

**Pillar 3  
Semi-Annual  
Report  
2018**



BANQUE  
INTERNATIONALE  
À LUXEMBOURG



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# List of acronyms

<b>AFS</b>	Available For Sale
<b>AFR</b>	Available Financial Resources
<b>A-IRBA</b>	Advanced Internal Rating-Based Approach
<b>ALM</b>	Asset and Liability Management
<b>ASF</b>	Available Stable Funding
<b>AT1</b>	Additional Tier 1 capital
<b>BCL</b>	Banque Centrale de Luxembourg
<b>BCP</b>	Business Continuity Plan
<b>BoD</b>	Board of Directors
<b>BRC</b>	Board Risk Committee
<b>BRNC</b>	Board Remuneration & Nomination Committee
<b>BRNC-N</b>	Board Remuneration and Nominations Committee sitting in nomination matters
<b>CAR</b>	Compliance, Audit and Risk
<b>CC</b>	Crisis Committee
<b>CCF</b>	Credit Conversion Factor
<b>CCP</b>	Central Counterparty
<b>CDS</b>	Credit Default Swap
<b>CEO</b>	Chief Executive Officer
<b>CET1</b>	Common Equity Tier One
<b>CoCo bond</b>	Contingent Convertible bond
<b>CRCU</b>	Credit Risk Control Unit
<b>CRMU</b>	Credit Risk Management Unit
<b>CRD</b>	Capital Requirements Directive
<b>CRM</b>	Credit Risk Mitigation
<b>CRO</b>	Chief Risk Officer

<b>CRR</b>	Capital Requirements Regulation
<b>CSA</b>	Credit Support Annex
<b>CSSF</b>	Commission de Surveillance du Secteur Financier
<b>CVA</b>	Credit Valuation Adjustement
<b>DTA</b>	Deferred Tax Asset
<b>EAD</b>	Exposure At Default
<b>EBA</b>	European Banking Authority
<b>ECAI</b>	External Credit Assessment Institutions
<b>ECAP</b>	Economic Capital
<b>ECB</b>	European Central Bank
<b>EL</b>	Expected Loss
<b>EVE</b>	Economic Value Equity
<b>FRM</b>	Financial Risk Management
<b>FRMD</b>	Financial Risk Management Datamart
<b>FTA</b>	First Time Adoption
<b>FX</b>	Foreign Exchange
<b>GIP</b>	Gestion Intensive et Particulière
<b>HQLA</b>	High Quality Liquid Assets
<b>HR</b>	Human Resources
<b>HTM</b>	Held To Maturity
<b>IAS</b>	International Accounting Standards
<b>ICAAP</b>	Internal Capital Adequacy Assessment Process
<b>ICC</b>	Internal Control Committee
<b>IFRS</b>	International Financial Reporting Standards
<b>ILAAP</b>	Internal Liquidity Adequacy Assessment Process
<b>IMM</b>	Internal Model Method

<b>IR</b>	Interest Rate
<b>IRRBB</b>	Interest Rate Risk in the Banking Book
<b>IRS</b>	Internal Rating Systems
<b>ISDA</b>	International Swap and Derivative Association
<b>IT</b>	Information Technology
<b>JST</b>	Joint Supervisory Team
<b>KPI</b>	Key Performance Indicator
<b>LCR</b>	Liquidity Coverage Ratio
<b>LDP</b>	Low Default Portfolio
<b>LR</b>	Leverage ratio
<b>LGD</b>	Loss Given Default
<b>L&amp;R</b>	Loans & Receivables
<b>MCD</b>	Mortgage Credit Directive
<b>MCRE</b>	Maximum Credit Risk Exposure
<b>MMB</b>	Member of the Management Board
<b>MMU</b>	Model Management Unit
<b>MOC</b>	Monthly Operational Committee
<b>MRT</b>	Material Risk Takers
<b>NACE</b>	Nomenclature statistique des Activités économiques dans la Communauté Européenne
<b>NCA</b>	National Competent Authorities
<b>NII</b>	Net Interest Income
<b>NMD</b>	Non-Maturing Deposits
<b>NPC</b>	New Products Committee
<b>NPE</b>	Non-Performing exposures
<b>NSFR</b>	Net Stable Funding Ratio
<b>OBS</b>	Off-Balance Sheet

<b>ORM</b>	Operational Risk Management
<b>OTC</b>	Over-the-counter
<b>PD</b>	Probability of Default
<b>P&amp;L</b>	Profit and Loss
<b>QIS</b>	Quantitative Impact Study
<b>SFT</b>	Securities Financing Transaction
<b>SC</b>	Security Committee
<b>SNB</b>	Swiss National Bank
<b>SSM</b>	Single Supervisory Mechanism
<b>SRB</b>	Single Resolution Board
<b>SRM</b>	Single Resolution Mechanism
<b>STE</b>	Short Term Exercise
<b>RAF</b>	Risk Appetite Framework
<b>RAS</b>	Risk Appetite Statement
<b>RCSA</b>	Risk Control Self-Assessment
<b>RPC</b>	Risk Policy Committee
<b>RSF</b>	Required Stable Funding
<b>RWA</b>	Risk Weighted Assets
<b>TFM</b>	Treasury and Financial Markets
<b>TLTRO</b>	Targeted Longer Term Refinancing Operations
<b>TRIM</b>	Targeted Review of Internal Models
<b>VaR</b>	Value at Risk
<b>WAL</b>	Weighted Average Life

# EBA Semi-Annual tables and templates<sup>1</sup>

Table	Reference	Name	CRR articles	Section of the Semi-Annual Report
4	EU OV1	Overview of RWAs	Article 438 (c)-(f)	Section 1.1.1
5	EU CR10	IRB (specialised lending and equities)	Article 153 (5) or 155 (2), Article 438	Section 1.1.2
6	EU INS1	Non-deducted participations in insurance undertakings	Article 438 (c)-(d) & article 49 (1)	Section 1.1.3
11	EU CR1-A	Credit quality of exposures by exposure class and instrument	Article 442 (g)-(h)	Section 2.1.1
12	EU CR1-B	Credit quality of exposures by industry or counterparty types	Article 442 (g)	Section 2.1.1
13	EU CR1-C	Credit quality of exposures by geography	Article 442 (g)	Section 2.1.2
14	EU CR1-D	Ageing of past-due exposures	Article 442 (g)	Section 2.2.1
15	EU CR1-E	Non-performing and forborne exposures	Article 442 (g)-(i)	Section 2.2.2
16	EU CR2-A	Changes in the stock of general and specific credit risk adjustments	Article 442 (i)	Section 2.2.3
17	EU CR2-B	Changes in the stock of defaulted and impaired loans and debt securities	Article 442 (i)	Section 2.2.4
18	EU CR3	CRM techniques – Overview	Article 453 (f) - (g)	Section 2.3.1
19	EU CR4	Credit risk exposure and CRM effects	Article 453 (f) - (g)	Section 2.4.1
20	EU CR5	Standardised approach	Article 444 (e)	Section 2.4.2
21	EU CR6	Qualitative disclosure requirements related to IRB models	Article 452 (e) - (h)	Section 2.5.1
22	EU CR7	Effect on the RWAs of credit derivatives used as CRM techniques	Article 453 (g)	N/A. The Bank does not have any credit derivatives.
23	EU CR8	RWA flow statements of credit risk exposures under the IRB approach	Article 438 (d) & Article 92 (3)	Section 2.5.2
25	EU CCR1	Analysis of CCR exposure by approach	Article 439 (e), (f), (i) & article 92 (3)	Section 2.6.1

<sup>1</sup>In accordance with the publication EBA/GL/2016/11, version 2.



Table	Reference	Name	CRR articles	Section of the Semi-Annual Report
26	EU CCR2	CVA capital charge	Article 439 (e) - (f)	Section 2.6.2
27	EU CCR8	Exposures to CCPs	Article 439 (e) - (f)	Section 2.6.3
28	EU CCR3	Standardised approach – CCR exposures by regulatory portfolio and risk	Article 444 (e)	Section 2.6.4
29	EU CCR4	IRB approach – CCR exposures by portfolio and PD scale	Article 452 (e)	Section 2.6.5
30	EU CCR7	RWA flow statements of CCR exposures under the IMM	Article 92 (3) - (4) & Article 438 (d)	N/A. The Bank does not use the IMM approach.
31	EU CCR5-A	Impact of netting and collateral held on exposure values	Article 439 (e)	Section 2.6.6
32	EU CCR5-B	Composition of collateral for exposures to CCR	Article 439 (e)	Section 2.6.6
33	EU CCR6	Credit derivatives exposures	Article 439 (g) - (h)	N/A. The Bank does not have any credit derivatives.
34	EU MR1	Market risk under the standardised approach	Article 445	Section 3.1
35	EU MR2-A	Market risk under the IMA	Article 455 (e)	N/A. The Bank uses the standardised approach.
36	EU MR2-B	RWA flow statements of market risk exposures under the IMA	Article 455 (e)	N/A. The Bank uses the standardised approach.
37	EU MR3	IMA values for trading portfolios	Article 455 (d)	N/A. The Bank uses the standardised approach.
38	EU MR4	Comparison of VaR estimates with gains/losses	Article 455 (g)	The Bank uses the standardised approach. Analyse in Section 3.2



# Introduction

The aim of this document is to give additional specific information on the risk management of Banque Internationale à Luxembourg (hereafter "BIL" or "the Bank") as of June 30, 2018. The purpose of Pillar 3 of the Basel agreement is to enrich the minimum requirements of funds (Pillar 1) and the process of prudential supervision (Pillar 2) with a set of data complementing the financial communication.

This Semi-Annual Report meets the consolidated disclosure requirements related to Part Eight of the Regulation (EU) No 575/2013, known as the Capital Requirements Regulation (CRR), the circular CSSF 15/618 which is the transposition of the EBA guidelines on materiality, the CSSF regulation 14-01, which is the transposition of the CRR into national law, thereby setting the regulatory prudential framework applicable to credit institutions, and the circular CSSF 17/673 on the adoption of the European Banking Authority (EBA) Guidelines on disclosure requirements under Part Eight of the Regulation.

BIL is a banking group located in Luxembourg at 69, route d'Esch, L-2953 Luxembourg and counts about 2,000 employees. It is the ultimate parent company of BIL group. BIL is present in the financial centres of Luxembourg, Denmark, Switzerland and Dubai.

This BIL group's Pillar 3 Semi-Annual disclosure Report is divided into three sections, as follows:

- The first section covers the Bank's capital management and capital adequacy;
- The second section is dedicated to the credit risk management and provides detailed breakdowns of the Bank's credit risk exposures;
- The third section describes the assessment of market risk.

Unless otherwise stated, the figures disclosed in this Report are expressed in millions of euros.

Data is provided at a consolidated level, including subsidiaries and branches of BIL group.

It is worth noting that BIL will publish its full 2018 Pillar 3 Report in the course of 2019.

In addition to this document, the Annual Report and Pillar 3 Report as of December 2017 are available on the Bank's website ([www.bil.com](http://www.bil.com)).

# 1. Own funds and capital adequacy

The aim of capital management is to ensure BIL's own solvency and sustained profitability targets, while complying with regulatory capital requirements. The Bank's ratios exceed these requirements, thereby reflecting the ability to adhere to the new Basel III requirements.

BIL monitors its solvency using rules and ratios issued by the Basel Committee on Banking Supervision and the European Capital Requirements Regulation.

These ratios (Common Equity Tier 1 capital ratio, Tier 1 capital ratio and total capital ratio) compare the amount of regulatory capital, eligible in each category, with BIL group's total weighted risks.

As of 2018, the breakdown of prudential capital requirement is as follows:

Capital components	Amount
Minimum requirement for Core CET1 requirement	4.50%
Minimum requirement for Conservation buffer	2.50%
Minimum requirement for O-SII buffer	0.375%
Minimum requirement for Countercyclical buffer	0%
Minimum requirement for Pillar 2 Requirement	1.750%
	<b>9.125%</b>

As of June 30, 2018, the CET1 ratio of the bank stands at 11.97% and the total capital ratio at 16.03%. Compared to year-end 2017<sup>2</sup> (table below), the CET1 ratio increases which can be explained by an increase of Capital (+4%) higher than of Risk Weighted Assets (+2.8%).

Half-Year Capital Ratios (Solvency Ratio)		
	31/12/2017	30/06/2018
Common Equity Tier 1 Ratio	11.83%	11.97%
Tier 1 Ratio	14.02%	14.10%
Capital Adequacy Ratio	15.97%	16.03%

The supervisory bodies (ECB and CSSF) require BIL to disclose the calculation of capital necessary for the performance of its activities in accordance with the prudential banking regulations, on the one hand, and in accordance with the regulations on financial conglomerates on the other hand.

<sup>2</sup> Please note that the ratios for 31/12/2017 are lower than the ratios published in the Pillar 3 report of 2017. This follows the on-site JST (Joint Supervisory Team) review of the real estate promotion exposures which ended March 2018. Indeed, the JST requested a change of some exposure classification which leads to an increase of credit-related RWA.

## 1.1. Regulatory capital adequacy (Pillar I)

### 1.1.1. Risk Weighted Assets

In accordance with Article 138 (c) to (f) in the CRR, the following table shows Risk Weighted Assets (RWA) and regulatory capital requirements broken down by risk types and model approaches compared to the previous reporting period on a quarterly basis. The capital requirements have been obtained by applying 8% to the corresponding RWA. .

TABLE EU OV1 – OVERVIEW OF RWAS

(in EUR million)		RWAs		Minimum capital requirements	
		30/06/2018 (T)	31/03/2018 (T-1)	30/06/2018 (T)	
	<b>1</b>	Credit risk (excluding CCR)	<b>5,883.46</b>	<b>5,820.68</b>	<b>470.68</b>
Article 438(c)(d)	<b>2</b>	Of which the standardised approach	2,006.31	1,980.56	160.50
Article 438(c)(d)	<b>3</b>	Of which the foundation IRB (FIRB) approach	-	-	-
Article 438(c)(d)	<b>4</b>	Of which the advanced IRB (AIRB) approach	3,929.76	3,893.71	314.38
Article 438(d)	<b>5</b>	Of which equity IRB under the simple risk-weighted approach or the IMA	<b>146.23</b>	<b>132.10</b>	<b>11.70</b>
Article 107					
Article 438(c)(d)"	<b>6</b>	CCR	<b>78.16</b>	<b>79.82</b>	<b>6.25</b>
Article 438(c)(d)	<b>7</b>	Of which mark to market	52.61	53.58	-
Article 438(c)(d)	<b>8</b>	Of which original exposure	-	-	-
	<b>9</b>	Of which the standardised approach	-	-	-
	<b>10</b>	Of which internal model method (IMM)	-	-	-
Article 438(c)(d)	<b>11</b>	Of which risk exposure amount for contributions to the default fund of a CCP	-	-	-
Article 438(c)(d)	<b>12</b>	Of which CVA	25.54	26.24	2.04
Article 438(e)	<b>13</b>	Settlement risk	-	-	-
Article 449 (o)(i)	<b>14</b>	Securitisation exposures in the banking book (after the cap)	<b>38.09</b>	<b>42.89</b>	<b>3.05</b>
	<b>15</b>	Of which IRB approach	-	-	-
	<b>16</b>	Of which IRB supervisory formula approach (SFA)	-	-	-
	<b>17</b>	Of which internal assessment approach (IAA)	-	-	-
	<b>18</b>	Of which the standardised approach	38.09	42.89	3.05
Article 438(e)	<b>19</b>	Market risk	<b>66.52</b>	<b>71.00</b>	<b>5.32</b>
	<b>20</b>	Of which the standardised approach	66.52	71.00	5.32
	<b>21</b>	Of which IMA	-	-	-
Article 438(e)	<b>22</b>	Large exposures	-	-	-
Article 438(f)	<b>23</b>	Operational risk	831.00	831.00	66.48
	<b>24</b>	Of which basic indicator approach	-	-	-
	<b>25</b>	Of which standardised approach	831.00	831.00	66.48
	<b>26</b>	Of which advanced measurement approach	-	-	-
Article 437(2), Article 48 and Article 60	<b>27</b>	Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
Article 500	<b>28</b>	Floor adjustment	-	-	-
	<b>29</b>	<b>TOTAL</b>	<b>7,043.45</b>	<b>6,977.50</b>	<b>563.48</b>

The Bank's total RWAs amounted to EUR 7.04 billion as of June 30, 2018, compared to EUR 6.98 billion as of March 31, 2018. The overall increase of EUR 69.95 million mainly reflects increases in credit risk RWA. This increase is explained by methodological changes (higher degree of conservativeness) and by the net production of new loans.

Market risk RWA decreased slightly by 4.48 million and operational RWA remained unchanged from Q1 to Q2.

### 1.1.1.1. Weighted risks

Since the come into being of the Basel framework, the Bank has been compliant when calculating its capital requirements with respect to credit, market, operational and counterparty risk and publishing its solvency ratios.

For credit risk, BIL group has decided to use the Advanced-Internal Rating Based (A-IRB) approach for its main counterparties (i.e. Sovereigns, Banks, Corporate, SMEs and Retail) in order to compute associated risk weighted assets (RWA). When it comes to Market Risk, the Bank has adopted the Standardised method; this choice is based on the Bank's moderate trading activity, whose main purpose is to serve BIL's customers for the purchase or sale of bonds, foreign currencies, equities and structured products. The Standardised method is also used for the calculation of the risk weights related to operational risks.

## 1.1.2 Equity exposures in the banking book

To comply with the last paragraph of Article 438, the following table shows risk-weighted exposure amounts in accordance with Article 155(2) regarding equity exposures using the simple risk-weighted approach.<sup>3</sup>

TABLE EU CR10 – IRB (SPECIALISED LENDING AND EQUITIES)

(in EUR million)						
EQUITIES UNDER THE SIMPLE RISK-WEIGHTED APPROACH						
Categories	On-balance-sheet amount	Off-balance-sheet amount	Risk weight	Exposure amount	RWAs	Capital requirements
Private equity exposures	28.69		190%	28.69	54.51	4.36
Exchange-traded equity exposures	-		290%	-	-	-
Other equity exposures	4.12		370%	4.12	15.24	1.22
<b>TOTAL</b>	<b>32.81</b>			<b>32.81</b>	<b>69.76</b>	<b>5.58</b>

## 1.1.3 Non-deducted participations in insurance undertakings

The Bank hereby discloses the information required by Article 438(c) and (d) on exposures that are risk-weighted in accordance with Part Three, Title II, Chapter 2 or Chapter 3 by specifying information regarding non-deducted participations risk-weighted, when allowed (in accordance with Article 49(1) of the CRR) to not deduct their holdings of own funds instruments of an insurance undertaking, a re-insurance undertaking or an insurance holding company.

TABLE EU INS1 – NON-DEDUCTED PARTICIPATIONS IN INSURANCE UNDERTAKINGS

	Value
Holdings of own funds instruments of a financial sector entity where the institution has a significant investment not deducted from own funds (before risk-weighted)	6.21
<b>TOTAL RWAs</b>	<b>14.99</b>

<sup>3</sup> As of June 30, 2018, the Bank does not directly classify exposures for specialised lending under the A-IRB slotting approach. Nevertheless, the Bank has submitted a file to the ECB in September 2018 to deploy the slotting approach in order to assess the RWA.

## 1.2. Leverage ratio

The leverage ratio (LR) was introduced by the Basel Committee to serve as a simple and non-risk-based ratio to complete the existing risk-based capital requirements.

The Basel III leverage ratio is defined as the capital measure divided by the total exposure, with this ratio expressed as a percentage and having to exceed a minimum of 3%.

The capital measure for the leverage ratio is the Tier 1 capital taking account of transitional arrangements.<sup>4</sup> The total exposure corresponds to the sum of the following exposures: (a) on-balance sheet exposures; (b) derivative exposures; (c) securities financing transaction (SFT) exposures; and (d) off-balance sheet (OBS) items.

As of June 30, 2018, BIL group's leverage ratio stood at 3.69%, showing a decrease compared to year-end 2017 level of 3.97%.<sup>5</sup> This level is supported by the Bank's limited use of derivatives and securities financing transactions. The composition of BIL group's exposure reflects its business model, based on a commercial orientation.

(in EUR million)	31/12/2017	30/06/2018
Tier 1 Capital	981.55	993.04
Total Exposure	24,713.02	26,898.53
<b>LEVERAGE RATIO</b>	<b>3.97%</b>	<b>3.69%</b>

The Bank takes into account the leverage ratio in its capital and financial planning to ensure that its forecasted commercial growth is consistent with the Basel III leverage ratio requirement. The Bank also actively manages its balance sheet size through its Treasury and ALM desks by limiting interbank operations (unsecured or secured) that could lower its leverage ratio. The leverage ratio is discussed on a regular basis at senior management level as it is part of the Bank's Risk Appetite framework.

<sup>4</sup> The capital measure for the leverage ratio is the Tier 1 capital of the risk-based capital framework as defined in paragraphs 49 to 96 of the Basel III framework taking account of the transitional arrangements. The Basel Committee is using the transition period to monitor banks' leverage ratio data on a semiannual basis in order to assess whether the proposed design and calibration of a minimum Tier 1 leverage ratio of 3% is appropriate over a full credit cycle and for different types of business models.

<sup>5</sup> Please note that, as for the solvency ratios, the leverage ratio for 31/12/2017 is different than the one published in the Pillar 3 report of 2017 (3.89%). This follows the on-site JST (Joint Supervisory Team) review of the real estate promotion exposures which ended March 2018. Indeed, the JST requested a change of some exposure classification which leads to an increase of credit-related RWA.

## 2. Credit risk

Credit risk represents the potential loss (reduction in value of an asset or payment default) that BIL may incur as a result of a deterioration in the solvency of any counterparty.

### 2.1 Credit risk exposure

Credit risk exposure refers to the Bank's internal concept of Maximum Credit Risk Exposure (MCRE):

- The net carrying value of balance sheet assets other than derivative products (i.e. the carrying value after deduction of specific provisions);
- The mark-to-market valuation of derivative products;
- The total off-balance sheet commitments. The total commitment corresponds to unused credit lines or to the maximum amount that BIL is bound to honour under guarantees issued to third parties.

#### 2.1.1 Credit quality of exposures

In the application of Article 442 (g) in the CRR, the tables below provide a breakdown of defaulted<sup>6</sup> and non-defaulted exposures by regulatory exposure classes and industries respectively. It comprises figures obtained using both the standardised and the advanced methods.

The industry classification is based on NACE codes, which is a European industry standard system for classifying business activities.

The Bank does not book any credit risk adjustment which qualifies as general credit risk adjustment.

TABLE EU CR1-A – CREDIT QUALITY OF EXPOSURES BY EXPOSURE CLASS AND INSTRUMENT

(in EUR million)	Gross carrying value of		Specific credit risk adjustments	General credit risk adjustments	Accumulated write-offs	Credit risk adjustment charges of the period	Net values (a+b-c-d)
	Defaulted exposures	Non-defaulted					
Central governments or central banks	-	7,390.52	-	0.30	-	-	7,390.23
Institutions	-	3,157.65	-	0.05	-	-	3,157.60
Corporates	151.53	4,738.84	37.56	7.91	0.17	-	4,844.90
<i>Of which:</i>							
<i>Specialised lending</i>						-	-
<i>Of which: SMEs</i>	150.50	2,043.71	37.56	3.96	0.17	-	2,152.70
Retail	421.29	10,160.28	138.65	15.46	4.33	-	10,427.46
Secured by real estate property							
SMEs	214.26	6,221.07	31.52	4.82	0.44	-	6,398.99
Non-SMEs	8.11	190.07	1.96	0.24	0.06	-	195.98
Non-SMEs	206.15	6,030.99	29.56	4.58	0.37	-	6,203.01
Qualifying revolving						-	-
Other retail							
SMEs	207.03	3,939.21	107.13	10.65	3.89	-	4,028.47
SMEs	21.61	304.57	13.27	1.52	0.76	-	311.38
Non-SMEs	185.42	3,634.65	93.85	9.13	3.13	-	3,717.09
Equity	3.43	69.39	13.44	-	-	-	59.38
Other non-affected (newly added)	-	4.35	-	-	-	-	4.35
<b>Total IRB approach</b>	<b>576.25</b>	<b>25,521.04</b>	<b>189.65</b>	<b>23.72</b>	<b>4.50</b>		<b>25,883.92</b>

<sup>6</sup> Defaulted exposures correspond to the unsecured portion of any loan past due for more than 90 days or represent an exposure to a defaulted borrower, as defined in paragraph 90 of the finalized Basel III framework.

Central governments or central banks	-	1,029.32	-	1.47	-	1,027.85
Regional governments or local authorities	-	185.40	-	0.01	-	185.38
Public sector entities	-	242.71	-	1.15	-	241.56
Multilateral development banks	-	63.28	-	-	-	63.28
International organisations	-	197.43	-	-	-	197.43
Institutions	-	47.23	-	0.00	-	47.23
Corporates	-	2,293.11	-	6.22	0.00	2,286.89
<i>Of which: SMEs</i>					-	-
Retail	-	10.65	-	0.04	-	10.62
<i>Of which: SMEs</i>					-	-
Secured by mortgages on immovable property	-	315.46	-	3.40	-	312.06
<i>Of which: SMEs</i>					-	-
Exposures in default	85.83	-	69.94	0.00	0.46	15.89
Items associated with particularly high risk	3.23	395.07	1.53	3.39	-	393.38
Covered bonds	-	18.36	-	0.00	-	18.36
Claims on institutions and corporates with a short-term credit assessment	-	0.14	-	0.00	-	0.14
Collective investments undertakings					-	-
Equity exposures	-	25.34	6.17	-	-	19.17
Other exposures	-	467.43	-	0.01	-	467.42
<b>Total standardised approach</b>	<b>89.06</b>	<b>5,290.92</b>	<b>77.64</b>	<b>15.69</b>	<b>0.46</b>	<b>5,286.64</b>
<b>TOTAL</b>	<b>665.30</b>	<b>30,811.96</b>	<b>267.29</b>	<b>39.41</b>	<b>4.96</b>	<b>31,170.56</b>
<i>Of which: Loans</i>	619.02	12,904.95	243.97	35.59	4.96	13,244.41
<i>Of which: Debt securities</i>	18.35	5,916.61	2.91	1.86	-	5,930.20
<i>Of which: Off-balance-sheet exposures</i>	20.11	4,808.60	0.14	5.62	1.05	4,822.96



TABLE EU CR1-B – CREDIT QUALITY OF EXPOSURES BY INDUSTRY

(in EUR million)	Gross carrying value of		Specific credit risk adjustments	General credit risk adjustments	Accumulated write-offs	Credit risk adjustment charges of the period	Net values (a+b-c-d)
	Defaulted exposures	Non-defaulted exposures					
Administrative and support service activities (newly added)	2.93	199.75	0.92	0.40	0.12		201.36
Agriculture, forestry and fishing	0.57	145.40	0.29	0.37	0.12		145.30
Mining and quarrying	0.24	6.65	0.00	0.01	0.00		6.88
Manufacturing	5.91	918.71	2.60	1.38	0.28		920.63
Electricity, gas, steam and air conditioning supply	31.90	258.97	15.19	1.75	0.00		273.93
Financial and insurance activities (newly added)	311.73	11,958.24	149.01	5.68	1.38		12,115.28
Water supply	0.02	11.87	0.01	0.00	0.01		11.88
Construction	40.82	1,811.02	13.52	7.16	0.40		1,831.18
Wholesale and retail trade	24.88	799.59	13.75	1.90	0.39		808.81
Transport and storage	1.38	446.09	0.86	0.96	0.06		445.65
Accommodation and food service activities	10.57	291.72	3.93	0.84	0.09		297.52
Information and communication	2.88	279.34	0.98	0.95	0.14		280.29
Real estate activities	116.87	2,289.40	29.30	7.35	0.38		2,369.62
Professional, scientific and technical activities	12.73	587.98	3.93	1.33	0.05		595.44
Public administration and defence, compulsory social security	0.80	4,545.61	0.23	1.01	0.00		4,545.17
Education	0.07	41.94	0.05	0.05	0.00		41.91
Human health services and social work activities	4.55	523.56	1.63	1.55	0.08		524.92
Arts, entertainment and recreation	5.61	94.81	1.95	0.22	0.00		98.25
Other services	90.84	5,851.54	29.13	6.51	1.46		5,906.75
<b>TOTAL</b>	<b>665.30</b>	<b>31,062.21</b>	<b>267.29</b>	<b>39.43</b>	<b>4.96</b>		<b>31,420.80</b>

## 2.1.2 Credit quality of exposures by geographical area

In the application of Article 442 (h) in the CRR, the table below provides a breakdown of defaulted and non-defaulted exposures by geographical areas. It comprises figures obtained using both the standardised and the advanced methods. The geographical distribution is based on the legal residence of the counterparty or issuer.

The Bank does not book any credit risk adjustment which qualifies as general credit risk adjustment.

TABLE EU CR1-C – CREDIT QUALITY OF EXPOSURES BY GEOGRAPHY

(in EUR million)	Gross carrying value of		Specific credit risk adjustments	General credit risk adjustments	Accumulated write-offs	Credit risk adjustment charges of the period	Net values (a+b-c-d)
	a Defaulted exposures	b Non-defaulted exposures					
Europe	552,90	28.495,24	162,42	38,42	4,95		28,847,29
<i>Of which:</i> <i>Luxembourg</i>	<i>334,11</i>	<i>14.304,84</i>	<i>94,85</i>	<i>26,37</i>	<i>3,61</i>		<i>14,517,74</i>
<i>Of which: France</i>	<i>130,45</i>	<i>3.211,20</i>	<i>22,56</i>	<i>3,20</i>	<i>0,64</i>		<i>3,315,89</i>
<i>Of which:</i> <i>Switzerland</i>	<i>6,06</i>	<i>3.935,15</i>	<i>7,21</i>	<i>0,33</i>	<i>0,00</i>		<i>3,933,67</i>
<i>Of which: Belgium</i>	<i>4,01</i>	<i>1.542,54</i>	<i>1,23</i>	<i>1,46</i>	<i>0,06</i>		<i>1,543,86</i>
<i>Of which: Germany</i>	<i>37,98</i>	<i>1.015,17</i>	<i>22,10</i>	<i>2,51</i>	<i>0,59</i>		<i>1,028,54</i>
United States and Canada	0,08	726,65	4,76	0,68	-		721,29
South and Central America	1,55	76,25	0,21	0,03	0,01		77,56
Asia	12,68	931,62	2,35	0,19	0,00		941,75
Other geographical areas	98,10	832,45	97,55	0,11	0,00		832,90
<b>TOTAL</b>	<b>665,30</b>	<b>31.062,21</b>	<b>267,29</b>	<b>39,43</b>	<b>4,96</b>		<b>31.420,80</b>

## 2.2 Forbearance, impairment, past due and provisions

### 2.1.2 Ageing of accounting past due and not impaired exposures

The following table provides an ageing analysis of past-due exposures regardless of their impairment status at mid of 2018.

TABLE EU CR1-D – AGEING OF PAST-DUE EXPOSURES

(in EUR million)	Gross carrying values					
	≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 years
Loans	-84.93	-25.97	-33.14	-43.91	-28.40	-101.54
Debt securities						
<b>TOTAL EXPOSURES</b>	<b>-84.93</b>	<b>-25.97</b>	<b>-33.14</b>	<b>-43.91</b>	<b>-28.40</b>	<b>-101.54</b>

## 2.2.2 Information on forbore exposure and non-performing loans

### Forborne exposures

BIL closely monitors its forbore exposures, in line with the definition of the Official Journal of the European Union dated February 2015.

According to the EBA definition: "Forborne exposures are debt contracts in respect of which forbearance measures have been extended. Forbearance measures consist of concessions towards a debtor facing or about to face difficulties in meeting their financial commitments ("financial difficulties")." Those measures include in particular the granting of extensions, postponements, renewals or changes in credit terms and conditions, including the repayment plan.

Forborne exposures are debt contracts in respect of which forbearance measures have been extended. Forbearance measures consist of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments ("financial difficulties").

Once those criteria are met, the credit files are flagged as restructured and are added to a list closely followed by a dedicated department of the Bank "Gestion Intensive et Particulière".

For all counterparties, dedicated analyses are carried out at single credit file level in order to identify those that should be classified as forbore according to the regulatory definition. The granting of forbearance measure is set up to avoid an impairment.

For credit files in forbearance and in case of early repayment, the costs related to these transactions are either borne by the debtor (in one shot or spread over the term of the new loan) or recognised directly in the Bank's profit and loss.

As of June 2018, BIL group's forbore exposures amounted to EUR 289.84 million.

### Non-performing exposures

According to the EBA definition, Non-Performing Exposures (NPE) correspond to files classified in default, or in pre-litigation (past due period > 90 days) or all files from counterparties whose pre-litigated exposure represent at least 20% of their total exposure.

Exposures in respect of which a default is considered to have occurred and exposures that have been identified as impaired (IFRS) are always considered as NPE.

TABLE EU CR1-E - NON-PERFORMING AND FORBORNE EXPOSURES

(in EUR million)

	Gross carrying value of performing and non-performing exposures						
		Of which performing but past due > 30 days and <= 90 days	Of which performing forbore		Of which non-performing		
					Of which defaulted	Of which impaired	Of which forbore
Debt securities	6,201.00	-	-	18.95	18.95	18.95	-
Loans and advances	18,612.46	40.92	115.86	933.89	613.91	515.01	141.77
Off-balance-sheet exposures	3,540.60	-	0.85	14.32	10.50	-	2.66

(in EUR million)

	Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
	On performing exposures		On non-performing		On non-performing exposures	Of which forbore exposures
		Of which forbore		Of which forbore		
Debt securities	-1.87	-	-2.91	-	16.05	-
Loans and advances	-33.14	-0.83	-289.84	-39.26	551.61	202.73
Off-balance-sheet exposures	5.82	0.02	0.11	0.00	-	-

## 2.2.3 Changes in the stock of specific credit risk adjustments

In the application of Article 442 (i) in the CRR, the following table identifies the changes in the Bank's stock of specific credit risk adjustments held against loans and debt securities that are defaulted or impaired.

TABLE EU CR2-A – CHANGES IN THE STOCK OF GENERAL AND SPECIFIC CREDIT RISK ADJUSTMENTS

(in EUR million)	Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
<b>At 31 December 2017</b>	<b>261.42</b>	<b>41.52</b>
Increases due to amounts set aside for estimated loan losses during the period	9.01	6.63
Decreases due to amounts set aside for estimated loan losses during the period		
Decreases due to amounts taken against accumulated credit risk adjustment	-4.97	-8.75
Transfers between credit risk adjustment	-6.46	
Impact of exchange rate differences	2.77	
Business combinations, including acquisitions and disposals of subsidiaries		
Other adjustments	5.53	0.01
<b>At 30 June 2018</b>	<b>267.29</b>	<b>39.41</b>
Recoveries on credit risk adjustments recorded directly to the statements of profit and loss	-	
Specific credit risk adjustments directly recorded to the statement of profit and loss	-0.17	

## 2.2.4 Changes in the stock of defaulted and impaired loans and debt securities

In the application of Article 442 (i) in the CRR, the following table identifies the changes in the Bank's stock of defaulted and impaired loans and debt securities for the year 2018.

TABLE EU CR2-B – CHANGES IN THE STOCK OF DEFAULTED AND IMPAIRED LOANS AND DEBT SECURITIES

(in EUR million)	Gross carrying value defaulted exposures
<b>31 Dec 2017</b>	<b>700.42</b>
Loans and debt securities that have defaulted or impaired since the last reporting period	104.48
Returned to non-defaulted status	-127.52
Amounts written off	-4.96
Other changes	15.17
<b>30 June 2018</b>	<b>657.26</b>

## 2.3 Credit risk mitigation

### 2.3.1 Overview of credit risk mitigation techniques

In the application of Article 453 (f) and (g), this table provides an overview of the credit exposure covered by Basel III-eligible credit risk mitigation (CRM) - after regulatory haircuts - and includes all collateral and financial guarantees used as credit risk mitigants for all secured exposures, irrespective of whether the standardised approach or IRB approach is used for RWA calculations. This table also includes the carrying amounts of the total population which are in default. Unsecured exposures (column a) represent the carrying amount of credit risk exposures (net of credit risk adjustments) that do not benefit from a CRM technique, regardless of whether this technique is recognised in the CRR. Exposures secured (column b) represent the carrying amount of exposures that have at least one associated CRM mechanism (collateral, financial guarantees).

TABLE EU CR3 – CRM TECHNIQUES – OVERVIEW

(in EUR million)	Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secured by collateral	Exposures secured by guarantees	Exposures secured by credit derivatives
Total loans	19,107.50	9,518.25	8,498.44	1,019.81	-
Total debt securities	476.55	-	-	-	-
Total exposures	19,584.04	9,518.25	8,498.44	1,019.81	-
Of which defaulted	109.55	271.04	271.04	-	-

The Bank does not have any credit derivatives as credit risk mitigants.

## 2.4 Standardised approach

### 2.4.1 Standardised approach – Credit risk exposure and credit risk mitigation effects

The following table shows credit risk exposure before credit conversion factor (CCF) and credit risk mitigation (CRM) and the exposure-at-default (EAD)<sup>7</sup> broken down by exposure classes and with a split in on- and off-balance sheet exposures, under the standardised approach.

Exposures subject to the counterparty credit risk (CCR) and securitisation risk framework are excluded from this template. RWA density expresses the ratio of total risk-weighted exposures, post CCF and CRM.

TABLE EU CR4 – CREDIT RISK EXPOSURE AND CRM EFFECTS

Exposure classes	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
Exposure classes						
Central governments or central banks	970.64	55.79	966.06	24.98	53.54	0.05
Regional government or local authority	185.40	-	186.61	0.20	37.36	0.20
Public sector entities	132.75	109.96	41.06	8.29	9.87	0.20
Multilateral development banks	61.60	-	78.71	1.03	-	-
International organisations	189.19	-	189.19	-	-	-
Institutions	11.80	2.88	11.80	0.09	3.15	0.26
Corporates	1,335.71	950.39	740.55	155.52	858.67	0.96
Retail	4.08	6.57	4.06	1.73	3.31	0.57
Secured by mortgages on immovable property	313.94	1.52	313.19	0.64	279.39	0.89
Exposures in default	15.39	0.50	15.39	0.06	16.30	1.06
Exposures associated with particularly high risk	257.24	139.52	240.36	30.95	403.82	1.49
Covered bonds	18.36	-	18.36	-	1.84	0.10
Institutions and corporates with a short-term credit assessment	0.14	-	0.14	-	0.07	0.50
Collective investment undertakings	-	-	-	-	-	-
Equity	19.17	-	19.17	-	47.92	2.50
Other items	467.07	0.22	467.00	0.10	283.21	0.61
<b>Total</b>	<b>3,982.50</b>	<b>1,267.35</b>	<b>3,291.66</b>	<b>223.58</b>	<b>1,998.45</b>	<b>0.57</b>

<sup>7</sup> After CCF and CRM

## 2.4.2 Standardised approach – exposures by asset classes and risk weights

In the application of Article 444 (e), the following table shows the exposure-at-default post conversion factor and risk mitigation broken down by exposure classes and risk weights, under the standardised approach.

Exposures subject to the counterparty credit risk and securitisation risk framework are excluded from this template.

TABLE EU CR5 – STANDARDISED APPROACH

Exposure classes	Risk weight											Total	Of which unrated			
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	250%			370%	1,250%	Others
Central governments or central banks	969.62	-	-	-	-	-	-	-	0.01	-	21.41	-	-	-	-	991.03
Regional government or local authorities	-	-	-	-	186.82	-	-	-	-	-	-	-	-	-	-	186.82
Public sector entities	-	-	-	-	49.34	-	-	-	-	-	-	-	-	-	-	49.34
Multilateral development banks	79.74	-	-	-	-	-	-	-	-	-	-	-	-	-	-	79.74
International organisations	189.19	-	-	-	-	-	-	-	-	-	-	-	-	-	-	189.19
Institutions	-	-	-	-	10.93	-	-	-	0.96	-	-	-	-	-	-	11.89
Corporates	1.73	-	-	-	15.01	48.96	-	1.45	823.91	-	5.01	-	-	-	-	896.07
Retail	-	-	-	-	-	-	-	5.79	-	-	-	-	-	-	-	5.79
Secured by mortgages on immovable property	-	-	-	-	-	66.54	-	-	247.29	-	-	-	-	-	-	313.83
Exposure in default	-	-	-	-	-	-	-	-	13.73	1.71	-	-	-	-	-	15.45
Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	0.96	270.36	-	-	-	-	-	271.32
Covered bonds	-	-	-	18.36	-	-	-	-	-	-	-	-	-	-	-	18.36
Institutions and corporates with a short-term credit assessment	-	-	-	-	0.00	0.14	-	-	-	-	-	-	-	-	-	0.14
Collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity	-	-	-	-	-	-	-	-	-	-	19.17	-	-	-	-	19.17
Other items	183.90	-	-	-	-	-	-	-	283.21	-	-	-	-	-	303.15	770.26
<b>Total</b>	<b>1,424.18</b>	<b>-</b>	<b>-</b>	<b>18.36</b>	<b>262.09</b>	<b>115.65</b>	<b>-</b>	<b>7.23</b>	<b>1,370.07</b>	<b>272.07</b>	<b>45.59</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,818.39</b>
																<b>1,481.10</b>

## 2.5 Advanced Internal Ratings Based approach (A-IRB)

The exposure data included in the quantitative disclosures is that used for calculating the Bank's regulatory capital requirements. In what follows and unless otherwise stated, exposures will thus be expressed in terms of Exposure-at-Default (EAD).

### 2.5.1 Credit risk exposures by exposure class and PD range

According to Article 452 (d-g) of the CRR, the following tables provide the main parameters used for the calculation of capital requirements for IRB models and show the exposure classes according to PD grades.



TABLE EU CR6 – QUALITATIVE DISCLOSURE REQUIREMENTS RELATED TO IRB MODELS

PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligators	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjustments and provisions
0.00 to < 0.15	6,957.44	127.36	99.61%	7,500.85	0.00%	85	7.53%	2.58	125.54	1.67%	0.08	-
0.15 to < 0.25	278.32	-	100.00%	304.93	0.18%	1	45.00%	4.79	200.10	65.62%	0.25	-
0.25 to < 0.50												
0.50 to < 0.75												
0.75 to < 2.50												
2.50 to < 10												
10 to < 100	0.03	-	100.00%	0.03	30.87%	2	7.43%	2.94	0.01	45.12%	0.00	-
100 (Default)												
<b>SUBTOTAL</b>	<b>7,235.79</b>	<b>127.36</b>	<b>99.63%</b>	<b>7,805.80</b>	<b>0.01%</b>	<b>88.00</b>	<b>8.99%</b>	<b>2.67</b>	<b>325.65</b>	<b>4.17%</b>	<b>0.33</b>	<b>-</b>

PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligators	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjustments and provisions
0.00 to < 0.15	1,216.17	144.54	98.41%	1,429.08	0.05%	93	11.85%	3.30	174.68	12.22%	0.14	-
0.15 to < 0.25	283.16	4.51	99.73%	184.31	0.18%	15	8.32%	2.92	41.69	22.62%	0.06	-
0.25 to < 0.50	14.33	0.02	99.97%	14.34	0.34%	5	0.00%	3.77	2.93	20.41%	0.01	-
0.50 to < 0.75	6.71	1.00	98.70%	6.83	0.71%	5	40.40%	1.00	4.45	65.11%	0.02	-
0.75 to < 2.50	144.22	-	100.00%	0.00	0.88%	1	0.00%	1.00	0.00	97.06%	0.00	-
2.50 to < 10	0.01	-	100.00%	0.01	3.95%	1	0.00%	1.00	-	0.00%	-	-
10 to < 100	44.24	7.29	85.36%	6.81	30.87%	59	24.26%	2.05	14.26	209.20%	0.74	-
100 (Default)												
<b>SUBTOTAL</b>	<b>1,708.83</b>	<b>157.36</b>	<b>0.99</b>	<b>1,641.39</b>	<b>0.00</b>	<b>179.00</b>	<b>0.12</b>	<b>3.25</b>	<b>238.01</b>	<b>0.15</b>	<b>0.96</b>	<b>-</b>

PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligators	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjustments and provisions
0.00 to < 0.15												
0.15 to < 0.25	20.08	-	100.00%	20.08	0%	1.00	43.31%	2.68	7.64	38.06%	0.02	-
0.25 to < 0.50												
0.50 to < 0.75	7.06	20.91	77.33%	15.46	1%	14.00	23.74%	1.67	4.87	31.50%	0.02	
0.75 to < 2.50	719.82	395.40	92.99%	825.34	2%	646.00	5.40%	3.36	103.66	12.56%	0.68	0.00
2.50 to < 10	469.01	258.40	93.13%	553.66	5%	286.00	4.03%	3.13	64.16	11.59%	1.04	
10 to < 100	98.75	54.23	93.90%	114.43	25%	130.00	6.39%	2.86	31.39	27.43%	1.58	
100 (Default)	138.93	11.57	98.11%	144.25	100%	50.00	4.32%	1.97	-	0.00%	6.24	37.56
<b>SUBTOTAL</b>	<b>1,453.66</b>	<b>740.50</b>	<b>93.48%</b>	<b>1,673.22</b>	<b>12.65%</b>	<b>1,127.00</b>	<b>5.55%</b>	<b>3.10</b>	<b>211.73</b>	<b>12.65%</b>	<b>9.58</b>	<b>37.56</b>

**Corporates****- SME**

(in EUR million)

PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligators	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjustments and provisions
0.00 to < 0.15	643.94	70.41	98.49%	782.21	0.05%	32	35.15%	2.94	158.13	20.22%	0.15	-
0.15 to < 0.25	186.58	89.09	96.65%	197.34	0.18%	16	38.93%	2.99	86.82	43.99%	0.14	-
0.25 to < 0.50	455.26	30.07	98.56%	467.74	0.34%	28	45.97%	3.54	351.00	75.04%	0.73	-
0.50 to < 0.75	331.89	70.09	98.67%	337.86	0.71%	21	44.45%	4.00	347.89	102.97%	1.07	-
0.75 to < 2.50	323.45	183.44	92.33%	374.17	1.22%	66	36.99%	2.52	311.00	83.12%	1.53	-
2.50 to < 10	74.02	125.70	81.55%	117.35	4.15%	39	25.84%	2.44	104.96	89.44%	1.11	-
10 to < 100	61.58	13.33	88.79%	12.14	22.28%	20	13.69%	1.23	12.81	105.55%	0.52	-
100 (Default)	1.02	-	100.00%	1.02	100.00%	1	47.31%	1.00	-	0.00%	0.48	-
<b>SUBTOTAL</b>	<b>2,077.75</b>	<b>582.13</b>	<b>96.45%</b>	<b>2,289.83</b>	<b>0.78%</b>	<b>223.00</b>	<b>38.77%</b>	<b>3.12</b>	<b>1,372.61</b>	<b>59.94%</b>	<b>5.73</b>	<b>-</b>

**Corporates****- Other**

(in EUR million)

PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligators	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjustments and provisions
0.00 to <0.15												
0.15 to <0.25	0.16	0.01	1.00	0.17	0%	2	0.10		0.01	4.87%		-
0.25 to <0.50												
0.50 to <0.75	18.23	1.48	1.00	19.64	1%	58	0.12		2.06	10.50%		-
0.75 to <2.50	37.11	6.24	0.97	39.54	1%	158	0.12		5.96	15.08%		-
2.50 to <10	59.85	4.41	0.99	62.28	4%	195	0.12		15.49	24.88%		-
10 to < 100	59.30	3.29	0.99	61.16	23%	184	0.12		24.36	39.84%		-
100 (Default)	8.10	0.02	1.00	8.11	100%	53	0.00		2.66	32.80%		1.96
<b>SUBTOTAL</b>	<b>182.74</b>	<b>15.45</b>	<b>98.66%</b>	<b>190.90</b>	<b>13.57%</b>	<b>650.00</b>	<b>11.28%</b>		<b>50.55</b>	<b>26.48%</b>		<b>1.96</b>

(in EUR million)

Retail – Secured by immovable property SME

PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligators	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjustments and provisions
0.00 to <0.15	1,174.60	94.99	99.92%	1,268.47	0.10%	5,472	10.75%		33.97	1.41%		0.00
0.15 to <0.25	129.73	15.71	99.91%	145.30	0.23%	329	10.69%		7.38	1.82%		0.00
0.25 to <0.50	906.60	43.26	99.99%	949.73	0.34%	3,151	10.47%		62.34	5.17%		0.00
0.50 to <0.75	1,258.43	81.68	99.89%	1,338.37	0.65%	3,647	10.59%		138.23	3.70%		0.01
0.75 to <2.50	688.16	44.30	99.74%	730.28	1.97%	1,776	10.20%		139.49	19.12%		0.11
2.50 to <10	1,110.07	61.49	99.89%	1,170.12	4.78%	2,014	10.97%		315.97	15.69%		0.07
10 to < 100	410.13	11.82	99.95%	421.72	17.40%	881	10.83%		198.60	13.02%		0.09
100 (Default)	203.10	3.05	99.86%	205.81	100.00%	359	0.30%		128.63	56.09%		29.56
<b>SUBTOTAL</b>	<b>5,880.83</b>	<b>356.31</b>	<b>99.90%</b>	<b>6,229.78</b>	<b>5.83%</b>	<b>17,629</b>	<b>10.31%</b>		<b>1,024.61</b>	<b>16.45%</b>		<b>29.56</b>

(in EUR million)

Retail – Secured by immovable property non-SME

PD scale	Original on-balance- sheet gross exposures	Off- balance- sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligators	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjustments and provisions
0.00 to < 0.15	0.06	0.06	100.00%	0.12	0.06%	14	17.20%	-	0.00	2.82%	0.00	-
0.15 to < 0.25	2.32	1.77	99.86%	4.08	0.23%	287	17.02%	-	0.30	7.34%	0.00	-
0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	-
0.50 to < 0.75	18.33	13.28	98.48%	28.99	0.61%	1.188	14.54%	-	3.23	11.16%	0.03	-
0.75 to < 2.50	70.77	54.38	90.52%	93.17	1.62%	1.714	12.05%	-	12.42	13.33%	0.18	-
2.50 to < 10	43.40	27.55	93.86%	55.65	5.00%	1.272	12.66%	-	9.82	17.64%	0.35	-
10 to < 100	54.15	18.13	96.31%	61.92	23.24%	1.165	12.49%	-	16.07	25.96%	1.81	-
100 (Default)	20.43	1.18	99.64%	20.89	100.00%	576	16.66%	-	7.30	34.96%	3.48	13.27
<b>SUBTOTAL</b>	<b>209.46</b>	<b>116.34</b>	<b>94.32%</b>	<b>264.82</b>	<b>15.01%</b>	<b>6,216.00</b>	<b>13.00%</b>	<b>0.00</b>	<b>49.15</b>	<b>18.56%</b>	<b>5.84</b>	<b>13.27</b>

Retail –  
Other SME

(in EUR million)

PD scale	Original on-balance- sheet gross exposures	Off- balance- sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligators	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjustments and provisions
0.00 to < 0.15	338.47	466.29	94.15%	575.93	0.09%	34,216	11.20%	-	17.94	1.41%	0.06	-
0.15 to < 0.25	22.64	26.24	96.85%	40.27	0.23%	1,120	11.86%	-	2.64	1.82%	0.01	-
0.25 to < 0.50	370.97	246.43	94.14%	498.60	0.34%	13,579	14.93%	-	49.06	5.17%	0.25	-
0.50 to < 0.75	204.53	172.15	95.26%	331.72	0.64%	10,317	14.65%	-	49.48	3.70%	0.31	-
0.75 to < 2.50	366.99	224.19	96.14%	517.58	2.01%	5,120	18.42%	-	139.60	19.12%	1.97	-
2.50 to < 10	754.18	307.91	94.84%	885.14	4.69%	8,764	12.18%	-	183.59	15.69%	5.08	-
10 to < 100	101.80	18.93	98.69%	115.70	16.53%	2,905	20.83%	-	54.92	13.02%	3.71	-
100 (Default)	181.78	3.65	99.85%	184.71	100.00%	2,547	15.67%	-	115.44	56.09%	28.94	93.85
<b>SUBTOTAL</b>	<b>2,341.36</b>	<b>1,465.79</b>	<b>95.32%</b>	<b>3,149.65</b>	<b>8.26%</b>	<b>78,568</b>	<b>14.24%</b>	<b>-</b>	<b>612.69</b>	<b>19.45%</b>	<b>40.34</b>	<b>93.85</b>

Retail –  
Other  
non-SME

(in EUR million)

PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligators	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjustments and provisions
0.00 to < 0.15												
0.15 to < 0.25												
0.25 to < 0.50												
0.50 to < 0.75												
0.75 to < 2.50	25.79	1.00	1.00	25.79	0.01	5.00	90.00%	5.00	72.05	2.79	0.29	
2.50 to < 10	0.02	1.00	1.00	0.02	0.03	2.00	90.00%	5.00	0.10	4.38	0.00	
10 to < 100	4.99	1.00	1.00	0.86	0.31	7.00	80.06%	5.00	4.52	5.23	0.21	4.13
100 (Default)	42.02	1.00	1.00	32.70	1.00	23.00	11.11%	5.00	69.55	2.13	0.33	9.32
<b>SUBTOTAL</b>	<b>72.83</b>	<b>-</b>	<b>100.00%</b>	<b>59.38</b>	<b>1.35</b>	<b>37.00</b>	<b>46.41%</b>	<b>5.00</b>	<b>146.23</b>	<b>2.46</b>	<b>0.83</b>	<b>13.44</b>

Equity -  
PD/LGD  
APPROACH

(in EUR million)

PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligators	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjustments and provisions
0.00 to < 0.15	2.29		100.00%	2.29	0.00%	13	7.91%	1.00	-	-	-	-
0.15 to < 0.25												
0.25 to < 0.50												
0.50 to < 0.75												
0.75 to < 2.50	0.00		100.00%	0.00	1.15%	1	40.00%	1.00	-	-	-	-
2.50 to < 10												
10 to < 100	2.07		100.00%	2.07	30.87%	14	5.76%	1.00	-	-	-	-
100 (Default)												
<b>SUBTOTAL</b>	<b>4.35</b>	<b>-</b>	<b>100.00%</b>	<b>4.35</b>	<b>0.32</b>	<b>28.00</b>	<b>6.89%</b>	<b>1.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Other  
items

(in EUR million)

## 2.5.2 RWA flow statements of credit risk exposures under the IRB approach

According to Article 438 (d), the following table provides a flow statement explaining variations in the credit RWAs between Q1 2018 and Q2 2018, excluding counterparty credit risk (please refer to the following section 2.6).

The main variation over the period is explained by updates in the Bank's internal models.

**TABLE EU CR8 – RWA FLOW STATEMENTS OF CREDIT RISK EXPOSURES UNDER THE IRB APPROACH**

(in EUR million)	RWA amounts	Capital requirements
<b>RWAs as at the end of the previous reporting period (31/03/2018)</b>	<b>3,980.34</b>	<b>318.43</b>
Asset size	0.38	0.03
Asset quality	-93.04	-7.44
Model updates	-	-
Methodology and policy	-	-
Acquisitions and disposals	139.09	11.13
Foreign exchange movements	4.47	0.36
Other	-	-
<b>RWAs as at the end of the reporting period (30/06/2018)</b>	<b>4,031.24</b>	<b>322.50</b>

## 2.6 Counterparty credit risk

### 2.6.1 Analysis of CCR exposures by model approach

According to Article 439 (f) of the CRR, the following table shows the methods used for calculating the regulatory requirements for CCR exposure including the main parameters for each method. Exposures relevant for credit valuation adjustment (CVA) charges and exposures cleared through a central counterparty (CCP) are excluded but are presented separately in the following tables.

As displayed, the Bank uses mark-to-market methods to measure the exposure value of instruments subject to capital requirements for CCR.

TABLE EU CCR1 – ANALYSIS OF CCR EXPOSURE BY APPROACH

(in EUR million)	Notional	Replacement cost/current market value	Potential future credit exposure	EEPE	Multiplier	EAD post CRM	RWAs
Mark to market		128.21	136.57			264.78	39.16
Original exposure							
Standardised approach							
IMM (for derivatives and SFTs)							
Of which securities financing transactions							
Of which derivatives and long settlement transactions							
Of which from contractual cross-product netting							
Financial collateral simple method (for SFTs)							
Financial collateral comprehensive method (for SFTs)							
VaR for SFTs							
<b>TOTAL</b>							

### 2.6.2 CVA capital charge

In the application of Article 439 (f) in the CRR, the following table provides the exposure value and risk exposure amount of transactions subject to capital requirements for credit valuation adjustment. The standardised approach is used to calculate the CVA capital charge.

TABLE EU CCR2 – CVA CAPITAL CHARGE

(in EUR million)	Exposure value	RWAs
Total portfolios subject to the advanced method		
(i) VaR component (including the 3x multiplier)		
(ii) SVaR component (including the 3x multiplier)		
All portfolios subject to the standardised method	137.82	25.54
Based on the original exposure method		
Total subject to the CVA capital charge		

## 2.6.3 Exposures to CCP

The table below presents an overview of exposures and capital requirements to central counterparties arising from transactions, margins and contributions to default funds.

TABLE EU CCR8 – EXPOSURES TO CCPs

(in EUR million)	EAD post CRM	RWAs
<b>Exposures to QCCPs (total)</b>	<b>32.54</b>	<b>1.30</b>
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	32.54	1.30
(i) OTC derivatives	32.54	1.30
(ii) Exchange-traded derivatives		
(iii) SFTS		
(iv) Netting sets where cross-product netting has been approved		
Segregated initial margin		
Non-segregated initial margin		
Prefunded default fund contributions		
Alternative calculation of own funds requirements for exposures		
<b>Exposures to non-QCCPs (total)</b>	<b>1,081.69</b>	<b>12.15</b>
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	1,081.69	12.15
(i) OTC derivatives		
(ii) Exchange-traded derivatives		
(iii) SFTS	1,081.69	12.15
(iv) Netting sets where cross-product netting has been approved		
Segregated initial margin		
Non-segregated initial margin		
Prefunded default fund contributions		
Unfunded default fund contributions		



## 2.6.4 Standardised approach – CCR exposures by exposure class and risk weight

According to Article 444 (e) of the CRR, the following table provides the counterparty credit risk exposures under the standardised approach broken down by risk weights and regulatory exposure classes. "Unrated" includes all exposures for which a credit assessment by a nominated External Credit Assessment Institutions (ECAI) is not available and they therefore receive the standard risk weight according to their exposure classes as described in the CRR.

TABLE EU CCR3 – STANDARDISED APPROACH – CCR EXPOSURES BY REGULATORY PORTFOLIO AND RISK

Exposure classes	Risk weight											Total	Of which unrated	
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others			
Central governments or central banks													-	
Regional government or local authorities													-	
Public sector entities													-	
Multilateral development banks													-	
International organisations													-	
Institutions			32.54		0								32.54	
Corporates									6.42				6.42	6.42
Retail													-	
Institutions and corporates with a short-term credit assessment													-	
Other items										0.14			0.14	0.14
<b>Total</b>		-	-	32.54	-	-	-	-	-	6.56	-	-	39.10	6.56

## 2.6.5 IRB approach – CCR exposures by exposure class and risk weight

According to Article 444 (e) of the CRR, the following table provides the counterparty credit risk exposures under the IRB approach broken down by exposure classes and PD scale. CVA charges or exposures cleared through a CCP are excluded.

TABLE EU CCR4 – IRB APPROACH – CCR EXPOSURES BY PORTFOLIO AND PD SCALE

(in EUR million)	PD scale	EAD post CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density
<b>Institutions</b>	0.00 to < 0.15	1,263.86	0.04%	41	2.29%	0.66	29.26	2.32%
	0.15 to < 0.25	15.52	0.18%	6	0.00%	1.14	3.41	22.00%
	0.25 to < 0.50	9.39	0.34%	4	48.26%	1.19	3.60	38.32%
	0.50 to < 0.75	-	0.00%	0	0.00%	-	-	0.00%
	0.75 to < 2.50	-	0.00%	0	0.00%	-	-	0.00%
	2.50 to < 10	0.41	3.95%	1	0.00%	1.00	-	0.00%
	10 to < 100	0.86	30.87%	12	36.93%	1.06	1.07	125.19%
	100 (Default)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>SUBTOTAL</b>		<b>1,290.04</b>	<b>0.07%</b>	<b>40</b>	<b>2.62%</b>	<b>0.67</b>	<b>37.34</b>	<b>2.89%</b>

(in EUR million)	PD scale	EAD post CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density
<b>Corporates - SME</b>	0.00 to < 0.15							
	0.15 to < 0.25							
	0.25 to < 0.50							
	0.50 to < 0.75							
	0.75 to < 2.50							
	2.50 to < 10	0.04	2.78%	2.00	13%	1.00	0.02	37.59%
	10 to < 100							
	100 (Default)							
	<b>SUBTOTAL</b>	<b>0.04</b>	<b>2.78%</b>	<b>2.00</b>	<b>13%</b>	<b>1.00</b>	<b>0.02</b>	<b>37.59%</b>
<b>Corporates - Other</b>	0.00 to < 0.15	32.99	0.06%	3.00	27.84%	1.56	3.50	10.61%
	0.15 to < 0.25	1.59	0.18%	1.00	50.10%	5.00	1.19	75.29%
	0.25 to < 0.50	-	0.00%	-	0.00%	-	-	0.00%
	0.50 to < 0.75	1.58	0.71%	4.00	62.79%	1.00	1.49	93.84%
	0.75 to < 2.50	0.37	1.57%	6.00	23.79%	1.03	0.18	49.05%
	2.50 to < 10	0.00	4.06%	1.00	13.10%	1.00	0.00	43.30%
	10 to < 100	-	0.00%	-	0.00%	-	-	0.00%
	100 (Default)	-	0.00%	-	0.00%	-	-	0.00%
	<b>SUBTOTAL</b>	<b>36.53</b>	<b>0.11%</b>	<b>2.99</b>	<b>30.28%</b>	<b>1.68</b>	<b>6.36</b>	<b>17.42%</b>
<b>Retail - Other SME</b>	0.00 to < 0.15	-	-	-	-	-	-	0.00%
	0.15 to < 0.25	-	-	-	-	-	-	0.00%
	0.25 to < 0.50	-	-	-	-	-	-	0.00%
	0.50 to < 0.75	0.01	0.01	3.00	0.01	-	0.00	13.74%
	0.75 to < 2.50	0.08	0.02	4.00	0.02	-	0.02	20.07%
	2.50 to < 10	0.29	0.04	3.00	0.04	-	0.07	23.88%
	10 to < 100	-	-	-	-	-	-	0.00%
	100 (Default)	-	-	-	-	-	-	0.00%
	<b>SUBTOTAL</b>	<b>0.38</b>	<b>0.03</b>	<b>3.20</b>	<b>0.03</b>	<b>-</b>	<b>0.09</b>	<b>22.79%</b>

(in EUR million)	PD scale	EAD post CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density
Retail – Other non SME	0.00 to < 0.15	6.43	0.06%	119.00	12.20%	-	0.16	2.49%
	0.15 to < 0.25	0.00	0.23%	9.00	17.17%	-	0.00	9.72%
	0.25 to < 0.50	1.44	0.33%	57.00	13.28%	-	0.14	9.54%
	0.50 to < 0.75	0.12	0.65%	22.00	13.87%	-	0.02	14.60%
	0.75 to < 2.50	2.43	2.09%	271.00	0.14%	-	0.01	0.23%
	2.50 to < 10	2.49	4.68%	50.00	13.32%	-	0.62	24.85%
	10 to < 100	0.01	12.07%	1.00	13.28%	-	0.00	30.35%
	100 (Default)	-	0.00%	-	0.00%	-	-	0.00%
	<b>SUBTOTAL</b>	<b>12.92</b>	<b>1.37%</b>	<b>126.48</b>	<b>10.28%</b>	<b>-</b>	<b>0.22</b>	<b>1.67%</b>

## 2.6.6 Impact of netting and collateral held on exposure value for derivatives and SFTs

According to Article 439 (e) of the CRR, the following tables present information on counterparty credit risk exposure and the impact of netting and collateral held as well as the composition of collateral used in both derivatives transactions and securities financing transactions (SFT).

The first table below provides the gross positive fair values before any credit risk mitigation (CRM), the impact of legally enforceable master netting agreements as well as further reduction of the CCR exposure due to eligible collateral received.

TABLE EU CCR5-A – IMPACT OF NETTING AND COLLATERAL HELD ON EXPOSURE VALUES

(in EUR million)	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives	190,67	53,81	136,86	42,54	94,32
SFTs	1,608,96	526,64	1,082,32	959,43	122,89
<b>Cross-product netting</b>					
<b>TOTAL</b>	<b>1,799,63</b>	<b>580,45</b>	<b>1,219,18</b>	<b>1,001,97</b>	<b>217,20</b>

The second table discloses a breakdown of all types of collateral posted or received to support or reduce CCR exposures related to derivatives and SFT.

TABLE EU CCR5-B – COMPOSITION OF COLLATERAL FOR EXPOSURES TO CCR

(in EUR million)	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash	42.41		250.46		909.46	2.22
Bonds	0.06				49.97	
Equity securities	0.03					
Mutual Fund	0.04					
<b>TOTAL</b>	<b>42.54</b>		<b>250.46</b>		<b>959.43</b>	<b>2.22</b>

## 3. Market risk

### 3.1 Assessment of the regulatory capital requirement

All market risks are treated under the Basel III standardised approach. The table below presents the Bank's regulatory capital required broken down by risk type as of end of June 2018.

TABLE EU MR1 – MARKET RISK UNDER THE STANDARDISED APPROACH

(in EUR million)	RWAs	Capital requirements
<b>OUTRIGHT PRODUCTS</b>		
Interest rate risk (general and specific)	42.10	3.37
Equity risk (general and specific)	0.43	0.03
Foreign exchange risk	24.00	1.92
Commodity risk	-	-
Options	-	-
Simplified approach	-	-
Delta-plus method	-	-
Scenario approach	-	-
Securitisation (specific risk)	-	-
<b>TOTAL</b>	<b>66.52</b>	<b>5.32</b>

### 3.2. Market risk exposure – backtesting

The backtesting measures the accuracy of the VaR's model by comparing the predicted losses from calculated VaR with the actual losses realised at the end of the specified time horizon.

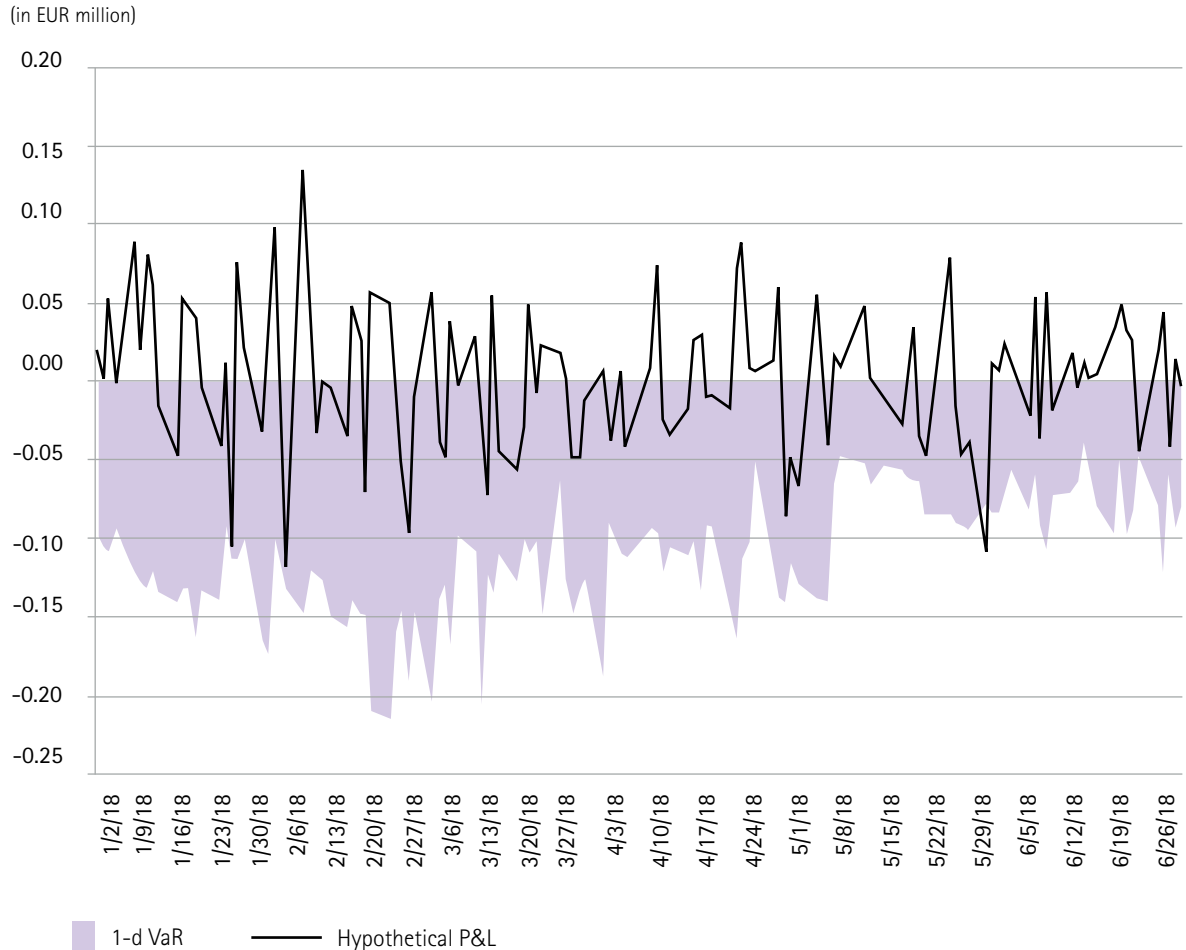
BIL adopted the so-called hypothetical backtesting which compares the evolution of the market value between 2 consecutive days with a fixed position. In other words, this backtest measures the evolution of the risk factor.

BIL presents here below a comparison of the results of estimates from the regulatory VaR model approved in the application of Part Three, Title IV, Chapter 5 of the CRR with both hypothetical and actual trading outcomes, in order to highlight the frequency and the extent of the backtesting exceptions and to give an analysis of the main outliers in backtested results.

**TABLE EU MR4 – COMPARISON OF VAR ESTIMATES WITH GAINS/LOSSES**

(in EUR million)

VaR date	1-d VaR	Hypothetical P&L	Comment
28/05/2018	- 0.08	- 0.11	Downward backtesting exception on global trading perimeter. The hypothetical loss is mainly due to the impact of the decrease in USD interest rates on short futures exposure.





## 4. Final remark

No additional significant information was identified as of today with regard to the evolution of the Bank's risk profile and the necessary information to be disclosed to market participants in order to convey a fair picture of this risk profile.



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