546.00	5,721,745.00	0.00	5,721,745.00	-2,458,502.49	0.00
Central banks	0.00	0.00	0.00	0.00	0.00	0.00
General governments	0.00	0.00	0.00	0.00	0.00	0.00
Credit institutions	0.00	0.00	0.00	0.00	0.00	0.00
Other financial corporations	0.00	0.00	0.00	0.00	0.00	0.00
Non-financial corporations	69,246,546.00	5,721,745.00	0.00	5,721,745.00	-2,458,502.49	0.00
Households	0.00	0.00	0.00	0.00	0.00	0.00
Debt Securities	0.00	0.00	0.00	0.00	0.00	0.00
Loan commitments given	0.00	0.00	0.00	0.00	0.00	0.00
Total	69,246,546.00	5,721,745.00	0.00	5,721,745.00	-2,458,502.49	0

- As at December 31, 2022 the forborne exposure was EUR 74.97M out of EUR 69.25M classified as underperforming (IFRS Stage 2) and non-performing (IFRS stage 3) EUR 7.21M

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

	Gross carrying amount / Nominal amount				
	Performing exposures		Non-performing exposures		
		Not past due or Past due < 30 days		Past due > 1 year <= 2 years	Of which defaulted
Cash balances at central banks and other demand deposits	2,393,778,202.07	2,393,778,202.07	-	-	-
Loans and advances	3,564,949,923.96	3,564,949,923.96	47,587,224.07	47,587,224.07	47,587,224.07
Central banks	369,119.21	369,119.21	-	-	-
General governments	-	-	-	-	-
Credit institutions	516,125,704.19	516,125,704.19	-	-	-
Other financial corporations	94,867,625.90	94,867,625.90	-	-	-
Non-financial corporations	2,949,058,743.66	2,949,058,743.66	47,587,224.07	47,587,224.07	47,587,224.07
Of which SMEs	-	-	5,721,745.00	5,721,745.00	5,721,745.00
Households	4,528,731.00	4,528,731.00	-	-	-
Debt Securities	1,457,002,712.49	1,457,002,712.49	-	-	-
Central banks	-	-	-	-	-
General governments	539,969,319.18	539,969,319.18	-	-	-
Credit institutions	306,961,808.45	306,961,808.45	-	-	-
Other financial corporations	170,796,104.34	170,796,104.34	-	-	-
Non-financial corporations	439,275,480.52	439,275,480.52	-	-	-
Off-balance sheet exposures	1,818,496,518.02		-		-
Central banks	-		-		-
General governments	576,889.68		-		-
Credit institutions	162,505,664.78		-		-
Other financial corporations	75,660,965.18		-		-
Non-financial corporations	1,579,752,998.38		-		-
Households	-		-		-
Total	9,234,227,356.54	7,415,730,838.52	47,587,224.07	47,587,224.07	47,587,224.07

EU CQ7 - Collateral obtained by taking possession and execution processes

	Collateral obtained by taking possession	
	Value at initial recognition	**Accumulated negative changes**
Property Plant and Equipment (PP&E)	575,562.56	-
Other than PP&E	-	-
Residential immovable property	-	-
Commercial Immovable property	575,562.56	-
Movable property (auto, shipping, etc.)	575,562.56	-
Equity and debt instruments	-	-
Other collateral	-	-
Total	-	-

5.6 Counterparty credit risk

5.6.1 Risk management framework

- **A discussion of the methodology used to assign internal capital and credit limits for counterparty credit exposures: Article 439 (a)**

Counterparty credit risk means the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows.

The main source of Counterparty Credit risk is arising from Derivatives transactions. The Bank determines the exposure value for the contracts listed in Annex II of the CRR (derivatives) on the basis of the "Standardized approach for counterparty credit risk" as defined in CRR2 (Title II, Chapter 6, Section 3). The Bank enters into derivative transactions with ICBC Luxembourg Branch only, therefore 100% of the exposures are intragroup.

In terms of derivative transaction in banking book, the Bank only conducts the hedging purpose to hedge credit risk, market risk or liquidity risk in the Bank's own assets and liabilities. The term of the hedging business the Bank conducts cannot exceed the term of underlying assets, and the total volume cannot exceed the total underlying assets The counterparty of these transactions is ICBC Luxembourg Branch.

In terms of derivative transaction in trading book, the Bank only conducts the transactions on behalf of customers and the Bank is not allowed to conduct proprietary trading and the exposure will be back-to-back squared with ICBC Luxembourg Branch.

Credit Value Adjustment ('CVA')

In addition to the capital requirement for counterparty default risk, the Bank is required to calculate capital requirements for CVA (Credit Value Adjustment) for all OTC derivative instruments in respect of all of business activities, other than credit derivatives intended to mitigate the risk-weighted exposure amounts for credit risk. This additional capital charge aims to cover the unexpected risk of mark-to-market losses on the expected counterparty risk to OTC derivatives.

The Bank applies the standardized method as described in article 384 of the CRR. This capital requirement calculated using a standard formula is mainly based on exposure, rating and average terms of derivatives positions entered into with counterparties.

As of 31.12.2022, the Bank is not subject to additional CVA capital requirement.

- **A discussion of policies for securing collateral and establishing credit reserves: Article 439 (b)**

The Bank enters into derivative transaction with ICBC Luxembourg Branch and has signed an ISDA master agreement with ICBC Limited. There is no securing collateral requirement for intragroup entities.

- **A discussion of policies with respect to Wrong-Way risk exposures: Article 439 (c)**

According to Article 291 CRR, (i) General Wrong-Way risk arises when the likelihood of default by counterparties is positively correlated with general market risk factors; whereas (ii) Specific Wrong-Way risk arises when future exposure to a specific counterparty is positively correlated with the counterparty's probability of default due to the nature of the transactions with the counterparty. An institution shall be considered to be exposed to Specific Wrong-Way risk if the future exposure to a specific counterparty is expected to be high when the counterparty's probability of a default is also high.

The Bank is not exposed to wrong way risk as OTC counterparty is ICBC Luxembourg Branch.

- **A discussion of the impact of the amount of collateral the Bank would have to provide given a downgrade in its credit rating: Article 439 (d)**

As above mentioned, the Bank enters only into derivative transaction with ICBC Luxembourg Branch and thus did not receive or provide collateral. As a result, a downgrade of the Bank’s credit (and thus the margin requirement increases) is not expected.

5.6.2 Capital requirement

- **Article 439 (e)(f)**

The Bank does not use any netting agreements and collateral arrangements for derivatives; therefore, the gross positive value of the contracts equals the net credit exposure in derivatives.

Evolution of Counterparty Credit EAD (After-CCF & CRM) & RWA (EUR M)

	2022			2021		
in million EUR	EAD*	RWA	RgC**	EAD*	RWA	RgC**
Derivatives & Long Settlement Transactions	9.73	4.38	0.35	2.31	0.46	0.04

* Exposure after CCF & CRM
** Regulatory Capital

- The CCR RWA amounts for EUR 4.38M which contribute for 0.12% of Total Credit RWA.
- Total capital requirement for counterparty credit risk exposures amounts at EUR 350K.

- **Credit derivatives hedges: Article 439 (g) & (h)**

The Bank does not enter into total return swap, credit-linked notes, credit default swap or any other credit derivatives instruments in either banking book or trading book. Therefore, disclosure on such instruments is not applicable for the Bank.

- **The estimate of α if the institution has received the permission of the competent authorities to estimate α: Article 439 (i)**

Not applicable as the Bank does not use internal models.

5.7 Market Risk

5.7.1 Risk Management framework

The below description is based on Table EU MRA: Qualitative disclosure requirements related to market risk.

- **Market risk management: description of the Bank's strategies and processes to manage market risk - Article 435 (1) (a) (d)**

Market risk is the risk of losses in on and off-balance sheet positions arising from the volatility of market prices, including position risk, foreign exchange risk, commodities risk, CVA risk, credit spread risk and equity risk.

Foreign exchange risk refers to the risk that the foreign exchange exposure arising from the imbalance in the currency structure between foreign exchange assets and foreign exchange liabilities is subject to loss due to unfavourable exchange rate movements.

Market risk management

The main sources of market risk faced by the Bank are FX risk and Interest Rate Risk. As an overall, the nature and composition of market risk can be considered as non-complex. The sensitivities to risk factors such as commodities, equities, CVA do not exist or are deemed not significant for the institution.

Market risk management is a process in which the Bank sets limits on market risk indicators and develops internal approval processes and operating instructions for limits of various types and levels according to its risk preferences and risk policy.

The management includes the regular review and update on limit in accordance with its business' variation in nature, size and complexity. Market risk limits are the ceiling (or floor) level of market risk indicators, which reflect the total amount and structure on market risk of the Bank and the EU Branches and internal departments of all business lines and trading portfolios.

The Bank's market risk limit management system includes trading portfolio definition, the limit structure, the setting and vetting of limit indicators, the monitoring, reporting and adjustment on limits, and over-limit management. It is intended to control and manage the Bank's market risk according to its market risk preference by establishing a complete set of quantitative limit indicators.

The Asset & Liability Management Department is responsible for market risk limit indicators in the banking book, including but not limited to position limit, sensitivity limit, maturity limit and currency limit. RMD is in charge of the market risk limit indicators in the trading book, including but not limited to value at risk (VaR) limit, position limit, stop-loss limit, sensitivity limit, maturity limit, currency limit.

Market risk measurement is the process of quantitatively calculating the market risk arising from changes in interest rates, exchange rates, equity prices and commodity prices with respect to the Bank's trading and non-trading positions using appropriate risk measurement methods or models. Market risk measurement methods mainly include gap analysis, duration analysis, foreign exchange exposure analysis, sensitivity analysis, scenario analysis, value at risk (VaR) measurement, stress testing and back-testing. Market risk identification includes initial risk identification and ongoing

Market risk identification is an ongoing process, which refers to reviewing the market risk methodologies and assessing the completeness and effectiveness of risk factors in use. It is performed according to the major market changes, the model performance and methodological development in the industry.

Trading activities

The trading book classification is essentially based on whether positions are held for trading purposes. In principle, financial instruments and commodity positions in the trading book shall be free of any restrictions on trading; can be closed at any time in principle; fully hedged against risk; accurately valuated and actively managed. According to the market risk policy, the Bank has not conducted any speculation purpose trading and only conducts agency trading or price inquiry money-market trading under the pre-set limits.

All derivatives positions without hedging transactions fall under the category of non-hedging transactions. Non-hedging transactions are further divided into three sub-categories:
(a) Transactions initiated by customers and executed by the Bank to meet customer's demand and transactions for the purpose of hedging risks in the foregoing transactions;
(b) Market-making transactions executed by the Bank in its obligation as a market maker by continuously providing quoted buy and sell prices while carrying out the transactions with other market participants at its quotations;

(c) Proprietary transactions initiated by the Bank using its own funds for the purpose of benefiting from market fluctuations based on its own judgment. Such transactions shall be classified into the trading book.

Risk mitigation and hedging

Hedging transactions are those initiated by the Bank to hedge credit risk, market risk or liquidity risk in the Bank's own assets and liabilities. Such transactions shall conform to hedging accounting rules and be classified into the banking book. The Asset & Liability Management Department of Headquarters is responsible for accomplishing the risk hedging in accordance with the strategy requirements of the Head Office, design the Bank's Banking book foreign exchange rate risk hedging plan and implement related trading jointly with Financial Markets Department and Financial Accounting Department, including the timing and tools of hedging transactions which should be reviewed and approved by Authorized Management.

The Risk Management Department in Headquarters shall assume the responsibility to verify hedging effectiveness and results submitted by relevant departments. If hedging derivatives cannot meet hedge accounting requirements at the inception or throughout the duration of the hedge, the originating department shall actively re-designate the hedging relationship to meet hedge accounting requirements or initiate a request for book reclassification in accordance with the book reclassification requirement

- **Market risk management: Description of the structure and organisation of the market risk management function - Article 435 (1) (b)**

Market Risk governance structure

The RMD in Headquarters is responsible for leading market risk management; developing policies and procedures on market risk management; identifying, measuring, monitoring, analyzing and reporting market risk; identifying and assessing market risks in new products and services; measuring and allocating capital charges for market risk; managing market risk limits and market risk stress testing; responsible for market risk concentration management; developing, managing and maintaining information systems relating to market risk management.

The ALMD in Headquarters is responsible for developing policies and procedures on interest rate risk in the banking book (IRRBB), and foreign exchange risk; identifying, measuring, monitoring and reporting IRRBB; analyzing, monitoring and reporting Bank-wide foreign exchange risk; developing, managing and maintaining information systems relating to IRRBB; allocating capital charges for market risk.

The Financial Markets Department ("FMD"), Corporate Banking Department ("CBD"), Financial Institutions Department("FID") and other front-office departments are mainly responsible for developing and implementing their operating regulations according to the Bank's business objectives; carrying out business activities; and implementing policies on market risk management and proactively controlling and timely reporting market risks; conducting the business within market risk limits and assist the RMD and ALMD in limit management; and assisting the RMD and ALMD in market risk assessment and approval of new products, providing professional documents needed and relevant professional recommendations and identifying proposal of new products.

The Financial Accounting Department ("FAD") is responsible for developing accounting policies and valuation techniques for fair value measurement of financial instruments, managing measurement activities at the end of each accounting period, and assisting the RMD and ALMD in interest risk management and foreign exchange risk management.

The Authorized Management (“AM”) or its authorized committee of ICBC(Europe)S.A. in Headquarters is responsible for developing, periodically reviewing and overseeing implementation of policies, procedures and operating rules on market risk management, collecting timely information on the levels and management of market risks, ensuring the Bank has sufficient human resources and materials, appropriate organizational structure and adequate information management systems and techniques to effectively identify, measure, monitor and control market risks in businesses, approving the plan for market risk limit management, approving significant matters regarding market risk management and reporting to the Board of Directors.

The Board of Directors (the “BOD”) shall assume the ultimate responsibility for overseeing market risk management, perform duties for market risk management in accordance with the Articles of Association of the ICBC (Europe) S.A. and the Rules and procedures for BOD, ensure the Bank effectively identifies, measures, monitors and controls market risks in businesses, approve the Bank’s gross market limit, limit category and structure.

FX Risk Management organization

Asset & Liability Management Department of Headquarters is responsible for the following obligations as the lead department of foreign exchange rate risk management of the Bank:

(1) Drafting the Bank’s basic regulations and rules of foreign exchange rate risk management.

(2) Formulating the Bank's foreign exchange rate risk management strategies, including initiative management of foreign exchange exposure, risk hedging plans and relevant issues.

(3) Formulating the Bank's and the EU Branches’ overall exposure limits, monitor the limit implementations.

(4) Analyzing, monitor, control and report the Bank's foreign exchange rate risk, draft the Bank's foreign exchange rate risk management report.

(5) Carrying out the Bank-wide or banking book foreign exchange rate risk stress tests, draft the stress test report.

(6) Supervising and guiding the foreign exchange rate risk management of the EU Branches.

(7) Identifying and assessing the foreign exchange rate risk included in the new products and business together with relevant departments.

(8) Other matters assigned by Authorized Management and its authorized committee.

The Risk Management Department of Headquarters is responsible for the following obligations as the lead department of market risk management of the Bank:

(1) Identifying, measuring, monitoring and reporting market risk including foreign exchange rate risk.

(2) Preparing and submitting market risk management report including foreign exchange rate risk to the Authorized Management for review.

(3) Providing foreign exchange exposure, value at risk (VaR) and other relevant data, foreign exchange rate risk management measures for trading account to the lead department of foreign exchange rate risk management.

(4) Other matters assigned by Authorized Management and its authorized committee.

The Financial Markets Department of Headquarters is responsible for the following obligations:

(1) Carrying out operations according to foreign exchange rate risk hedging instructions ordered by Authorized Management.

(2) Guiding the EU Branches to carry out foreign exchange rate risk hedging transactions.

(3) Drafting and submitting application of department’s annual trading account limit and limit adjustment.

(4) Carrying out FX fund business within the approved trading account risk limit, manage and report the relevant foreign exchange rate risk.

(5) Assessing and reporting foreign exchange rate risk of trading account business and products.
(6) Performing other tasks required by Authorized Management and its authorized committee.

- **Market risk management: Scope and nature of risk reporting and measurement systems- Article 435 (1) (c)**

Risk reporting

The two main market risks for the Bank are currently FX exposure and Interest Rate Risk. The reporting of these two risks is structured as follows:

Foreign exchange rate risk management report. This report should reflect the Bank's foreign exchange rate risk situation, summary of risk management measures, analysis of future risk factors and management recommendations. Quarterly report should be submitted. Asset & Liability Management Department of Headquarters should prepare foreign exchange rate risk management report with the assistance of related departments. Asset & Liability Management Department, Risk Management Department, Financial Markets Department of Headquarters, with the assistance of Financial Accounting Department, are responsible for the foreign exchange rate risk management specific topic reports. Reports on the different topics should be submitted according to the requirement of Authorized Management and its authorized committee.

Interest rate risk management report. This report should reflect the Bank's interest rate risk situation, summary of risk management measures, analysis of future risk factors and management recommendations. Quarterly report should be submitted. Asset & Liability Management Department of Headquarters should prepare interest rate risk management report with the assistance of related departments. Asset & Liability Management Department, Risk Management Department, Financial Markets Department of Headquarters, with the assistance of Financial Accounting Department, are responsible for the foreign exchange rate risk management special topic reports. Reports on the different topics should be submitted according to the requirement of Authorized Management and its authorized committee.

Measurement systems

Market risk is mainly controlled and monitored through 3 in-house systems:

- GMRM (Global Market Risk Management System), designed by the Head Office, for the globe market risk management;
- GPC (Global Product Control system) designed by the Head Office, for middle office management (pricing, reconciliation, monitoring, market value validation and profit and loss analysis;
- FMBM (Financial Markets Business Management system), designed by the Head Office, for the management of financial market business.

The Bank has set the foreign exchange risk exposure limit, intra-day exposure, daily exposure, VaR and stop loss limit for each branch which are reported on a weekly basis.

5.7.2 Capital requirement

- **Exposure to market risk - Own funds requirements calculated in accordance with points (b) and (c) of Article 92(3): Article 438 (e) & Article 445**

The capital requirement for Market Risk is calculated through the use of the simplified Standardized Approach. Under this approach, the Market Risk assessment is based on FX net currency exposures:

- calculating the net open position in each currency;
- the position is considered 'long' if purchases > sales, and vice versa;
- converting the overall FX net currency exposure in reporting currency (Euro).

Under the Market Risk Standardized approach, the total exposure to be considered for Foreign Exchange risk is the maximum between the total of the long and the total of the short positions in foreign currency if this total is higher than 2% of the own funds.

The Market RWA remained very low and stable in 2022 compared to TREA.

Evolution of Market RWA and capital charge under Pillar I by sub-market risk (EUR M)

	2022				2021
in million EUR	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Position Risk	-	-	-	-	-
FX Risk	11.10	15.57	5.24	6.99	11.80
Credit Spread Risk	-	-	-	-	-
Commodities Risk	-	-	-	-	-
CVA Risk	-	-	-	-	-
Equity Risk	-	-	-	-	-
∑ Market RWA	**11.10**	**15.57**	**5.24**	**6.99**	**11.80**

*Other includes insignificant foreign exchange exposure (JPY, GBP, HKD, CHF, AUD, CZK, HUF, ZAR, SGD)

Pursuant to Article 438(e) and Article 445 of the CRR, the Bank does not operate a trading book business and therefore the information relating to position risk in Article 92(3) (b) of the CRR is not relevant to its activities.

Furthermore, the Bank is not exposed to material settlement risk or to commodities risk for the purposes of Article 92(3) (c) of the CRR.

5.8 Interest rate risk on positions not included in the trading book

- ### Nature of the IRR: Article 448 (a)

Interest rate risk refers to the current or prospective risk to the Bank’s capital and earnings arising from adverse movements in interest rates that affect the Bank’s banking book positions.

Governance

The ALCO acts as a supervisory group that aims at coordinating and deliberating asset and liability management challenges with a goal of earning adequate returns, taking into account the appropriate risk tolerance. It is mainly responsible to review:

- the policies and systems relating to ALM;
- the major reporting issues including the plans and arrangements on branch-wide asset-liability portfolios and the reports on branch-wide ALM;
- material issues concerning ALM indicators like the pricing plan and asset-liability business;
- the business and function planning related to ALM information system as well as the plans about how to execute and promote it.

The ALCO meets on a quarterly basis, and is attended by representatives of the Authorized Management and of several internal departments, including 1st and 2nd line of defences.

ALMD is responsible to enhance and harmonize asset & liability management and thus to improve the ability to resist against interest rate risk in the banking book. The ALMD directly reports to the Authorized Management of the Bank.

The specific responsibilities of ALMD in the context of IRRBB include:

Management of A&L gross volume and structure	The ALMD evaluates local opportunities and risks of development and formulates the Bank's specific implementation plans and quarterly report on deposits, debt market instruments, loans and bond investments.
Management of Interest Rate Risk in Banking Book (IRRBB)	• **Constructing the management system** The ALMD establishes a sound IRRBB management framework corresponding to the business size, nature and complexity of the Bank, and formulates the IRRBB management policies, methods and processes. • **Measuring and monitoring IRRBB** The ALMD ensures to completely identify, accurately measure, continuously monitor and effectively control the IRRBB. • **Stress testing** The ALMD conducts stress tests and considers the results to adjust the management strategy of IRRBB
Construction of ALM System	The ALMD shall gradually establish the ALM information system matching the Bank's ALM practical situation in order to accurately and completely measure, monitor and report the conditions of ALM and related risk management in time.

Risk identification

The Bank's strategy is to not maintain a significant exposure to interest rate fluctuations. The Bank also actively prevents interest rate repricing risk and strives to reduce interest costs, thereby improving the interest rate risk management of the Bank. The EUR, USD and RMB fixed-rate securities investments are offset by the favourable bond portfolio duration. Fixed rate bonds represent 78% of the Bank's portfolio (EUR : 53.3% or EUR 765M, USD : 21.4% or EUR 308M, CNY : 2.9% or EUR 41M).

For bilateral loan and syndicated loan activities, the Bank normally offers floating rate and also sets a favourable interest margin for the fixed rate loans.

The main source of potential interest rate risk derives from securities investments that are fixed rate. Loans with a fixed rate represent a very marginal amount (EUR 14M) compared to the size of the balance sheet and to the amount of loans with a floating rate interest (EUR 2,895M). Other products with a fixed rate interest consist on the assets side mainly of money markets with other financial institutions (EUR 131M) and the amount deposited as reserve with the Central Banks (EUR 1'820M). However, the latter products have a short repricing tenor (30 days), which greatly reduces the interest rate risk linked to them. On the opposite, most fixed rate bonds have a repricing tenor longer than 1 year.

Key assumptions used in the internal IRRBB model

The internal model used for computing the interest rate risk relies on the following key assumptions used for slotting the cash-flows onto appropriate time buckets:

- ✓ Non-maturing deposits are assumed to be non-stable and are assigned to the overnight time bucket;
- ✓ Loans with prepayment option are assumed to be immediately repaid by non-retail counterparties if the risk-free rate of the same currency with the same tenor is lower than the actual rate of the loan. These cash-flows are slotted to the overnight time bucket;
- ✓ Term deposits with early withdrawal option are assumed to be withdrawn immediately by non-retail counterparties if the risk-free rate of the same currency with the same tenor is higher than the actual rate of the deposit. These cash-flows are slotted in accordance with the notice period of the deal, if any, and otherwise to the overnight time bucket.

- **Measures used by the management: Article 448 (b)**

Outcome of the supervisory outlier test according to paragraph 113 of the EBA/GL/2018/02 (EUR M)
Indicator (EUR M)

	Q1	Q2	Q3	Q4
Economic Value of Equity	**748.63**	**700.07**	**683.71**	**708.548**
△EVE if Interest rate decrease by 200bps	16.02	18.38	13.87	28.03
△EVE if Interest rate increase by 200bps	-28.22	-27.31	-23.78	-51.74
Worst △EVE/Total EVE	**-3.77%**	**-3.90%**	**-3.48%**	**-7.30%**

Outcome of the supervisory outlier test according to paragraph 114 EBA GL/2018/02 (EUR M)

Stress scenario	**Q1**	**Q2**	**Q3**	**Q4**
Parallel shock down	16.06	18.43	13.89	28.09
Parallel shock up	-28.29	-27.39	-23.82	-51.86
Short rates shock down	8.73	0.76	-7.40	14.34
Short rates shock up	-4.26	-4.97	-4.77	-27.62
Steepener	-13.77	-17.19	-16.08	1.35
Flattener	4.14	3.07	2.90	-11.93
Max ∆EVE	**-28.29**	**-27.39**	**-23.82**	**-51.86**
Total CET1	**548.63**	**500.07**	**483.71**	**508.54**
Total Max ∆EVE/Total EVE	**-5.16%**	**-5.48%**	**-4.92%**	**-10.20%**

Impact on the forecast net interest income expected within 12 months under a parallel shock down / up

Indicator (EUR M)	**Q1**	**Q2**	**Q3**	**Q4**
Net Interest income (annualized)	49.68	50.75	48.56	27.20[1]
△NII if Interest rate decrease by	-0.70	2.71	-13.40	10.16

[1] 2023 Net Interest Income Forecast.

△NII if Interest rate increase by 200 bps	22.05	17.60	17.82	-10.16
△NII/Total Net interest	**-1.40%**	**5.33%**	**-27.47%**	**-37.34%**
Tier1 Capital				**508.51**
△NII / Tier1 Capital				**-2.00%**

Impact on the forecast earnings expected within 12 months under a parallel shock down / up

Indicator (EUR M)	Q1	Q2	Q3	Q4
Forecasted earnings[2]	5.40	5.40	5.40	-46.49.[3]
△Earnings if Interest rate decrease by 200 bps	#N/A	72.67	53.16	67.88
△Earnings if Interest rate increase by 200 bps	#N/A	-54.01	-48.69	-63.85

- **Additional stress test**

In December 2021, a shift of interest rates by 200bps seemed almost impossible in a near future. However, during 2022, the interest rates evolved beyond this range. The internal framework was therefore enhanced to include the impact of these actual observations as stress factors ("Enhanced Stress Test").

Observed rates variations during 2022:

EUR	+250bps
USD	+425bps
PLN	+450bps

Under such assumptions, the stress test resulted in a decrease of Economic Value of Equity of EUR -71.5M.

- **Fixed interest rate gap ratio:**

The Bank has set up an internal Fixed Interest Rate Gap Ratio at regional branches' level to ensure better control, monitoring and management of this risk and thus this supervisory indicator. This will enable the Bank to highlight the risk exposures and could be used to develop hedge positions.

$$\text{Fixed Interest Rate Gap Ratio} = \frac{\text{Fixed Interest Rate Assets} - \text{Fixed Interest Rate Liabilities}}{\text{Total Assets}}$$

Regional Branch	Q1	Q2	Q3	Q4
Paris	-0.84%	-17.60%	-29.36%	-0.44%
Brussels	-22.16%	-10.51%	-8.38%	-6.41%
Milan	-57.46%	-47.36%	-28.41%	19.62%
Madrid	-3.46%	-2.89%	4.99%	7.33%
Amsterdam	11.95%	5.17%	-2.77%	-18.71%

[2] Source : Financial projections 2022-2024, neutral scenario.

[3] 2023 Earnings Forecast.

Warsaw	3.14%	-1.23%	5.66%	4.58%

5.9 Operational Risk

5.9.1 Risk Management Framework

- **Operational risk management: Article 435 (1)**

Operational risk is defined as the risk of loss resulting from insufficient or problematic internal procedures, employees and IT systems or from external events, including legal risk, but excluding strategic and reputational risks.

The Bank's objectives for sound operational risk management can be summarized as follows:

- To find out the extent of the Bank's operational risk exposure.
- To understand what drives it.
- To allocate capital against it.
- To identify and employ tools both internally and externally which would help in risk mitigation.

Operation Risk management framework

Governance

The Bank has set up the operational risk governance structure on the basis of the principle of "three lines of defence" and enhanced its internal control for effective operational risk management through the application of detailed bylaws, ongoing training, clear definition of the roles and responsibilities and proper segregation among relevant functions to avoid potential conflicts of interest.

Control and reporting of operational risk findings and identified losses is responsibility of all staff within the Bank, and ultimate accountability for operational risk management rests within the Bank 's AM while the process to manage the reporting and oversight of risk issues rests within RMD.

The AM sets down an effective, integrated operational risk management framework with defined roles and responsibilities for all aspects of operational risk management/monitoring and appropriate tools that support the identification, assessment, control and reporting of key risks. RMD implements the strategic direction set by the AM.

The AM of the EU Branches is responsible for consistently implementing and maintaining throughout the organization policies, processes and systems for managing operational risk.

Identification and mitigation

The Bank identifies the operational risk inherent in all types of products, activities, processes and systems.

The level of operational risk is managed by rigorous operating policies, procedures and controls set by the AM and leading implemented by RMD and carried out by the other departments of the Bank. The Bank assesses the operational risk in the approval process for all new products, activities and systems. The Bank has implemented regularly monitoring of operational risk profiles and material exposures to losses.

The Bank is monitoring several Key Operation risk indicators which are reported through an in-house system "Operational risk Management System".

The Bank has set operational risk limits. Compliance and Legal risks indicators are part of the Key Operational Risk Indicators.

The Bank Headquarters in Luxembourg is taking the lead in monitoring and guiding EU Branches' handling measures regarding the event in cooperation with competent departments concerned. The Bank has implemented an operational risk event monitoring dashboard which includes related measures to take or to be taken.

The Bank has established a formal procedure for managing internal incidents and regularly run self-assessments across departments and branches. Regular reporting mechanisms on loss due to operational risk/significant operational risk events are in place.

Business Modules of Operational Risk Management, designed by the Head Office, are in place for the global management of operational risk. Annual operational risk scenario analysis and fraud risk self-examination are performed to identify weakness of operational risk control.

The Bank has set the Disaster Recovery Plan (DRP), Business Continuity Plan (BCP) and Crisis Management Guidelines in place, ensuring the continuity of the Bank's operations in significant incident.

In addition, the Bank HQ organized the relevant departments and EU Branches to analyse operational risk scenario on an annual basis. These scenarios aim to analyse different business lines under adverse events by stressing different operational risk event.

The Bank set up the scenarios which are consistent with its business characteristics and are concentrated in some business lines and risk events. For each of these operational stress tests, the following has been performed:

- Definition of a scenario;
- Maximum Loss/Cost estimation;
- Management Actions.

Outsourcing management

In 20221, As per the CSSF Circular 12/552 as amended, Circular 22/806 and EBA Guidelines EBA/GL/2019/02 on Outsourcing risk management, ICBC (Europe) SA has reviewed, updated and strengthened its Outsourcing risk policy, monitoring, framework and methodology by implementing the latest regulatory requirements and provisions. The Bank continued to implement relevant policies and measures on outsourcing management from Head Office and local regulatory authorities. RMD has finished the review of the overall Outsourcing risk framework and new templates. All the new Outsourcing risk framework and policy have been validated by the AM and issued at the first quarter of 2023.

Trainings to the whole Bank and Branches have been provided by RMD. RMD is committed to strictly monitor the implementation, follow-up and compliance with the new framework at the Bank's level. Nevertheless, The Bank continued to regulate business outsourcing management procedures via the system and further strengthen outsourcing management at EU Branches level through inspection and periodic review.

Up to date, all outsourcing services of the Bank have been running well. None of the outsourcing service providers has made a subcontract or got involved in a risk incident such as breach of contract or any legal dispute affecting the business continuity.

5.9.2 Capital requirement

- **Exposure to Operational Risk - Own funds requirements calculated in accordance with Part Three, Title III, Chapters 2, 3 and 4 and disclosed separately: Article 438 (f) & Article 446**

The Bank uses the Basic Indicator Approach to calculate the regulatory minimum own funds requirement for operational risk. Under the Basic Indicator Approach, the capital requirement for operational risk is equal to 15% of the simple arithmetic average over the last three years of the sum of net interest income and non-interest income.

The calculation shall be based on positive amounts. If, for any given observation, the sum of revenues is equal to zero or negative, this figure shall not be taken into account in the calculation of the average for the determination of the Basic Indicator.

By the end of 2022, the own funds requirement for operational risk amount to EUR 11.30M (EUR 11.79M in 2021) equivalents to a total risk weighted asset of EUR 141.26 (147.37M in 2021).

EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts

EURM

Banking activities		**a**	**b**	**c**	**d**	**e**
		Relevant indicator			**Own funds requirements**	**Risk exposure amount**
		31.12.2019	**31.12.2020**	**31.12.2021[4]**	**31.12.2022**	**31.12.2022**
1	73.36	72.40	73.36	80.26	11.30	141.26

- Additional Operational Risk measurement for internal approach:

As part of the ICLAAP, the Bank uses the new Standardized Approach ('new SA') for Pillar II Operational Risk based on forecasted income statement and balance sheet. Conceptually the new SA assumes that operational risk increases at an increasing rate with a firm's income. It also assumes that firms that have experienced greater operational risk losses in the past are more likely to experience operational risk losses in the future.

[4] The relevant indicators reported are the audited final version. For 2022 there is no audited final number yet.

5.10 Other Risks

- **Risk management for other risks: Article 435 (1) (a) (f)**

5.10.1 Liquidity risk

Qualitative information

The following section is addressed pursuant to Table EU LIQA - Liquidity risk management of the EBA ITS.

Definition

Liquidity risk is the risk that the Bank is unable to raise funds on a timely basis or at a reasonable cost to settle liabilities as they fall due, perform other payment obligations and satisfy other funding demands of normal business development.

Strategies and processes in the management of the liquidity risk

The Bank's Liquidity Strategy is linked to the three years business plan of the Bank, to the funding plan and is performed in accordance with the risk appetite and the risk limits of the Bank. The Bank has established a Liquidity risk management framework, which is part of the Liquidity Policy and which defines the principles and the framework of the management of liquidity risks. The Bank has effective processes to identify, manage, monitor and report the risks the Bank is exposed or might be exposed to.

The framework for the management of Liquidity Risks includes the following elements:

- Liquidity Risk Appetite: The Bank's Liquidity Risk Appetite is defined in the Risk Appetite Statement and the Risk limits management plan which are updated on an annual basis.

- Controls, monitoring and reporting: ALMD monitors, controls and reports independently the Bank's Liquidity Risks, including stress-testing results.

- Liquidity Contingency Plan ('LCP'): The LCP specifies policies, procedures and action plans to respond to severe potential disruptions to the institution's ability to fund itself. It defines clearly the lines of responsibility, the governance and escalation process. A specific dry-run exercise is performed on an annual basis.

Structure and organization of the liquidity risk management function (authority, statute, other arrangements)

The Board of Directors and the Authorized Management have set a liquidity risk management standard including Liquidity risk tolerance, risk indicators system and limits management.

The management of liquidity risks is built upon Three Lines of Defense:

In the First Line of Defense level, FMD monitors the liquidity position of the Bank and is responsible for implementing liquidity management strategy such as the diversity and stability of funding sources, managing liquidity in different currencies, as well as daily liquidity monitoring and delivering a daily liquidity report to BCL about the short-term liquidity situation.

In the Second Line of Defense, ALMD is responsible for setting up liquidity risk management processes and monitoring and reviewing the liquidity risk profile of the Bank through both regulatory and internal liquidity risk indicators. A quarterly liquidity risk management report is reported to the AM and BoD.

The Internal Audit guarantees in the Third Line of Defense an independent and objective assessment of the structure and operational effectiveness of the internal control system of the Bank and therefore ensures a holistic approach to managing liquidity risk.

Frequent information is established between various internal and external stakeholders. For instance, daily LCR and NSFR calculation and predictions are sent to the Authorized Management on a daily basis, monthly reports related to regulatory indicators (LCR) but also monthly results of the internal liquidity stress testing are introduced to the Authorized Management. ALCO meets on a frequent basis to discuss the development of the balance sheet such as wholesale & corporate deposits, interest rates etc.

- **Scope and nature of liquidity risk reporting and measurement systems**

The Bank has implemented a set of liquidity risk indicators which consists of:

- Regulatory liquidity risk indicators and.
- Internal monitoring liquidity risk indicators.

The regulatory indicators are mandatory in respect of the local regulatory requirements; internal monitoring indicators aim to be indicative of the Bank's liquidity risk profile.

The Bank's liquidity risk appetite framework is part of the overall risk appetite framework in order to ensure a better integration of the governance, monitoring and escalation processes. Liquidity risk indicators are monitored by ALMD and reported to RMD and the AM.

The Bank has defined:

- A warning value and a tolerance value as part of the liquidity risk appetite framework for both regulatory and internal monitoring liquidity risk indicators.
- A recovery limit for at least the regulatory liquidity risk indicators which, if breached, could signal the Bank's Liquidity Contingency Plan activation (part of the recovery plan).

Regarding the LCR implementation, the Bank has set progressive internal LCR limits, that allow to strictly monitor the evolution of the ratio and to comply with the regulatory minimum but also to raise awareness among all the European branches and to optimize both, the maturity gap (reducing net outflows) and the investment portfolio structure (increasing the stock of High-Quality Liquid Assets).

The Bank has automated at consolidated level and at branch level the daily LCR calculations and the forecast of the ratios up to 90 days in order to better manage and anticipate future cashflows of each branch of ICBC (Europe) S.A and the Headquarters.

Although LCR at branches level is not subject to regulatory limits, AM has decided to apply internal LCR limits to each Branch in order to ensure requirements are met at consolidated level.

The Asset and Liability Management Department of HQ is responsible to calculate, monitor, control and report the daily LCR figures and forecasts of the Bank and each branch to the Authorized Management, the Risk Management Department, the Financial Market Department, involved stakeholders at HQ and at branches level respectively. A report is as well sent to the Head Office on a daily basis.

Branches are responsible to control and monitor the daily LCR figures received from ALMD of HQ on a daily basis. Branches shall strictly follow HQ requirements and guidance, such as increasing their ratio if necessary.

In case additional HQLA is needed, ALMD of HQ informs the FMD of HQ or the branches directly. HQ FMD or FMD of branches are in charge of adjusting the HQLA buffer by either increasing the Central Bank reserves, buying additional HQLA bonds or reducing the funding gap (net outflows).

With the usage of FMBM system in its daily liquidity management, the Bank is monitoring the cash flows incurred by treasury business and other transactions to define a sound funding plan.

The liquidity risk management framework consists of at least:

(1) To formulate and amend regularly, the liquidity risk mitigating strategy, the liquidity policy, risk appetite statement and related indicators and limits, procedures, stress testing guidelines and LCP in accordance with business developments and timely response to market dynamics, and submit to the related committees and AM of the Bank for approval.
(2) To establish the monitoring system and warning mechanism for liquidity risk management.
(3) Monitoring the compliance with the liquidity risk limits and reporting to the AM the limit breaches in a timely fashion.
(4) Daily Liquidity Report to regulators.
(5) LCR and NSFR daily monitoring and predictions reporting.
(6) Monthly LCR reporting to regulators (in reporting and significant currencies).
(7) Monthly ALMM reporting to regulators (in reporting and significant currencies).
(8) Liquidity Stress Testing reporting (survival period).
(9) Quarterly NSFR reporting to regulators (in reporting and significant currencies).
(10) Risk Dashboard.
(11) Quarterly Liquidity Risk Management Report.
(12) Annual ILAAP.
(13) Annual testing of the Liquidity Contingency Plan (“LCP”).
(14) To supervise and instruct the EU Branches in liquidity risk management.
(15) To identify and assess liquidity risks embodied in new products, new businesses and new EU Branches.
(16) To establish the Funding Plan.

Furthermore, the Bank has set-up a list of indicators and limits ensuring sufficient distance to react to both internal and external stress events. The Bank’s liquidity contingency plan (‘LCP’) aims to establish an effective prevention, warning and resolution mechanism for liquidity risk, enhancing the Bank’s capacity to respond and resolve liquidity risk contingencies and preventing and reducing liquidity risk contingencies and their damages to the biggest extent.

- **A declaration approved by the management body on the adequacy of liquidity risk management arrangements of the institution providing assurance that the liquidity risk management systems put in place are adequate with regard to the institution’s profile and strategy, and;**

- **A concise liquidity risk statement approved by the management body succinctly describing the institution’s overall liquidity risk profile associated with the business strategy. This statement shall include key ratios and figures providing external stakeholders with a comprehensive view of the institution’s management of liquidity risk, including how the liquidity risk profile of the institution interacts with the risk tolerance set by the management body**

In the view of the internal liquidity assessment process report and on-going monitoring metrics, the Board of Directors considers that the Bank holds sufficient available liquidity resources and has adequate liquidity and funding risk management.

As of end of year 2022, the LCR amounted to 252.14% (average daily LCR amounts to 451.27%), well above the applicable internal and regulatory limits. From a funding profile perspective, the Bank calculates, monitors and forecasts the NSFR at whole entity level and at EU branches level on a daily basis to ensure respecting the risk appetite. As of end of 2022, the Bank's NSFR amounted to 127.31%, above the internal early warning limit of 110%.

Among other things, ALMD takes into consideration new businesses or potential new deals which may impact the ratios.

As per the liquidity ratios projections under normal and stressed conditions and the overall liquidity governance framework, the Bank does not plan any breach of its short-term liquidity (Liquidity Coverage Ratio) over a time horizon of three years.

As such, taking into consideration the financial Projections, under business-as-usual conditions, the Bank projects a decrease of the LCR. Nevertheless, the ratio would still remain far above the internal early warning limit of 110%.

From a stressed perspective, as shown in the stress testing chapter, under the 3 adverse and severe stress test scenarios, the LCR would be impacted slightly but would remain far and safely above the internal limits. Hence the liquidity buffer of EUR 2.7 Bn as of end of year 2022 is deemed as sufficient to meet ICBC's risk appetite under both normal and stressed conditions.

For the NSFR, taking into consideration the financial Projections, the Bank does not plan any internal limit breach of its ratio over a time horizon of three years. The Bank projects a slight NSFR decrease as per these baseline projections. Nevertheless, the NSFR level would remain far above the internal early warning limit of 110%.

From a stressed perspective, considering the level of available stable funding and required stable funding as of Q4 2022, the Bank assumes that, under severe stress assumptions, the Bank would not experience any NSFR internal threshold breach.

Considering the defined strategy and the available measures, the Bank would be able to meet, in the mid-term, both regulatory and risk appetite requirements and stay above internal and regulatory limits.

Moreover, the proactive liquidity management, monitoring and predictions of the LCR and NSFR to prevent any liquidity issues allows the LCR and NSFR to remain compliant even under stress periods such as the covid-19 crisis. The follow-up of the liquidity management is even stronger since the outbreak of the war in Ukraine.

As per the stress testing framework in place, the Bank has also assessed and calculated its survival period and net liquidity position over a time horizon of 5 years under different ranges of scenarios. As described in the Liquidity Stress Testing section of the ILAAP, according to the stress assumptions defined, the Bank would not experience any breach of the early warning limit set at a level of 90 days.

According to that, the Authorized Management is in the opinion that the existing set-up process ensures the Bank is sufficiently robust to correctly manage liquidity and funding risk management, including the process for identifying, measuring and controlling liquidity and funding risks.

The Authorized Management estimates that the Bank's liquidity buffer and stable funding are sufficient to support the business development, the forecasted needs and associated risks and assumes that the current liquidity buffer and available stable funding are robust to withstand the impact of risks that may arise under adverse scenarios.

LCR components by months in 2022 (EUR M)

End of reporting period	Total Outflows	Inflows Subject to 75% Cap	Net liquidity outflow	Liquidity buffer	LCR Internal tolerance value	Liquidity coverage ratio (%)	Minimum Liquidity Buffer to meet LCR internal tolerance value	Excess of Buffer
Jan-22	933.06	596.76	336.30	1,630.95	105%	484.96%	353.12	1,294.65
Feb-22	1,203.88	547.74	656.13	1,500.08	105%	228.62%	688.94	843.95
Mar-22	1,064.32	677.42	386.89	2,062.82	105%	533.17%	406.24	1,675.92
Apr-22	1,003.77	1,028.92	250.94	1,752.41	105%	698.33%	263.49	1,501.47
May-22	951.23	553.08	398.15	2,084.29	105%	523.50%	418.06	1,686.14
Jun-22	1,174.65	313.93	860.71	2,386.91	105%	277.32%	903.75	1,526.20
Jul-22	941.51	491.45	450.06	2,261.52	105%	502.49%	472.56	1,811.45
Aug-22	1,260.86	684.19	576.67	1,911.21	105%	331.42%	605.51	1,334.53
Sep-22	949.96	466.44	483.52	1,715.52	105%	354.80%	507.70	1,232.00
Oct-22	918.08	880.34	229.52	1,426.88	105%	621.67%	241.00	1,197.35
Nov-22	922.52	761.45	230.63	1,503.12	105%	651.75%	242.16	1,272.49
Dec-22	1,622.13	554.02	1,068.12	2,693.14	105%	252.14%	1,121.52	1,625.02

The main components of the LCR outflows were the "deposits by other customers" (non-financial corporates mainly) for 49% in December 2022, of which current deposits and time deposits. The second main component was "deposits by financial customers", accounting for 41% of LCR outflows in December 2022, of which money market deposits and vostro from credit institutions and current deposits and time deposits from financial corporations. Committed facilities had an impact of 10% on the LCR outflows in December 2022 of which 8.5% granted to non-financial corporations and 1.5% to financial customers. The other on and off-balance sheet products had a non-material impact on the LCR outflows.

The evolution of the LCR outflows is mainly linked to the evolution of the remaining maturity of deposits from banking counterparties and financial corporations, the remaining maturity of deposits from corporates and how the Bank raise funding.

Between November and December 2022, LCR outflows increased by EUR 0.7 Bn due to new short term money market deposits in PLN, HKD and EUR as well as short term time deposits by financial corporations, dealt just before the end of the year and impacting LCR outflows.

The inflow evolution over 2022 is mainly linked to the money market lending of the Bank. When money market deals were made with short term maturities (below 30 days), it tended to increase inflows and when the deals were made with tenors above 1 month, the LCR inflows decreased. In April 2022, the sharp increase of LCR inflows is mainly linked to the increase of cash in nostros by EUR 0.5Bln between March and April.

In 2022, the HQLA buffer evolution was primarily driven by the number of deposits in Central Banks accounts, secondly by the evolution of the bonds portfolio market value, which suffered from interest rates hikes and which was reduced following the strategy of the Bank to not purchase new bonds when securities matured. Indeed, the historical high LCR of the Bank could be optimized, via a lower but reasonable HQLA buffer.

Consolidated daily NSFR in 2022

As shown in the above chart, the daily NSFR remained compliant with the regulatory limit and the tolerance limit along the year. The warning limit has been breached 14 times during the year and the daily average was 115.70%.

5.10.2 Concentration risk

Concentration risk refers to excessive exposures to the single or related risk driver such as single business area (market environment, industry sector, geographic region and country), single customer (borrower, depositor, counterparty, guarantor, issuer) and single product (source of funding, currency, maturity, risk mitigation tool) with the potential to produce: (i) losses large enough to threaten the Bank's health or ability to maintain its core operations; or (ii) a material change in the Bank's risk profile.

Concentration risk may arise in the Bank's assets, liabilities, off-balance sheet items, or through the execution or processing of transactions, also may arise from interrelated exposures across risk categories.

The Bank has implemented a "Concentration risk management procedure and policy" in order to take into account regulatory requirements applicable to the Bank, such as the CSSF circular 12/552, as amended, and CSSF circular 13/574. The following key aspect of a sound concentration risk management is considered as part of the above-mentioned policy: Risk management mechanisms, risk tolerance and limits management on various types of risk (credit risk, market risk, liquidity risk and operational risk), risk monitoring and reporting system, risk stress testing.

In addition to prudent and strict management on large exposure, the Bank is monitoring several risk indicators to avoid concentration risk.

The following assessment is taking into account various aspects of the Bank's banking book concentration:

- Credit quality concentration.
- Single Customer concentration.
- Product concentration.
- Geographical concentration (directly assessed under Pillar 2 section).
- Sector concentration.

Concentration risk internal capital requirement is allocated as part of the Pillar II framework and is quantified on the basis of the concentration on sector, geographical area, and single name exposure.

5.10.3 Strategic & business risk

Strategic risk refers to the risk caused by improper business strategy or unexpected changes in external environment or material deviation in implementing the strategies that prevents business strategies from being effectively implemented.

Business risk is defined by the Bank as the variability of earning and costs due to an impact of changed within the market environment and/or strategic decisions.

Business and strategic risk refer to the current and future risk of losses caused by chances in market conditions (changes in volumes, interest margins and other price changes concerning deposit and lending) and inaccurate and misguided business decision.

An effective management of strategic risk requires that policies, procedures and limits be established to ensure objective evaluation of and responsiveness to the Bank's business environment.

Procedures for defining and reviewing the Bank's business strategy is intended to ensure that adequate consideration is given to the following aspects:

- The Bank’s inherent strengths and its identified weaknesses.
- Opportunities external to the Bank and external factors that pose threats to the Bank.
- Exposure limits to different sectors.
- Growth of business and staff strength.

The Bank regularly evaluates business and strategic risks through RMC and AM committee, and of course during the BoD meetings. Material matters have the most impact on the Bank’s ability to create long-term value. These matters influence how the Board and Authorized Management steer the Bank.

New product Assessment Committee assessed any potential impacts on the Bank’s capital, liquidity, and solvability and Reputational position. In additional, clear operational process needs to be instructed before launching any new products to reduce operational risks.

The Bank’s 3-years business strategy is defined based on the assessment of the current business model and respects the risk appetite and regulatory requirements for the same period. The 3-years Risk Strategy is set-up for the purpose of strengthening the risk management of the Bank and the EU Branches, improving the Bank’s risk management capacity and achieving a balanced risk and return in order to generate a sustainable and adequate profit.

The risk strategy objectives are to ensure a sound, sustainable and prudent management of the Bank, preserve its continuity, contribute to the development of the Bank’s business, and protect its reputation.

5.10.4 Reputation risk

Reputation risk means the risk of negative observation made by stakeholders which results from the operation, management and other acts of the commercial banks or the external events. Reputational events mean related acts or events which may give rise to reputational risk of the commercial banks in the form of news crisis events. New crisis events refer to breaking news publicly spread by the media that may cause loss to the Bank’s reputation.

Regarding the reputation risk, the AM of the Bank and the EU Branches are in leading charge and have the ultimate responsibility in controlling and managing this kind of risk.

As per the Reputation risk, the Bank has Issued the Reputational Risk Management Policy of the Bank and consolidated the quarterly reputation risk management reports submitted by the EU Branches and the General Administration Department of headquarter in Luxembourg which are provided to the AM.

For the reputation risk, the Bank adheres to the prevention-oriented principle and incorporates reputation risk management into each aspect of operational management of the Bank and every customer service process, for the purpose of controlling and mitigating reputation risk based on its source. The Bank has established a mechanism to collect customer complaints, monitor negative news, and identify the possible reputation risk in launching new product and service.

Reputation risk management is performed also at Branch’s level and reported to Luxembourg Headquarters and AM.

Reputation risk is derived from the actualization of other risk types and it deemed to a “consequential” risk rather than a primary risk. Therefore, the Bank has to identify the potential sources and events which could lead to reputation damage. In the same way, reputation risk can lead to chain reaction of other risks.

The Bank has set up a reputation risk dashboard which includes information such as:

- Information on reputation risk management personnel.
- Policy building (list of the policies, measures…).
- Risk inspection (contents, scope, inspection time).
- Risk factors analysis (list of the risk types and potential management situation which could lead to reputation damage).
- Professional training, suggestions and comments to improve current model.

Reputation Risk is incorporated into the assessment before launching new products and services.

5.10.5 Country risk

Country risk refers to the risk that, due to economic, political, social changes and events in a country, a borrower or debtor in that country cannot or refuses to pay back its debts, or the Bank's commercial interest in that country is damaged, or the Bank suffers any other loss.

Country risk may arise from deteriorating economic conditions, political and social upheaval, nationalization or expropriation of assets, government repudiation of external indebtedness, exchange control, currency devaluation, etc.

The term "Country" or "economy" as used here, not necessarily being "sovereign state" as understood by international law and practice, covers also territorial entities that are not states.

Risk Management Department: Monitor, analyse and report to management body the observance of country risk limits.

All Departments should establish mechanisms to monitor and report on how country limits are observed, ensure country limits allocated by HO are complied with, assist RMD in carrying out monitoring, and report to RMD, among others, on any events that indicate change in country risk profile of any country in their business.

In the aim to improve the control and monitoring of country risk limits, the Bank has approved and issued provisions on the administration and risk appetite statement and Country Risk Limit Control program.

Country limits are embedded in the overall Risk Appetite statement of the Bank. Country limits are set by HO and allocated to the Bank for a specific period of time.

The objective of country limit management is, by categorizing country riskiness and applying country limit, and with continuous monitoring and reporting, to effectively control excessive concentration of country risk exposures. All EU Branches and relevant departments in HQ have to strictly fulfil the requirements of the Program when extending credit.

Note that Country limit should not be seen as the Bank's expectations or business plan for exposures to a certain country.

Categorization

Countries/economies are classified into five risk categories:

- Low.
- Moderate.

- Medium.
- Significant.
- High.

Country limits are set for each country/economy. Exposures to international multilateral organizations are not referring to any countries but deemed to belong to a special categorization of "international organization", which is not subject to country limit.

Scope

Country risk exposure is calculated according to Country Risk Exposure Statistics Policies, covering loans & advances (incl. loans, finance leasing and trade finance etc.), due from banks (incl. due from central banks, deposit with banks, inter-banking placement and securities purchased with resale agreement), bond instruments, equity instruments, derivative assets, other on-balance sheet exposure (incl. operating leasing receivables and receivable under investment banking services etc.), off-balance sheet exposures (incl. guarantees, performance/prepayment bonds, LC, undrawn commitment etc.) and etc. Country exposures not mentioned above which arise from new products are also be subject to country risk limit.

The Bank establishes a periodic country Exposure Report to control and monitor country limits allocated to the Bank for the year.

The dashboard includes the name of all the country/economy, their risk category, the total limit allocated if any which is split by:

- credit limit;
- financial market limit;
- other limits.

In case one or several EU Branches are making use of the limits, Branch's name and allocated amount is recorded as well.

The Bank has set three internal indicators.

No breaches on these ratios have been recorded in 2022.

6 Unencumbered assets

- **Disclosure of unencumbered assets as developed by EBA: Article 443**

In line with the guidelines established by the EBA, the concept of asset encumbrance includes both on-balance sheet assets pledged as collateral in operations to obtain liquidity as well as those off-balance sheet assets received and re-used for a similar purpose, in addition to other assets associated with liabilities other than for funding reasons.

The amount of exposure shown in the tables below was calculated as the median of the values disclosed in the regulatory information for the four quarters of the year, in accordance with EU Delegated act.

EU AE1 - Encumbered and unencumbered assets

		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
		010	**030**	**040**	**050**	**060**	**080**	**090**	**100**
010	**Assets of the reporting institution**	146,597,535	-			7,382,569,677	-		
030	Equity instruments	-	-	-	-	691,488	-	-	-
040	Debt securities	86,695,285	-	-	-	1,368,162,031	-	1,429,440,734	-
050	of which: covered bonds	-	-	-	-	-	-	-	-
060	of which: securitisations	-	-	-	-	-	-	-	-
070	of which: issued by general governments	63,427,250	-	-	-	475,893,854	-	536,494,230	-
080	of which: issued by financial corporations	-	-	-	-	477,590,350	-	457,952,431	-
090	of which: issued by non-financial corporations	23,268,035	-	-	-	414,677,827	-	434,994,073	-
120	Other assets	59,902,250	-			6,013,716,158	-		

EU AE2 - Collateral received and own debt securities issued

		Fair value of encumbered collateral received or own debt securities issued		Unencumbered: Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	060
130	**Collateral received by the disclosing institution**	-	-	-	-
140	Loans on demand	-	-	-	-
150	Equity instruments	-	-	-	-
160	Debt securities	-	-	-	-
170	of which: covered bonds	-	-	-	-
180	of which: securitisations	-	-	-	-
190	of which: issued by general governments	-	-	-	-
200	of which: issued by financial corporations	-	-	-	-
210	of which: issued by non-financial corporations	-	-	-	-
220	Loans and advances other than loans on demand	-	-	-	-
230	Other collateral received	-	-	-	-
240	**Own debt securities issued other than own covered bonds or securitisations**	-	-	-	-
241	**Own covered bonds and securitisation issued and not yet pledged**			-	-
250	**TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED**	146,597,535	-		

EU AE3 - Sources of encumbrance

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
		010	030
010	**Carrying amount of selected financial liabilities**	77,000,000.00	86,695,285

7 Remuneration

This section aims to describe the main characteristics of the Remuneration Policy and practices of the Bank.

As a subsidiary of ICBC China Ltd., the general remuneration principles implemented within ICBC (Europe) S.A. Headquarters and its subsidiaries comply with the rules laid down by the European regulators.

- **Information concerning the decision-making process used for determining the remuneration policy: Article 450 (a);**
- **Description of the decision-making process used for determining the remuneration policy and information about the mandate of the remuneration committee:**

Governance

The Remuneration Policy of ICBC (Europe) S.A. is overseen by its Remuneration and Nomination Committee.

- Composition of the Remuneration and Nomination Committee:
  - The Committee is be composed of at least three members, including Chairman of the Board, Non-Executive Directors and Independent Directors. Members of the Remuneration and Nomination Committee are elected among the members of the Board of Directors. However, any member of the Remuneration and Nomination Committee can be removed by the Board of Directors at any time.
  - The Board shall also appoint a Chairman of the Committee within the members. The Chairman of the Committee has to fulfill the qualification required by the Regulator. At least one member of the Remuneration and Nomination Committee should have sufficient expertise and professional experience concerning risk management and control activities, namely with regard to the mechanism for aligning the remuneration structure to the Bank's risk and capital profiles.

- Duties and responsibilities of the Remuneration and Nomination Committee:
  - Proposing, to the Board of Directors of the Bank, the Remuneration Policy that is aligned with the Bank long-term business strategy, its business objectives, its risk appetite and values, whilst recognizing the interests of relevant stakeholders;
  - Advising the Board of Director on the policy governing the remuneration;
  - Being responsible for the preparation of decisions on remuneration to be taken by the Board, in particular regarding the remuneration of the members of the management body in its management and supervisory functions as well as of other identified staff;
  - Ensuring that the key information of remuneration packages are fair, reasonable and adequate;
  - Monitoring the application of the authority delegated to the Executive Management to ensure that policies and principles are being consistently and effectively applied;
  - Liaising as required with the Internal Audit, Compliance and Risk Committee in relation to risk-adjusted performance measures;
  - Overseeing the central and independent review of the remuneration policies and practices made by the Internal Control functions;
  - Checking whether the existing Remuneration Policy for ICBC (Europe) S.A. is still up to date, and provides active oversight of the compensation policies and practices and, if necessary, make proposals for changes; the Committee should ensure that the Remuneration Policy and practices of the Bank are subject to a central and independent internal review at least annually;
  - Preparing for the succession of directors. When dealing with a new appointment, the Committee shall ensure that, prior to assessing the application, it has received sufficient information about the candidate, and, where relevant, the necessary information for evaluating the candidate's

independence.

- Duties and responsibilities of the relative functions:
  - The Internal Control functions assist the Board of Directors in determining the overall remuneration strategy, having regard to the promotion of effective risk management;
  - The Human Resources Department on behalf of the Remuneration and Nomination Committee, with the assistance of internal Control functions and Financial Accounting Department, participates in and informs on the drawing up and the evaluation of the policy for the institution, including the remuneration structure, remuneration levels and incentive schemes, in a way that does not only attract and retain the staff but also assures that the Policy is aligned with the Bank's risk profile. Going further, the Human Resources Department provides support in the identification process of Material Risk Takers, as well as the identification of Identified Staff eligible to the proportionality principle.

Main characteristics of the Remuneration Policy (EU REM A)

Remuneration principles are compatible with the Bank's business strategy, goals, values, long-term interests and with a sound and efficient risk management, which encourages such management and will not lead to an excessive risk taking by the members of the Bank. In defining the variable part of its employees and management remunerations, ICBC takes into account current and future risk planning and the cost of capital employed and liquidity required so as to ensure the Bank's ability to sustainably maintain or recover an appropriate capital base.

Sustainability has become a topic with high relevance to the financial sector and as such the notion of responsible and sustainable investment shall be incorporated into the remuneration practices of ICBC. The policy supports an appropriate management of sustainability risks. Sustainability risk refers to an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment (as defined under Sustainable Finance Disclosure Regulation).

Staff and Management within Internal Control Functions are compensated in a manner that is independent from the financial results of the underlying businesses being controlled, commensurate with their key role in the organization and based on non-financial objectives.

Variable remuneration is aligned with short, mid and long-term collective and individual performance. Effective performance is therefore subject to strict assessment rules that primarily aim at preventing excessive risk-taking behaviours.

- **Information on link between pay and performance: Article 450 (b) (f)**

The Bank has designed a remuneration structure based upon the following components:

- Salary (fixed part).
  - The fixed part of the remuneration is agreed contractually and increased either further to legal increases, if any (Collective Bargaining Agreements increases or wage indexation), or reviewed on a discretionary basis, depending on the career evolution and job responsibilities.
- Performance bonus (variable part)
  - The outcome is based on a prudential approach and linked to the individual performance and the financial situation of the Bank.

The above-mentioned components are used to achieve a market competitive total remuneration with a fair mix of fixed and variable compensation, which appropriately reflects the responsibility of the role they perform day-to-day and as a contribution to affect appropriate behaviors and actions as well as their performance.

The performance appraisal for non-Internal Control Functions is based on achieving targets set for the employee by the Head of Department at the start of the year. These targets include both qualitative criteria (observance of compliance and internal control rules, quality of sales or quality of service, risk management, cross-businesses synergies, winning customers, etc.) and collective and/or individual financial criteria (income growth, cost control, growth of the profit before tax, etc.).

The Bank ensures a balanced ratio between fixed and variable remuneration as to prevent any excessive risk takings with the aim of increasing the variable component.

In order to prevent conflicts of interest, variable compensation for Internal Control Functions is never based on the specific financial results of the underlying businesses being controlled.
The level of this compensation is based on the results of the Bank and on individual objectives using Non-Financial KPIs.

Internal Control Functions are defined as:

- Risk Management department
- Internal Audit department
- Compliance department

- **Ratio between fixed and variable remuneration set in accordance with article 94(1)g) of Directive 2013/36/EU: Article 450 (d)**

In EUR	Ratio between fixed & variable
Board of Directors	None
Authorized Management	Up to 100%
Internal Control Functions	Up to 100%
Others Material Risk Takers	Up to 100%

Under cases of exceptional performance, the cap might be set at 200% maximum, only under the condition of majority shareholder agreement and after having notified the Regulator of the intent to distribute higher ratio due to special reasons.

- **Characteristics and criteria used for performance measurement and risk adjustment. Article 450 (c)**

The Bank is committed to compensate its employees in a way that staff members benefit from their personal contribution to the Bank’s long-term success.

The Bank believes in and promotes a sound and dynamic performance culture as a means for achieving long-term success and encourages the right behaviours among the employees.

The performance of the Bank each year is based on the comparison between the quantitative and qualitative budgets fixed at the beginning of the year and the final results for the year (that include net profit, return on risk weighted assets, other profitability indicators and relative risk compliance indicators).

At an individual level, the Bank’s employees and members of management are assessed every year.
The individual performance is evaluated and appraised on the competency in duties/responsibilities (Non-Financial KPIs) for promoting the Bank’s long-term interest and strategic development.

Variable remuneration of employees may be subject to malus and/or clawback under specific circumstances as detailed in the Remuneration Policy of the Bank.

Material Risk Takers

Material Risk Takers as listed below have identified based on the following qualitative and quantitative criteria as defined by Articles 5 and 6 of Commission Delegated Regulation 2021/923:

- Board members;
- Authorized Management members at Headquarters level;
- Authorized Management members at EU Branches' level;
- Heads of Internal Control Functions at Headquarters;
- Heads of Corporate Banking Department and Financial Markets Department at Headquarters level;
- Head of Credit Approval Department at Headquarters level;
- Head of Asset & Liability Management Department at Headquarters level;
- Heads of Legal Department;
- Head of Financial Accounting Department;
- Human Resources Department;
- Information Technology Department at Headquarters level.

In 2022 the Bank identified a total number of 39 Material Risk Takers out a total of 388 employees as at 31 December 2022.

- **Aggregate quantitative information on remuneration broken down by senior management and members of staff whose actions have a material impact on the risk profile of the Bank: Article 450 (h)**

In EUR as of 31.12.2022	MATERIAL RISK TAKERS
Number of beneficiaries	39*
Sum total of remuneration	10,076,210
of which fixed	7,709,888
of which variable	2,366,322

* Excluding 3 Non-Executive Directors who are on the payroll of ICBC Head Office

As set out by the Remuneration Policy of the Bank and in line with the applicable regulation, variable remuneration of Identified Staff is subject to specific requirements as part of the pay-out of the variable remuneration in financial instruments; a deferred payment of the variable remuneration; a retention period for payment in instruments; and an *ex-post* incorporation of risk.

Information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based: Article 450 (e) (g)

EU REM1 - Remuneration awarded for the financial year

			a	b	c	d
	EUR		MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Fixed	Number of identified staff	2*	26	-	11

2	remuneration	Total fixed remuneration	255,938	5,287,047	-	2,166,903
3		Of which: cash-based	255,938	5,287,047	-	2,166,903
4		(Not applicable in the EU)				
EU-4a		Of which: shares or equivalent ownership interests	-	-	-	-
5		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-5x		Of which: other instruments	-	-	-	-
6		(Not applicable in the EU)				
7		Of which: other forms	-	-	-	-
8		(Not applicable in the EU)				
9	Variable remuneration	Number of identified staff	-	26	-	11
10		Total variable remuneration	-	1,935,306	-	431,016
11		Of which: cash-based	-	1,169,190	-	431,016
12		Of which: deferred	-	420,096	-	-
EU-13a		Of which: shares or equivalent ownership interests	-	-	-	-
EU-14a		Of which: deferred	-	-	-	-
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	-	766,117	-	-
EU-14b		Of which: deferred	-	306,448	-	-
EU-14x		Of which: other instruments	-	-	-	-
EU-14y		Of which: deferred	-	-	-	-
15		Of which: other forms	-	-	-	-
16		Of which: deferred	-	-	-	-
17	Total remuneration (2 + 10)		255,938	7,222,353	-	2,597,920

* Excluding 3 Non-Executive Directors who are on the payroll of ICBC Head Office

The Bank paid out no any special payments to its staff whose professional activities have a material impact on its risk profile in 2022 (REM2).

The Bank paid out no deferred remuneration either in cash or financial instruments as the remuneration of Material Risk Takers did not exceed the threshold as set out by the CRD IV and still applied by the Bank in 2022 (REM3).

- **Number of individuals being remunerated EUR 1 million or more in 2022: Article 450 (i)**

The Bank did not grant any variable remuneration in the form of financial instruments (e.g. shares or options) and there was no employee receiving remuneration in excess of EUR 1 million in 2022. (REM4).

- **Upon demand from the Member State or competent authority, the total remuneration for each member of the management body or senior management: Article 450 (j)**

Not applicable

Human Resources Department required the support of an external consultant for the update of the Remuneration Policy in line with the CRD V remuneration requirements applied by the Bank from year 2022.

8 Glossary

AM	Authorized Management
ALCO	Asset & Liability Committee
BoD	Board of Directors
BCL	Central Bank of Luxembourg
CAR	Capital Adequacy Ratio
CBIRC	China Banking and Insurance Regulatory Commission
CC	Credit Committee
CET1	Common Equity Tier 1 Capital
CRD V	Capital Requirements Directive
CRR	Capital Requirements Regulation
CRM	Credit Risk Mitigation
CRSA	Credit Risk Standardized Approach
CSSF	Commission de Surveillance du Secteur Financier
EAD	Exposure at Default
EBA	European Banking Authority
ECAI	External Credit Assessment Institution
FAD	Financial accounting Department
FAC	Financial Affairs Committee
FMD	Financial Markets Department
FID	Financial Institutions Department
GAD	General Administration Department
HQLA	HIGH Quality Liquid Asset
H.O.	Head Office
HQ	Headquarter in Luxembourg
ICAAP	Internal Capital Adequacy Assessment Process
ILAAP	Internal Liquidity Adequacy Assessment Process
ICLAAP	Internal Capital and Liquidity Adequacy Assessment Process
ICBC	Industrial and Commercial Bank of China
LCR	Liquidity Coverage Ratio
LD	Legal Department
OCR	Overall Capital Requirement
NSFR	Net Stable Funding Ratio
PBOC	People's Bank of China
PRC	Peoples Republic of China
RMC	Risk Management Committee
RMD	Risk Management Department
RW	Risk Weight
RWA	Risk Weighted Asset
TREA	Total Risk Exposure Assets
TSCR	Total SREP Capital requirement