

**Pillar 3
Semi-Annual
Report
2022**



BANQUE
INTERNATIONALE
À LUXEMBOURG



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List of acronyms

AFR	Available Financial Resources
A(F)-IRB	Advanced (Foundation) Internal Rating-Based
ALM	Asset and Liability Management
ASF	Available Stable Funding
AT1	Additional Tier 1 capital
BCL	Banque Centrale de Luxembourg
BCP	Business Continuity Plan
BoD	Board of Directors
BRC	Board Risk Committee
BRRD	Bank Recovery and Resolution Directive
BRNC	Board Remuneration & Nomination Committee
BRNC-N	Board Remuneration and Nominations Committee sitting in nomination matters
CAR	Compliance, Audit and Risk
CC	Crisis Committee
CCF	Credit Conversion Factor
CCP	Central Counterparty
CCR	Counterparty Credit Risk
CDS	Credit Default Swap
CEO	Chief Executive Officer
CET1	Common Equity Tier One
CRCU	Credit Risk Control Unit
CRMU	Credit Risk Management Unit
CRD	Capital Requirements Directive
CRM	Credit Risk Mitigation
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CSA	Credit Support Annex

CSSF	Commission de Surveillance du Secteur Financier
CVA	Credit Valuation Adjustment
DTA	Deferred Tax Asset
EAD	Exposure At Default
EBA	European Banking Authority
ECAI	External Credit Assessment Institutions
ECAP	Economic Capital
ECB	European Central Bank
ECL	Expected Credit Loss
EL	Expected Loss
ESG	Environmental, Social and Governance
EUR	Euro
EVE	Economic Value Equity
ExCo	Executive Committee
FRM	Financial Risk Management
FRMD	Financial Risk Management Datamart
FTA	First Time Adoption
FX	Foreign Exchange
GIP	Gestion Intensive et Préventive
HQLA	High Quality Liquid Assets
HR	Human Resources
HTM	Held To Maturity
IAS	International Accounting Standards
ICAAP	Internal Capital Adequacy Assessment Process
ICC	Internal Control Committee
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process

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

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

EBA semi-annual tables and templates¹

Reference	Name	Regulation (EU) No 575/2013 (CRR) articles	Section of the semi-annual report
EU KM1	Key metrics (at consolidated group level)	Article 447 (a) to (g) and point (b) of Article 438	Section 1
EU OV1	Overview of RWAs	Article 438 (c)-(f)	Section 1.1.1
EU CR10	IRB (specialized lending and equities)	Article 153 (5) or 155 (2), Article 438	Section 1.1.2
EU INS1	Non-deducted participations in insurance undertakings	Article 438 (c)-(d) & article 49 (1)	Section 1.1.3
EU CR1-A	Credit quality of exposures by exposure class and instrument	Article 442 (g)-(h)	Section 2.1.1
EU CR1-B	Credit quality of exposures by industry or counterparty types	Article 442 (g)	Section 2.1.1
EU CR1-C	Credit quality of exposures by geography	Article 442 (g)	Section 2.1.2
EU CR1-D	Ageing of past-due exposures	Article 442 (g)	Section 2.2.1
EU CR1-E	Non-performing and forborne exposures	Article 442 (g)-(i)	Section 2.2.2
EU CR2-A	Changes in the stock of general and specific credit risk adjustments	Article 442 (i)	Section 2.2.3
EU CR2-B	Changes in the stock of defaulted and impaired loans and debt securities	Article 442 (i)	Section 2.2.4
EU CR3	CRM techniques – Overview	Article 453 (f) - (g)	Section 2.3.1
EU CR4	Credit risk exposure and CRM effects	Article 453 (f) - (g)	Section 2.4.1
EU CR5	Standardised approach	Article 444 (e)	Section 2.4.2
EU CR6	Qualitative disclosure requirements related to IRB models	Article 452 (e) - (h)	Section 2.5.1
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.
EU CR8	RWA flow statements of credit risk exposures under the IRB approach	Article 438 (d) & Article 92 (3)	Section 2.5.2
EU CCR1	Analysis of CCR exposure by approach	Article 439 (e), (f), (i) & article 92 (3)	Section 2.7.1
EU CCR2	CVA capital charge	Article 439 (e) - (f)	Section 2.7.2
EU CCR8	Exposures to CCPs	Article 439 (e) - (f)	Section 2.7.3
EU CCR3	Standardised approach – CCR exposures by regulatory portfolio and risk	Article 444 (e)	Section 2.7.4

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

Reference	Name	Regulation (EU) No 575/2013 (CRR) articles	Section of the semi-annual report
EU CCR4	IRB approach – CCR exposures by portfolio and PD scale	Article 452 (e)	Section 2.7.5
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.
EU CCR5-A	Impact of netting and collateral held on exposure values	Article 439 (e)	Section 2.7.6
EU CCR5-B	Composition of collateral for exposures to CCR	Article 439 (e)	Section 2.7.6
EU CCR6	Credit derivatives exposures	Article 439 (g) - (h)	N/A. The Bank does not have any credit derivatives.
EU MR1	Market risk under the standardised approach	Article 445	Section 3.1
EU MR2-A	Market risk under the IMA	Article 455 (e)	N/A. The Bank uses the standardised approach.
EU MR2-B	RWA flow statements of market risk exposures under the IMA	Article 455 (e)	N/A. The Bank uses the standardised approach.
EU MR3	IMA values for trading portfolios	Article 455 (d)	N/A. The Bank uses the standardised approach.
EU MR4	Comparison of VaR estimates with gains/losses	Article 455 (g)	The Bank uses the standardised approach. Analyze in Section 3.2



Introduction

This document gives additional information on the risk management of Banque Internationale à Luxembourg (hereafter "BIL" or "the Bank") as of 30 June 2022. The purpose of Pillar 3 of the Basel framework 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 report meets the consolidated disclosure requirements related to the Part Eight of the Regulation (EU) No 575/2013, known as the Capital Requirements Regulation (CRR) on the one hand, and to the Circular CSSF 14/583 and the CSSF Regulation 1803, which are the transpositions of the CRR into national law on the other hand, thereby satisfying the regulatory prudential framework applicable to credit institutions. The Guidelines on Disclosure Requirements under the Part Eight of the Regulation (EU) No 575/2013 (EBA/GL/2016/11 and EBA/ITS/2020/04), and the corresponding Circular CSSF 17/673 on the adoption of the European Banking Authority (EBA) Guidelines, and the final Guidelines on Disclosure of Non-Performing and Forborne Exposures (EBA/GL/2018/10) of December 2018 are also taken into account.

Unless otherwise stated, the figures disclosed in this report are expressed in millions of euros. Data are provided at a consolidated level, including subsidiaries and branches of BIL Group. In addition to this document, the annual report is available on BIL's website (<https://www.bil.com/fr/groupe-bil/documentation/Pages/donnees-financieres.aspx>).

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

This BIL group's Pillar 3 semi-annual disclosure Report is divided into five sections:

- The Bank's capital management and capital adequacy
- The credit risk management and provides detailed breakdowns of the Bank's credit risk exposures
- The assessment of market risk
- A focus on the Recovery Plan/resolution Plan activities
- A status on the ESG Risk project

BIL will publish its full 2022 Pillar 3 Report in 2023.

1. Own funds and capital adequacy

The aim of capital management is to ensure BIL's 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 Basel 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 30 June 2022, the breakdown of prudential capital requirement is as follows:

Capital Requirement	30/06/2022
Minimum requirements (Pillar 1): CET1	4.50%
Pillar 2 requirement: CET1	1.13%
Combined buffer requirement	3.36%
<i>of which capital conservation buffer</i>	2.50%
<i>of which O-SII buffer</i>	0.50%
<i>of which countercyclical capital buffer</i>	0.36%
OVERALL CET1 CAPITAL REQUIREMENT	8.99%
Minimum requirements (Pillar 1): Tier 1	6.00%
Pillar 2 requirement: Tier 1	1.50%
Combined buffer requirement	3.36%
OVERALL TIER 1 CAPITAL REQUIREMENT	10.86%
Minimum requirements (Pillar 1): Total capital	8.00%
Pillar 2 requirement: Total capital	2.00%
Combined buffer requirement	3.36%
OVERALL TOTAL CAPITAL REQUIREMENT	13.36%

As of 30 June 2022, the CET1 ratio of the Bank stands at 13.84% and the total capital ratio at 17.98%. Compared to year-end 2021 (table below), the CET1 ratio's decrease (-0.40%) is mainly due prudential filters increase (mainly stemming from new core banking system investments and a decrease of transitional provisions related to introduction of IFRS9).

Half-Year Capital Ratios (Solvency Ratio)		
	31/12/2021 ¹	30/06/2022
Common Equity Tier 1 Ratio	14.24%	13.84%
Tier 1 Ratio	15.96%	15.56%
Capital Adequacy Ratio	18.29%	17.98%

¹ The solvency ratios as at 31 December 2021 and published in the Consolidated Financial Statements as at 31 December 2021 were amended following a reduction in Risk Weighted Assets, due to inclusion of life insurance contracts as collateral in Lombard loan activities.

The table below provides a comprehensive view of key prudential metrics covering the Bank's available capital (including buffer requirements and ratios), its risk-weighted assets (RWA), leverage ratio (LR), liquidity coverage ratio (LCR) and net stable funding ratio (NSFR).

TABLE KM1: KEY METRICS (AT CONSOLIDATED GROUP LEVEL)

		30/06/2022
(in EUR million)		
Available capital (amounts)		
1	Common Equity Tier 1 (CET1)	1,406
1a	Fully loaded ECL accounting model	1,391
2	Tier 1	1,581
2a	Fully loaded ECL accounting model Tier 1	1,566
3	Total capital	1,828
3a	Fully loaded ECL accounting model total capital	1,812
Risk-weighted assets (amounts)		
4	Total risk-weighted assets (RWA)	10,163
4a	Fully Loaded Total risk-weighted assets (RWA)	10,153
Risk-based capital ratios as a percentage of RWA		
5	Common Equity Tier 1 ratio (%)	13.84%
5a	Fully loaded ECL accounting model Common Equity Tier 1 (%)	13.70%
6	Tier 1 ratio (%)	15.56%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	15.58%
7	Total capital ratio (%)	17.98%
7a	Fully loaded ECL accounting model total capital ratio (%)	17.85%
Additional CET1 buffer requirements as a percentage of RWA		
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%
9	Countercyclical buffer requirement (%)	0.36%
10	Bank G-SIB and/or D-SIB additional requirements (%)	0.50%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	3.36%
12	CET1 available after meeting the bank's minimum capital requirements (%)	10.88%
Basel III leverage ratio		
13	Total Basel III leverage ratio exposure measure	36,707
13a	Fully Loaded Total Basel III leverage ratio exposure measure	36,691
14	Basel III leverage ratio (%) (row 2 / row 13)	4.31%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a / row 13)	4.27%
Liquidity Coverage Ratio		
15	Total HQLA	11,668
16	Total net cash outflow	8,352
17	LCR ratio (%)	140%
Net Stable Funding Ratio		
18	Total available stable funding	20,191
19	Total required stable funding	15,995
20	NSFR ratio	126%

1.1. Regulatory capital adequacy (Pillar I)

1.1.1. Risk Weighted Assets

In accordance with Article 138 (c) to (f) of the Regulation (EU) No 575/2013 (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
		30/06/2022 (T)	31/03/2022 (T-1)	30/06/2022 (T)
1	Credit risk (excluding CCR)	8,551.13	8,675.87	684.09
Article 438(c)(d) 2	Of which the standardised approach	2,637.99	2,498.87	211.04
Article 438(c)(d) 3	Of which the foundation IRB (FIRB) approach	1,190.84	1,329.41	95.27
Article 438(c)(d) 4	Of which the advanced IRB (AIRB) approach	4,722.30	4,847.59	377.78
Article 438(d) 5	Equity IRB under the simple risk-weighted approach or the IMA	503.48	502.07	40.28
Article 107 6	CCR	112.37	78.48	8.99
Article 438(c)(d) 7	Of which mark to market	26.49	16.22	2.12
Article 438(c)(d) 8	Of which original exposure			
9	Of which the standardised approach	72.26	48.99	5.78
10	Of which internal model method (IMM)			
Article 438(c)(d) 11	Of which risk exposure amount for contributions to the default fund of a CCP			
Article 438(c)(d) 12	Of which CVA	13.62	13.27	1.09
Article 438(e) 13	Settlement risk			
Article 449 (o)(i) 14	Securitisation exposures in the banking book (after the cap)	1.56	2.25	0.12
15	Of which IRB approach			
16	Of which IRB supervisory formula approach (SFA)			
17	Of which internal assessment approach (IAA)			
18	Of which the standardised approach	1.56	2.25	0.12
Article 438(e) 19	Market risk	30.5	25.73	2.44
20	Of which the standardised approach	30.5	25.73	2.44
21	Of which IMA			
Article 438(e) 22	Large exposures			
Article 438(f) 23	Operational risk	954.43	954.43	76.35
24	Of which basic indicator approach			
25	Of which standardised approach	954.43	954.43	76.35
26	Of which advanced measurement approach			
Article 437(2), Article 48 and Article 60 27	Amounts below the thresholds for deduction (subject to 250% risk weight)			
Article 500 28	Floor adjustment			
29	Other risk exposure amount	9.49	6.02	0.76
30	TOTAL	10,162.96	10,244.84	813.04

The Bank's total RWAs amounted to EUR 10.16 billion as 30 June 2022, compared to EUR 10.24 billion as of 31 March 2022. The overall decrease of about EUR 82 million mainly reflects decrease in credit risk RWA.

Market risk RWA increased slightly by EUR 5 million and operational RWA remained unchanged from Q1 to Q2 in 2022.

1.1.1.1. Weighted risks

Since the setup of the Basel framework, the Bank has been compliant with capital requirements related 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. SMEs and Retail) to compute associated risk weighted assets (RWA). The Bank has adopted the Advanced – Foundation (A-FOU) approach on the Large Corporates exposures while Sovereign and Institution related exposures are subject to Standardised method. 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. Specialised lending and equity exposures in the banking book

In compliance with the last paragraph of Article 438 of the Regulation (EU) No 575/2013 (CRR), the following table shows risk-weighted exposure amounts.

TABLE EU CR10 – IRB (SPECIALISED LENDING AND EQUITIES)

(in EUR million)		SPECIALISED LENDING					
Regulatory categories	Remaining maturity	On-balance-sheet amount	Off-balance-sheet amount	Risk weight	Exposure amount	RWAs	Expected losses
Category 1	Less than 2.5 years	17.15	3.02	50%	20.17	10.54	-
	Equal to or more than 2.5 years	306.33	72.65	70%	378.98	270.48	1.52
Category 2	Less than 2.5 years	686.84	52.79	70%	739.63	526.80	2.96
	Equal to or more than 2.5 years	913.88	268.35	90%	1,182.24	1,088.95	9.46
Category 3	Less than 2.5 years	65.21	0.41	115%	65.62	78.70	1.84
	Equal to or more than 2.5 years	71.21	10.06	115%	81.27	96.12	2.28
Category 4	Less than 2.5 years	-	-	250%	-	-	-
	Equal to or more than 2.5 years	-	-	250%	-	-	-
Category 5	Less than 2.5 years	8.98	-	-	8.98	-	4.49
	Equal to or more than 2.5 years	1.22	3.71	-	4.93	-	2.47
TOTAL	Less than 2.5 years	778.18	56.23		834.41	616.04	9.29
	Equal to or more than 2.5 years	1,292.64	354.78		1,647.42	1,455.55	15.72

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	37.52	0	190%	37.52	71.28	0.30
Exchange-traded equity exposures	-	0	290%	-	-	-
Other equity exposures	0.39	0	370%	0.39	1.43	0.01
TOTAL	37.90	0		37.90	72.70	0.31

1.1.3. Non-deducted participations in financial sector

The Bank hereby discloses the information required by Article 438(c) and (d) of the Regulation (EU) No 575/2013 (CRR) 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 Articles 46 and 48 of the Regulation (EU) No 575/2013 (CRR)) to not deduct their holdings of own funds instruments.

TABLE EU INS1 – NON-DEDUCTED PARTICIPATIONS IN FINANCIAL SECTOR

	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)	3.29
TOTAL RWAS	10.48

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 requirements¹.

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 transitional arrangements². The total exposure corresponds to the sum of the following exposures: (a) on-balance sheet exposure, (b) derivative exposure, (c) securities financing transaction (SFT) exposure, and (d) off-balance sheet (OBS) items.

At 30 June 2022, BIL Group's leverage ratio stood at 4.27% (fully phased-in definition), compared with year-end 2021 level of 4.87%. 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	31/12/2021	30/06/2022
Tier 1 Capital	1,597	1,565
Total Exposure	32,791	36,691
LEVERAGE RATIO	4.87%	4.27%

The Bank considers the leverage ratio in its capital and financial planning to ensure that levels are consistent with the Basel leverage ratio requirement. The Bank actively manages its balance sheet size through its Financial Markets desks of which the Treasury and ALM desks by limiting interbank operations. The leverage ratio is discussed on a regular basis at senior management level as it is part of the Bank's Risk Appetite framework.

¹ Final draft ITS amending ITS on LR Disclosure (EBA-ITS-2014-04-rev1).

² 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 semi-annual basis 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.



2. Credit risk

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

2.1. Credit risk exposure

The metrics used to measure risk exposure may differ from accounting metrics.

(1) Gross carrying amount:

The accounting value before any allowance/impairments and CRM techniques are not taken into consideration. In the context of IFRS9, it refers to amortised cost of financial asset, before adjusting for any loss allowance.

(2) Net value of exposure: for on-balance-sheet items, the net value is the gross carrying value of exposure less allowances/impairments

(3) The credit risk exposure measure known as exposure-at-default (EAD), which is used for the calculation of regulatory capital requirements includes (a) current and potential future exposures, and (b) credit risk mitigants (CRM) covering those exposures (under the form of netting agreements, financial collateral for derivatives and repo exposures, and guarantees for others).

2.1.1. Credit quality of exposures

In the application of Article 442 (g) of the Regulation (EU) No 575/2013 (CRR), the tables below provide a breakdown of defaulted¹ and non-defaulted exposures by regulatory exposure classes and industries respectively. They are composed with figures obtained using both the standardised and the advanced methods.

¹ 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 the finalised Basel III framework.

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

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

	a		b	c	d	e	f	g
	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)	
(in EUR million)	Defaulted exposures	Non-defaulted exposures						
1	Central governments or central banks	-	-	-	-	-	-	-
2	Institutions	-	2.13	-	-	-	-	2.13
3	Corporates	159.59	6,421.95	-69.65	-58.22	-	-	6,453.67
4	<i>Of which: Specialised lending</i>	18.43	2,969.45	-2.56	-40.32	-	-	2,945.00
5	<i>Of which: SMEs</i>	119.73	1,569.14	-58.33	-6.58	-	-	1,623.96
6	Retail	329.41	12,460.41	-84.65	-9.87	-	-	12,695.30
7	Secured by real estate property	89.68	8,135.85	-4.27	-3.34	-	-	8,217.92
8	SMEs	9.22	210.99	-0.41	-0.27	-	-	219.53
9	Non-SMEs	80.46	7,924.86	-3.86	-3.07	-	-	7,998.39
10	Qualifying revolving	-	-	-	-	-	-	-
11	Other retail	239.73	4,324.56	-80.38	-6.53	-	-	4,477.38
12	SMEs	19.92	370.42	-9.55	-1.16	-	-	379.63
13	Non-SMEs	219.81	3,954.14	-70.83	-5.37	-	-	4,097.75
14	Equity	3.85	253.01	-	-	-	-	256.86
15	Other non-affected (newly added)	-	-	-	-	-	-	-
16	Total IRB approach	492.85	19,137.50	-154.30	-68.09	-	-	19,407.96

	a	b	c	d	e	f	g
	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)
(in EUR million)	Defaulted exposures	Non-defaulted exposures					
17	Central governments or central banks	-	9,778.92	-2.42	-0.24		9,776.26
18	Regional governments or local authorities	-	3,546.55	-	-1.70		3,544.85
19	Public sector entities	-	441.43	-	-1.87		439.56
20	Multilateral development banks	-	593.06	-0.98	-0.92		591.16
21	International organisations	-	78.67	-	-		78.67
22	Institutions	-	2,272.27	-	-0.62		2,271.65
23	Corporates	-	2,626.67	-	-13.97		2,612.70
24	Of which: SMEs	-	-	-	-		-
25	Retail	-	12.42	-	-0.08		12.34
26	Of which: SMEs	-	-	-	-		-
27	Secured by mortgages on immovable property	-	80.53	-	-1.46		79.07
28	Of which: SMEs	-	-	-	-		-
29	Exposures in default	72.07	-	-57.45	-		14.62
30	Items associated with particularly high risk	0.36	2.95	-	-0.02		3.29
31	Covered bonds	-	417.19	-	-0.02		417.17
32	Claims on institutions and corporates with a short-term credit assessment	-	287.40	-	-0.03		287.37
33	Collective investments undertakings	-	-	-	-		-
34	Equity exposures	-	33.73	-	-		33.73
35	Other exposures	-	508.78	-	-0.16		508.62
36	Securitisation	-	7.80	-	-		7.80
37	TOTAL STANDARDISED APPROACH	72.43	20,688.37	-60.85	-21.09		20,678.86
38	Total	565.28	39,825.87	-215.15	-89.18		40,086.82
39	Of which: Loans	1,044.25	18,898.88	-210.41	-73.46		19,659.26
40	Of which: Debt securities	-	8,799.91	-	-5.76		8,794.15
41	Of which: Off-balance-sheet exposures	78.15	5,313.89	-4.75	-9.78		5,377.51

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

	a	b	c	d	e	f	g
	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)
(in EUR million)	Defaulted exposures	Non-defaulted exposures					
Administrative and support service activities	14.49	192.25	-7.36	-0.23			199.15
Agriculture, forestry and fishing	1.55	162.42	-0.36	-0.41			163.20
Mining and quarrying	0.03	5.08	-0.03	-0.02			5.06
Manufacturing	5.20	1,026.77	-1.35	-4.66			1,025.96
Electricity, gas, steam and air conditioning supply	28.81	177.98	-23.50	-0.89			182.40
Financial and insurance activities	214.75	20,111.72	-96.02	-19.59			20,210.86
Water supply	0.02	31.80	-0.01	-0.31			31.50
Construction	20.30	2,794.25	-6.00	-13.28			2,795.27
Wholesale and retail trade	22.96	815.38	-11.03	-3.38			823.93
Transport and storage	10.84	445.47	-4.82	-1.11			450.38
Accommodation and food service activities	55.43	586.95	-2.23	-4.86			635.29
Information and communication	6.10	361.37	-5.21	-0.56			361.70
Real estate activities	128.57	3,117.42	-26.45	-31.76			3,187.78
Professional, scientific and technical activities	43.69	870.61	-26.93	-3.13			884.24
Public administration and defence, compulsory social security	1.22	7,001.06	-2.35	-2.74			6,997.19
Education	3.37	173.11	-0.07	-0.06			176.35
Human health services and social work activities	3.47	681.75	-1.02	-1.21			682.99
Arts, entertainment and recreation	2.82	108.43	-0.10	-0.29			110.86
Other services	1.64	1,162.08	-0.32	-0.69			1,162.71
TOTAL	565.26	39,825.90	-215.16	-89.18			40,086.82

2.1.2. Credit quality of exposures by geographical area

In the application of Article 442 (h) of the Regulation (EU) No 575/2013 (CRR), the table below provides a breakdown of defaulted and non-defaulted exposures by geographical areas. It comprises figures related to both the standardised and the advanced methods. The geographical distribution is based on the legal residence of the counterparty or issuer.

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)
	Defaulted exposures	Non-defaulted exposures					
1 Europe	516.05	36,355.21	-174.74	-83.79			36,612.73
2 <i>Of which: Luxembourg</i>	288.35	22,673.77	-109.56	-66.34			22,786.22
3 <i>Of which: France</i>	90.56	3,401.56	-33.39	-8.51			3,450.22
4 <i>Of which: Switzerland</i>	14.12	2,605.20	-7.85	-0.35			2,611.12
5 <i>Of which: Belgium</i>	10.99	2,262.47	-2.07	-1.85			2,269.54
6 <i>Of which: Germany</i>	28.43	2,134.14	-18.22	-2.51			2,141.84
7 United States and Canada	-	1,329.84	-	-0.82			1,329.02
8 South and Central America	0.04	26.89	-0.01	-0.01			26.91
9 Asia	4.87	1,078.90	-0.13	-2.53			1,081.11
10 Other geographical areas	44.31	1,035.05	-40.26	-2.01			1,037.09
11 TOTAL	565.27	39,825.89	-215.14	-89.16			40,086.86

2.2. Forbearance, impairment, past due and provisions

2.2.1. Ageing of accounting past due

The following table provides an ageing analysis of past-due exposures regardless of their impairment status in mid- 2022.

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

(in EUR million)	Gross carrying values		
	≤ 30 days	> 30 days ≤ 90 days	> 90 days
1 Loans	92	53	181
2 Debt securities			
3 TOTAL EXPOSURES	92	53	181

2.2.2. Information on forbore exposure and non-performing loans

Forborne exposures

BIL closely monitors its forbore exposures, notably in line with Guidelines on Disclosure of Non-Performing and Forborne Exposures (EBA/GL/2018/10) of December 2018 are also taken into account.

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")."* These measures include the granting of extensions, postponements, renewals or changes in credit terms and conditions, including the repayment plan.

Once these 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 Préventive".

For all counterparties, dedicated analyses are carried out at single credit file level to identify those that should be classified as forbore according to the regulatory definition. The granting of the 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.

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

	a	b	c	d	e	f	g	h	i	j	k	l	m
	Gross carrying value of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk			Collaterals and financial guarantees received		
	Of which performing but past due > 30 days and ≤ 90 days	Of which performing forborne	Of which non-performing			Of which defaulted	Of which impaired	Of which forborne	On performing exposures	On non-performing	Of which performing exposures	Of which forborne exposures	
			Of which forborne	Of which forborne	Of which forborne				Of which forborne	Of which forborne			
10 Debt securities	8,303	8,303	-	-	-	-	-	-6	-	-	-	-	-
20 Loans and advances	17,612	17,057	574	555	551	554	257	-73	-11	-217	-80	308	698
30 Off-balance-sheet exposures	4,547	4,509	32	38	22	38	14	-10	0	-2	0	-	-

2.2.3. Changes in the stock of specific credit risk adjustments

In the application of Article 442 (i) of the Regulation (EU) No 575/2013 (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)	a	b
	Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
1 At 31 December 2021	226.2	88.69
2 Increases due to amounts set aside for estimated loan losses during the period	3.64	
3 Decreases due to amounts set aside for estimated loan losses during the period		
4 Decreases due to amounts taken against accumulated credit risk adjustment	-9.04	
5 Transfers between credit risk adjustment		
6 Impact of exchange rate differences	3.65	
7 Business combinations, including acquisitions and disposals of subsidiaries		
8 Other adjustments	-1.48	0.3
9 At 30 June 2022	202.13	88.99
10 Recoveries on credit risk adjustments recorded directly to the statements of profit and loss		
11 Specific credit risk adjustments directly recorded to the statement of profit and loss	-20.85	

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

In the application of Article 442 (i) of the Regulation (EU) No 575/2013 (CRR), the following table identifies the changes in the Bank's stock of defaulted and impaired loans and debt securities for the first half of 2022 (till June).

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

(in EUR million)	a
	Gross carrying value defaulted exposures
1 31/12/2021	664
2 Loans and debt securities that have defaulted or impaired since the last reporting period	95
3 Returned to non-defaulted status	-151
4 Amounts written off	-3
5 Other changes	-10
6 30/06/2022	594

2.3. Credit risk mitigation

2.3.1. Overview of credit risk mitigation techniques

In the application of Article 453 (f) and (g) of the Regulation (EU) No 575/2013 (CRR), 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)		a	b	c	d	e
		Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secured by collateral	Exposures secured by guarantees	Exposures secured by credit derivatives
1	Total loans	9,283.49	9,411.41	9,146.89	264.52	
2	Total debt securities	7,696.55	1,103.36		1,103.36	
3	Total exposures	10,732.54	1,111.14	1,053.05	58.08	
4	Of which defaulted	250.85	94.4	94.4		

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)¹ 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

(in EUR million)		a		b		c		d	e		f
		Exposures before CCF and CRM		Exposures post CCF and CRM		RWA density		RWA density	RWA density		RWA density
		On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density		RWAs	RWA density	
Exposure classes											
1	Central governments or central banks	8,716.83	89.26	9,626.23	36.88	103.39	1%				
2	Regional government or local authority	3,110.88	48.49	3,498.06	24.14	146.83	4%				
3	Public sector entities	750.63	7.58	433.84	3.74	5.86	1%				
4	Multilateral development banks	579.64		586.54	0.06		0%				
5	International organisations	78.81		78.81			0%				
6	Institutions	2,025.15	128.76	1,242.78	30.26	590	46%				
7	Corporates	1,586.15	1,105.94	1,324.59	229.36	1,361.87	88%				
8	Retail	5.7	7.2	5.65	3.72	6.49	69%				
9	Secured by mortgages on immovable property	80.52	0.01	78.73	0	73.59	93%				
10	Exposures in default	68.24	3.61	10.92	1.31	15.25	125%				
11	Exposures associated with particularly high risk	0.92	2.4	0.92	2.4	4.97	150%				
12	Covered bonds	417.19		417.19		41.72	0%				
13	Institutions and corporates with a short-term credit assessment	147.2	48.16	145.97	9.63	67.88	44%				
14	Collective investment undertakings						0%				
15	Equity	33.73		33.24		83.09	250%				
16	Other items	515.89	1.65	507.09	0.76	231.69	46%				
17	TOTAL	18,117.47	1,443.06	17,990.54	342.27	2,732.64	15%				

¹ After CCF and CRM.

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

In the application of Article 444 (e) of the Regulation (EU) No 575/2013 (CRR), 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					
	(in EUR million)	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%		250%	370%	1250%	Others	Deducted
1 Central governments or central banks	9,554					68			9			32				9,663	385
2 Regional government or local authorities	2,788					734										3,522	
3 Public sector entities	408					29										438	
4 Multilateral development banks	587															587	
5 International organisations	79															79	
6 Institutions					325	947			2							1,273	
7 Corporates					71	297			1,181	0	5					1,554	1,138
8 Retail								9								9	9
9 Secured by mortgages on immovable property						1			77							79	79
10 Exposure in default									7	5						12	0
11 Exposures associated with particularly high risk										3						3	3
12 Covered bonds						417										417	
13 Institutions and corporates with a short-term credit assessment						146				9		0				156	6
14 Collective investment undertakings																	-
15 Equity												33				33	33
16 Other items						276			232							508	14
17 TOTAL	13,692	1,373	1,254	9	1,507	9	71	9	1,507	9	71	9	71	18,333	1,667		

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 Regulation (EU) No 575/2013 (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.

It should be noted that Corporates-Specialised Lending exposure class is not reported here. For Specialised Lending Income Producing Real Estate (IPRE) and Land Acquisition, Development and Construction (ADC) exposures, even though they are treated under the slotting methodology which falls into a category of the A-IRB Approach, they don't have PD or LGD data, and supervisory slotting risk weights are applied. The EAD and RWA of Specialised Lending exposures as of June 2022 are EUR 2 481.83 million and EUR 2 071.59 million respectively.

Additionally, Equity – Simple Risk Weight Approach exposure is also treated under the A-IRB Approach, while risk weights (190%, 290% and 370%) are applied and PD/LGD data is not available. This type of exposure has EUR 37.9 million and EUR 72.7 million in Q2 2022.

TABLE EU CRG – QUALITATIVE DISCLOSURE REQUIREMENTS RELATED TO IRB MODELS

	a	b	c	d	e	f	g	h	i	j	k	l	
(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
Central Government and Central Banks	0.00% to < 0.15%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0.15% to < 0.25%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0.25% to < 0.50%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0.50% to < 0.75%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0.75% to < 2.50%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	2.5% to < 10%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	10% to < 100%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	100% (Default)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SUBTOTAL		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Institutions	0.00% to < 0.15%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0.15% to < 0.25%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0.25% to < 0.50%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0.50% to < 0.75%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0.75% to < 2.50%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	2.5% to < 10%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	10% to < 100%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	100% (Default)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SUBTOTAL		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

	a	b	c	d	e	f	g	h	i	j	k	l	
(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
Corporates –	0.00% to < 0.15%	-	-	0.00%	0.00	0.00%	0	0.00%	0.00	0.00	0.00%	-	-
SME	0.15% to < 0.25%	0.26	0.09	100.00%	0.35	0.23%	8	17.17%	1.00	0.05	13.83%	0.00	-
	0.25% to < 0.50%	91.49	25.89	95.69%	82.61	0.38%	95	4.32%	3.80	4.28	5.18%	0.01	-
	0.50% to < 0.75%	78.01	90.49	91.55%	145.31	0.64%	138	9.84%	3.24	24.42	16.81%	0.09	-
	0.75% to < 2.50%	260.30	148.91	93.52%	332.05	1.93%	403	9.09%	3.11	61.68	18.58%	0.51	-
	2.5% to < 10%	451.09	176.61	94.76%	544.01	4.40%	398	13.55%	2.87	203.47	37.40%	3.24	-
	10% to < 100%	211.30	34.29	98.03%	232.55	18.82%	155	4.60%	3.02	48.77	20.97%	2.06	-
	100% (Default)	102.83	16.99	97.26%	113.94	100.00%	51	24.49%	2.72	41.23	36.18%	47.26	47.24
	SUBTOTAL	1,195.29	493.29	95.72%	1,450.81	51.55%	1,248.00	17.05%	2.88	383.89	26.46%	53.17	47.24

	a	b	c	d	e	f	g	h	i	j	k	l	
(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
Corporates –	0.00% to < 0.15%	562.28	134.91	99.38%	574.58	0.09%	38	45.00%	2.50	209.96	36.54%	0.24	-
Other	0.15% to < 0.25%	-	-	0.00%	0.00	0.00%	0	0.00%	0.00	0.00	0.00%	-	-
	0.25% to < 0.50%	191.42	18.35	98.79%	206.43	0.31%	18	45.00%	2.50	152.80	74.02%	0.29	-
	0.50% to < 0.75%	23.39	29.58	87.76%	39.36	0.66%	6	6.57%	4.38	7.08	18.00%	0.02	-
	0.75% to < 2.50%	340.41	229.11	92.61%	427.38	1.08%	57	35.65%	2.48	399.03	93.37%	1.38	-
	2.5% to < 10%	204.83	132.88	92.92%	269.06	4.29%	55	29.76%	2.40	333.18	123.83%	3.31	-
	10% to < 100%	6.40	8.58	91.54%	7.18	13.86%	10	39.38%	2.70	18.29	254.74%	0.39	-
	100% (Default)	20.25	1.17	98.96%	21.13	100.00%	5	44.99%	2.50	0.00	0.02%	8.67	8.67
	SUBTOTAL	1,348.99	554.59	88.17%	1,545.12	61.78%	189.00	33.68%	2.61	1,120.35	16.71%	14.30	8.67

	a	b	c	d	e	f	g	h	i	j	k	l	
(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 adjustments and provisions	
Retail – Secured by immovable property SME	0.00% to < 0.15%	-	-	0.00%	0.00	0.00%	0	0.00%	0.00	0.00	0.00%		
	0.15% to < 0.25%	0.02	-	100.00%	0.02	0.23%	2	10.00%	0.00	0.00	3.95%	0.00	
	0.25% to < 0.50%	10.94	0.36	100.00%	11.30	0.38%	34	11.73%	0.00	0.73	6.44%	0.01	
	0.50% to < 0.75%	11.21	24.03	100.00%	35.24	0.60%	36	11.10%	0.00	4.63	13.14%	0.02	
	0.75% to < 2.50%	35.14	4.62	100.00%	39.76	2.19%	130	11.51%	0.00	8.90	22.38%	0.10	
	2.5% to < 10%	72.17	11.49	100.00%	83.66	4.11%	186	11.77%	0.00	34.53	41.28%	0.41	
	10% to < 100%	40.00	1.01	100.00%	41.01	20.87%	87	11.39%	0.00	32.49	79.22%	0.97	
100% (Default)	8.85	0.37	100.00%	9.22	100.00%	21	0.25%	0.00	5.76	62.50%	0.34	0.34	
SUBTOTAL		178.32	41.89	100.00%	220.21	51.33%	496.00	5.84%	0.00	87.04	42.81%	1.84	0.34

	a	b	c	d	e	f	g	h	i	j	k	l	
(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 adjustments and provisions	
Retail – Secured by immovable property non-SME	0.00% to < 0.15%	1,187.48	111.29	100.00%	1,298.78	0.10%	5,323	10.68%	0.00	37.19	2.86%	0.13	
	0.15% to < 0.25%	209.42	12.87	100.00%	222.28	0.23%	462	10.78%	0.00	12.50	5.62%	0.06	
	0.25% to < 0.50%	1,198.16	66.92	100.00%	1,265.08	0.34%	3,258	10.66%	0.00	93.47	7.39%	0.46	
	0.50% to < 0.75%	2,455.86	144.53	100.00%	2,600.39	0.65%	5,163	10.69%	0.00	304.63	11.71%	1.80	
	0.75% to < 2.50%	1,070.02	68.07	99.97%	1,136.83	1.97%	1,993	10.83%	0.00	270.64	23.81%	2.41	
	2.5% to < 10%	993.39	92.04	100.00%	1,085.42	4.73%	2,136	10.96%	0.00	444.57	40.96%	5.63	
	10% to < 100%	302.28	12.53	100.00%	314.56	16.28%	580	10.90%	0.00	206.82	65.75%	5.60	
100% (Default)	79.23	1.23	100.00%	80.46	100.00%	249	0.17%	0.00	50.29	62.50%	3.84	3.84	
SUBTOTAL		7,495.84	509.48	100.00%	8,003.81	54.88%	19,164.00	4.99%	0.00%	1,579.43	18.32%	19.93	3.84

	a	b	c	d	e	f	g	h	i	j	k	l	
(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
Retail – Other SME	0.00% to < 0.15%	0.05	0.13	100.00%	0.18	0.06%	18	17.19%	0.00	0.01	3.94%	0.00	-
	0.15% to < 0.25%	2.04	2.85	99.95%	4.89	0.23%	446	16.93%	0.00	0.51	10.44%	0.00	-
	0.25% to < 0.50%	17.19	14.49	89.74%	26.69	0.38%	214	12.60%	0.00	2.01	7.53%	0.01	-
	0.50% to < 0.75%	11.68	34.91	93.34%	42.23	0.61%	1,471	15.99%	0.00	7.54	17.86%	0.04	-
	0.75% to < 2.50%	63.39	59.36	90.88%	103.56	2.15%	1,830	13.01%	0.00	18.89	18.24%	0.29	-
	2.5% to < 10%	72.88	46.11	94.19%	106.98	5.00%	1,507	13.61%	0.00	24.88	23.26%	0.71	-
	10% to < 100%	32.78	12.17	97.84%	42.72	19.56%	563	14.92%	0.00	16.98	39.74%	1.25	-
	100% (Default)	18.16	1.75	98.73%	19.36	100.00%	570	15.82%	0.00	12.10	62.50%	8.62	8.61
	SUBTOTAL	218.18	171.76	95.91%	346.61	51.32%	6,619.00	15.11%	0.00%	82.92	40.18%	10.92	8.61

	a	b	c	d	e	f	g	h	i	j	k	l	
(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
Retail – Other non-SME	0.00% to < 0.15%	356.98	385.12	93.96%	621.89	0.09%	46,768	10.63%	0.00	20.64	3.32%	0.06	-
	0.15% to < 0.25%	43.29	23.21	97.69%	63.27	0.23%	1,723	10.75%	0.00	4.22	6.68%	0.02	-
	0.25% to < 0.50%	317.43	180.49	95.38%	434.41	0.34%	16,998	9.32%	0.00	31.43	7.24%	0.13	-
	0.50% to < 0.75%	341.56	109.90	97.28%	415.25	0.64%	11,846	9.94%	0.00	47.07	11.34%	0.26	-
	0.75% to < 2.50%	730.08	215.05	96.02%	830.77	2.04%	4,739	21.45%	0.00	283.94	34.18%	3.69	-
	2.5% to < 10%	871.00	207.65	96.29%	957.10	4.60%	6,645	8.65%	0.00	164.95	17.23%	3.80	-
	10% to < 100%	120.74	39.74	97.08%	150.60	16.58%	1,946	13.57%	0.00	58.06	38.55%	3.56	-
	100% (Default)	214.09	5.72	99.77%	219.05	100.00%	3,122	15.20%	0.00	136.91	62.50%	70.37	70.37
	SUBTOTAL	2,995.16	1,166.86	98.16%	3,070.56	51.15%	93,787.00	13.33%	0.00	747.23	40.91%	81.89	70.37

	a	b	c	d	e	f	g	h	i	j	k	l
(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 adjustments and provisions
Equity – PD/LGD APPROACH	0.00% to < 0.15%	-	-	0.00%	0.00	0.00%	0	0.00%	0.00	0.00	0%	-
	0.15% to < 0.25%	-	-	0.00%	0.00	0.00%	0	0.00%	0.00	0.00	0%	-
	0.25% to < 0.50%	-	-	0.00%	0.00	0.00%	0	0.00%	0.00	0.00	0%	-
	0.50% to < 0.75%	-	-	0.00%	0.00	0.00%	0	0.00%	0.00	0.00	0%	-
	0.75% to < 2.50%	153.72	-	100.00%	153.72	1.27%	5	90.00%	5.00	430.57	280.10%	1.55
	2.5% to < 10%	-	-	0.00%	0.00	0.00%	0	0.00%	0.00	0.00	0%	-
	10% to < 100%	0.04	-	100.00%	0.04	20.00%	3	90.00%	5.00	0.21	508.42%	0.01
	100% (Default)	-	-	0.00%	0.00	0.00%	0	0.00%	0.00	0.00	0%	-
	SUBTOTAL	153.76	-	0.00%	153.76	0.00%	8.00	0.00%	5.00	430.78	0.00%	1.56

	a	b	c	d	e	f	g	h	i	j	k	l
(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 adjustments and provisions
Other items	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%								0.00			
	0.75% to < 2.50%								0.00			
	2.5% to < 10%								0.00			
	10% to < 100%								0.00			
	100% (Default)								0.00			
	SUBTOTAL								0.00			

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

According to Article 438 (d) of the Regulation (EU) No 575/2013 (CRR), the following table provides a flow statement explaining variations in the credit RWAs between Q1 2022 and Q2 2022.

TABLE EU CR8 – RWA FLOW STATEMENTS OF CREDIT RISK EXPOSURES

	a	b
(in EUR million)	RWA	Capital requirements
Credit Risk RWAs (ADV+STD +TIT with CCR) as at the end of the previous reporting period (31/03/2022)	9,264.56	741.17
Total adjustments from Standardised Approach (with CCR)	170.94	13.68
Adjustment from Asset size	171.15	13.69
Adjustment from Asset quality	-0.08	-0.01
Adjustment from Model updates		
Adjustment from Methodology and policy		
Adjustment from Other	-0.13	-0.01
Total adjustments from IRB – Advanced Approach (with CCR)	-261.33	-20.91
Adjustment from Asset size	-176.02	-14.08
Adjustment from Asset quality	-84.84	-6.79
Adjustment from Model updates		
Adjustment from Methodology and policy		
Adjustment from Acquisitions and disposals		
Adjustment from Foreign exchange movements		
Adjustment from Other	-0.47	-0.04
Total adjustments from CVA	0.45	0.04
Total adjustments from Securitisation	-0.08	-0.01
Total adjustments from FTA new management overlay	3.47	0.28
RWAs as at the end of the reporting period (30/06/2022)	9,178.01	734.24

2.6. Provisions

The overall results of the ECLs (excluding specific provision in stage 3) calculation for BIL in June 2022 are as follows:

(in EUR million)	30/06/2021			
	ECL		EAD	
Stage 1	56%	53.34	92%	15,688
Stage 2	37%	35.66	7%	1,222
Stage 3	7%	6.79	0%	21
TOTAL		95.78		16,931

2.7. Counterparty credit risk

2.7.1. Analysis of CCR exposures by model approach

As displayed, due to the new European Capital Requirements Regulation (CRR II) since June 2021, the Bank uses the SA-CCR method to measure the exposure value of derivatives subject to capital requirements for CCR.

TABLE EU CCR1 – ANALYSIS OF CCR EXPOSURE BY APPROACH

(in EUR million)		a	b	c	d	e	f	g	h
		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
1	EU - Original Exposure Method (for derivatives)	0.00	0.00			0.00	0.00	0.00	0.00
2	EU - Simplified SA-CCR (for derivatives)	0.00	0.00			0.00	0.00	0.00	0.00
3	SA-CCR (for derivatives)	19.95	41.47			152.17	85.99	85.99	36.66
4	IMM (for derivatives and SFTs)			0.00	0.00	0.00	0.00	0.00	0.00
5	<i>Of which securities financing transactions netting sets</i>			0.00		0.00	0.00	0.00	0.00
6	<i>Of which derivatives and long settlement transactions netting sets</i>			0.00		0.00	0.00	0.00	0.00
7	<i>Of which from contractual cross-product netting sets</i>			0.00		0.00	0.00	0.00	0.00
8	Financial collateral simple method (for SFTs)					0.00	0.00	0.00	0.00
9	Financial collateral comprehensive method (for SFTs)					0.45	0.01	0.01	0.00
10	VaR for SFTs					0.00	0.00	0.00	0.00
11	TOTAL					152.62	86.00	86.00	36.66

2.7.2. CVA capital charge

In the application of Article 439 (f) of the Regulation (EU) No 575/2013 (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)		a	b
		Exposure value	RWEA
1	Total transactions subject to the Advanced method	0	0
2	(i) VaR component (including the 3x multiplier)		0
3	(ii) stressed VaR component (including the 3x multiplier)		0
4	Transactions subject to the Standardised method	66.78	13.62
EU4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	0	0
5	Total transactions subject to own funds requirements for CVA risk	66.78	13.62

2.7.3. 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)		a	b
		Exposure value	RWEA
1	Exposures to QCCPs (total)		35,61
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	890.16	35.61
3	(i) OTC derivatives	890.16	35.61
4	(ii) Exchange-traded derivatives	0	0
5	(iii) SFTs	0	0
6	(iv) Netting sets where cross-product netting has been approved	0	0
7	Segregated initial margin	0	
8	Non-segregated initial margin	0	0
9	Prefunded default fund contributions	0	0
10	Unfunded default fund contributions	0	0
11	Exposures to non-QCCPs (total)		0
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	0	0
13	(i) OTC derivatives	0	0
14	(ii) Exchange-traded derivatives	0	0
15	(iii) SFTs	0	0
16	(iv) Netting sets where cross-product netting has been approved	0	0
17	Segregated initial margin	0	
18	Non-segregated initial margin	0	0
19	Prefunded default fund contributions	0	0
20	Unfunded default fund contributions	0	0

2.7.4. Standardised approach – CCR exposures by exposure class and risk weight

According to Article 444 (e) of the Regulation (EU) No 575/2013 (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
	4%	20%	50%	100%	Others		
1 Institutions	890.16	18.12	22.56			930.84	
2 Corporates			0.04	9.97		10.02	
3 Institutions and corporates with a short-term credit assessment		49.74	36.41	5.47		91.61	
4 Other items						-	
5 Total	890.16	67.86	59.01	15.44	-	1,032.47	-

2.7.5. IRB approach – CCR exposures by exposure class and risk weight

According to Article 444 (e) of the Regulation (EU) No 575/2013 (CRR), the following table provides the counterparty credit risk exposures under the IRB approach broken down by exposure classes and PD scale.

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

(in EUR million)	PD scale	a	b	c	d	e	f	g
		EAD post CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density
Institutions	0.00 to < 0.15	2.13	0.09%	4	45.00%	0.50	0.47	21.85%
	0.15 to < 0.25	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-
	2.5 to < 10	-	-	-	-	-	-	-
	10 to < 100	-	-	-	-	-	-	-
	100 (Default)	-	-	-	-	-	-	-
SUBTOTAL	2.13	0.09%	4.00	45.00%	0.50	0.47	21.85%	

(in EUR million)	PD scale	a	b	c	d	e	f	g
		EAD post CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density
Corporates – SME	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	-	-	-	-	-	-	-
	2.5 to < 10	-	-	-	-	-	-	-
	10.00 to < 100.00	0.29	14.06%	1.00	13.10%	1.00	0.14	48.37%
	100 (Default)	-	-	-	-	-	-	-
SUBTOTAL	0.29	14.06%	1.00	13%	1.00	0.14	48%	

		a	b	c	d	e	f	g
(in EUR million)	PD scale	EAD post CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density
Corporates - Other	0.00 to < 0.15	0.68	0.09%	3.00	45%	2.50	0.23	34.11%
	0.15 to < 0.25	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-
	0.75 to < 2.50	0.50	0.86%	4.00	44%	2.48	0.57	115.00%
	2.5 to < 10	-	-	-	-	-	-	-
	10.00 to < 100.00	0.03	13.98%	3.00	45%	2.50	0.08	291.23%
	100 (Default)	-	-	-	-	-	-	-
	SUBTOTAL	1.21	0.72%	10.00	45%	2.49	0.89	73.24%
(in EUR million)	PD scale	EAD post CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density
Retail - Other SME	0.00 to <0.15	-	-	-	-	-	-	-
	0.15 to <0.25	-	-	-	-	-	-	-
	0.25 to <0.50	-	-	-	-	-	-	-
	0.50 to < 0.75	0.21	0.65%	3.00	0.17	-	0.04	19.92%
	0.75 to < 2.50	0.19	2.30%	2.00	0.13	-	0.04	18.18%
	2.5 to < 10	0.00	3.75%	1.00	0.17	-	0.00	34.48%
	10.00 to < 100.00	-	-	-	-	-	-	-
	100 (Default)	-	-	-	-	-	-	-
	SUBTOTAL	0.41	0.95%	6.00	5.54%	0.00	0.08	19.26%
(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	1.68	0.11%	22.00	13.28%	-	0.08	4.76%
	0.15 to < 0.25	0.02	0.23%	1.00	17.17%	-	0.00	10.69%
	0.25 to < 0.50	0.83	0.29%	7.00	13.28%	-	0.08	9.69%
	0.50 to < 0.75	0.01	0.66%	4.00	13.28%	-	0.00	15.53%
	0.75 to < 2.50	5.13	2.09%	153.00	13.30%	-	1.24	24.23%
	2.5 to < 10	4.26	3.73%	21.00	13.28%	-	1.13	26.48%
	10 to < 100	-	-	-	-	-	-	-
	100 (Default)	-	-	-	-	-	-	-
	SUBTOTAL	11.93	2.26%	208.00	13.30%	-	2.54	21.24%

2.7.6. Impact of netting and collateral held on exposure value for derivatives and SFTs

According to Article 439 (e) of the Regulation (EU) No 575/2013 (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

	a	b	c	d	e
(in EUR million)	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives	560.09		560.09		560.09
SFTs	115.46	41.02	74.44	0.01	74.43
TOTAL	675.55	41.02	634.53	0.01	634.51

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

	a		b		c	d	e	f
	Collateral used in derivative transactions				Collateral used in SFTs			
	Fair value of collateral received		Fair value of posted collateral				Fair value of collateral received	Fair value of posted collateral
(in EUR million)	Segregated	Unsegregated	Segregated	Unsegregated				
Cash					448.83		0.01	30.84
Bonds								
Equity Securities								
Mutual Fund								
TOTAL					448.83		0.01	30.84

3. Market risk

3.1. Financial market risk exposure

In the first half 2022, BIL Group's financial risk indicators remained stable compared to end 2021.

FINANCIAL MARKETS

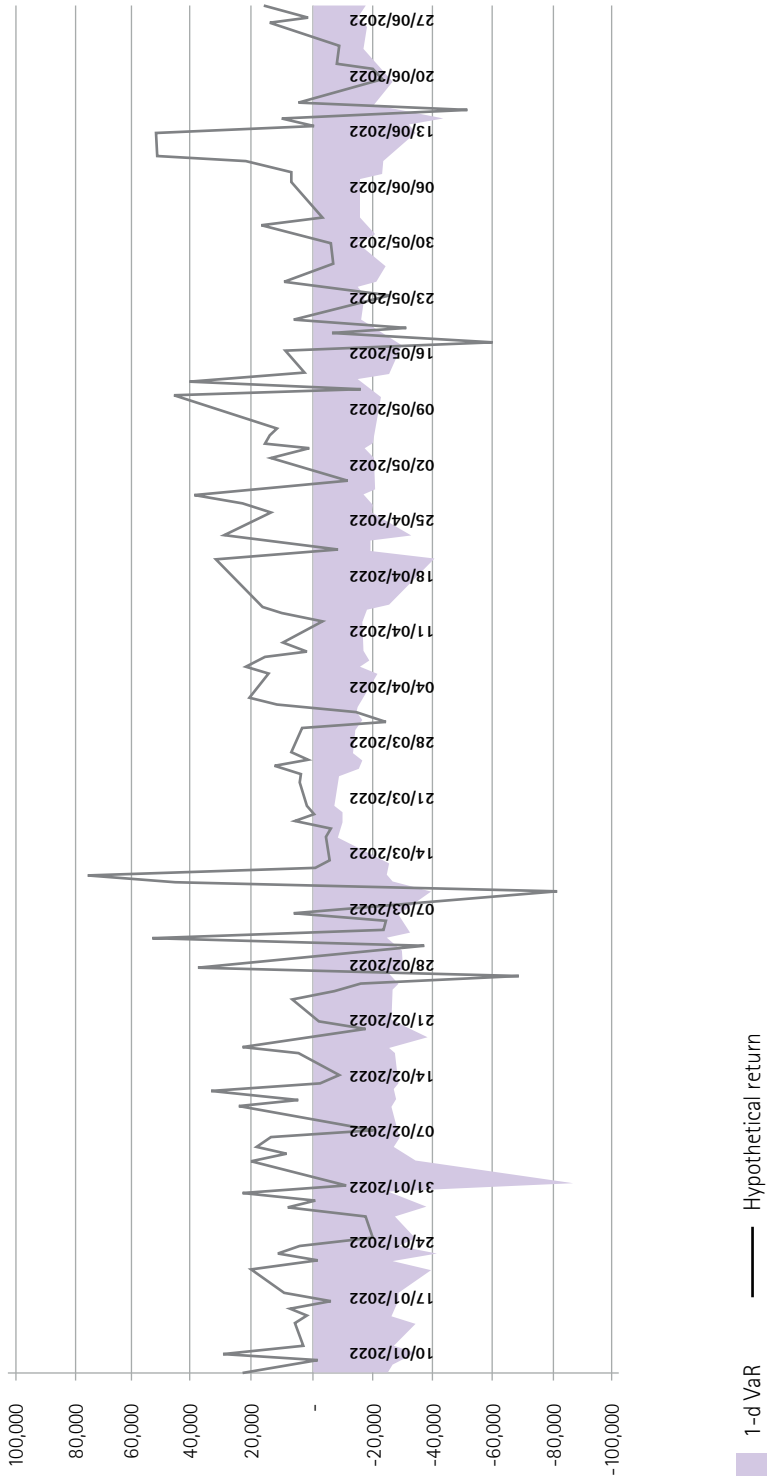
Global trading VaR (10 days, 99%)	31/12/2021	30/06/2022
(in EUR million)		
Average	0.17	0.08
End of period	0.09	0.06
Maximum	0.63	0.29
Limit	2	2

BIL continues to follow a prudent approach in the context of increase in interest rates level and geopolitical tensions in Eastern Europe (war Ukraine/Russia). Global Trading activities have recently been reviewed in order to focus on client flows management, servicing, offering access to competitive pricing and optimizing profitability with lower risk profile. As a consequence, Securities Trading and FOREX Trading teams have been merged since 01/02/2022. No new security position has been opened in 2022 for trading purpose (all bonds positions have been sold end 2021).

During the first half of 2022, nine downward back-testing exceptions occurred and are explained by the recent financial markets volatility:

VaR date	1-d VaR (EUR)	Hypothetical P&L (EUR)	Comment
21/06/2021	-35,434.72	-36,832.41	The back-testing breach on the global trading perimeter was mainly caused by the variation of EUR/USD exchange rate (+0.46%) impacting the FX options portfolio.
25/02/2022	-30 153.79	-39 022.49	The back-testing breach on the global trading perimeter was mainly caused by the increase of EUR/PLN (+1.5%) impacting FX forward positions.
04/03/2022	-41 373.82	-83 902.16	The back-testing breach on the global trading perimeter was mainly caused by the variation of EUR/PLN (3,23%) impacting FX forward positions.
28/03/2022	-17 031.67	-26 295.12	The back-testing breach on the global trading perimeter was mainly caused by the variation of EUR/USD (+1,21%) exchange rate impacting the FX options activity.
29/03/2022	-15 126.54	-15 964.58	The back-testing breach on the global trading perimeter was mainly caused by the variation of EUR/USD (-0,56%) and EUR/CHF (+0,42%) exchange rate impacting the FX options activity.
16/05/2022	-30 441.43	-61 652.18	The back-testing breach on the global trading perimeter was mainly caused by the variation of EUR/CHF (-1,26%) and EUR/XAU (-1,77%) exchange rate impacting the FX options activity.
18/05/2022	-21 813.48	-32 472.69	The back-testing breach on the global trading perimeter was mainly caused by the variation of EUR/CHF (+0,55%) exchange rate impacting the FX options activity.
20/05/2022	-17.788,25	-27.566,60	The back-testing breach on the global trading perimeter was mainly caused by the variation of EUR/USD (-1,05%) exchange rate impacting the FX options activity.
15/06/2022	-30.111,38	-53.517,53	The back-testing breach on the global trading perimeter was mainly caused by the variation of EUR/CHF (-2,4%) and EUR/USD (+0,8%) exchange rate impacting the FX options activity.

The comparison of VaR (1-d, 99%) estimates with gains/losses is presented as follows:



3.2. Liquidity risk

The LCR decreased slightly from 142% as at 31 December 2021 to 140% as at 30 June 2022.

(in EUR billion)	31/12/2021	30/06/2022
Stock of HQLA	10.31	11.66
Net Cash Outflows	7.28	8.35
LCR ratio	142%	140%
Regulatory limit	100%	
Internal limit	110%	
Trigger	115%	

The NSFR remains stable during the first half of 2022.

(in EUR billion)	31/12/2021	30/06/2022
Available Stable Funding (ASF)	20.88	20.19
Required Stable Funding (RSF)	16.51	16.00
NSFR ratio	126%	126%
Regulatory Limit	100%	
Internal limit	104%	
Internal trigger	106%	

The level of asset encumbrance decreased compared to 31 December 2021.

(in EUR million)	Indicator	Q4 2021	Q2 2022
Level of asset encumbrance	Encumbered assets	3,420	3,037
	Collateral received re-used	192	0
	Total amount	3,612	3,037
	Ratio¹	11%	9%
	Limit	25%	25%
Credit quality of unencumbered debt securities ²	Step 1 (AAA to AA-)	2,824	3,684
	<i>of which eligible as LA for LCR</i>	<i>2,799</i>	<i>3,609</i>
	Step 2 (A+ to A-)	1,632	1,177
	<i>of which eligible as LA for LCR</i>	<i>1,409</i>	<i>850</i>
	Step 3 (BBB+ to BBB-)	559	805
	<i>of which eligible as LA for LCR</i>	<i>544</i>	<i>433</i>
	Non-rated securities	505	133
	<i>of which eligible as LA for LCR</i>	<i>0</i>	<i>62</i>
	Total amount	5,519	5,799
	<i>of which eligible as LA for LCR</i>	<i>4,752</i>	<i>4,955</i>
Sources of encumbrance	OTC Derivatives	351	370
	Collateralised deposits	2,799	2,496
	Collateral swaps	439	33
	Securities Lending	0	0
	Central Bank Reserves	0	0
	Total amount	3,589	2,899
Contingent encumbrance ³	OTC Derivatives	110	147
	Collateralised deposits	837	748
	Collateral swaps	135	15
	Securities Lending	0	0
	Total amount	1,082	910

¹ Asset encumbrance ratio = (Encumbered assets + Collateral received re-used) / (Total assets + Total collateral received).

² Assets and collateral received available for encumbrance.

³ Additional amount of encumbered assets resulting from a decrease by 30% of the fair value of encumbered assets.

3.3. 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 requirements broken down by risk type at the end June 2022.

TABLE EU MR1 – MARKET RISK UNDER THE STANDARDISED APPROACH

	RWAs	Capital requirements
OUTRIGHT PRODUCTS		
1 Interest rate risk (general and specific)	12.45	1
2 Equity risk (general and specific)		
3 Foreign exchange risk	18.05	1.44
4 Commodity risk		
Options		
5 Simplified approach		
6 Delta-plus method		
7 Scenario approach		
8 Securitisation (specific risk)		
9 TOTAL	30.5	2.44



4. Focus on BRRD matters

The Bank is currently finalising the update of its 2022 Recovery Plan, which will be submitted to the supervisory authorities by the end of September 2022.

The Bank has enhanced the Recovery Options section by adding additional Recovery Options as compared to the 2021 Recovery Plan which increased the usability of the plan in crisis situations. Moreover, the Bank has continued to enhance the operationalisation of the Recovery Plan, notably through dry-run exercises covering all steps of the Recovery Process (the dry-run sessions will take place in November 2022). On the other hand, the Bank succeeded in addressing internally all the ECB comments received on the 2021 Recovery Plan Exercise, and developed the 2022 Exercise in line with the latest Regulatory guidelines.

Regarding the resolution part, a detailed version of BIL's Resolution Plan was provided to the Bank by the Single Resolution Board (SRB) in December 2021. It highlights the fact that BIL has met the SRB expectations in terms of progress towards resolvability and must continue to work on a range of resolution matters notably linked to the liquidity and funding capacity in case of resolution and operational continuity. The Bank has enhanced its Resolution Plan framework accordingly and continues to work on these matters.

The resolution program will also be subject to dry-runs in 2022 and during the first half of 2023 with a clear scope covering Bail-in data and MIS capabilities.



5. Focus on ESG framework

Environmental, Social and Governance (ESG) matters are playing an increasing role in the banking world. Therefore, the Bank has set up a Sustainability program, named "Towards SustainaBILity", based on four pillars: (i) Sustainable governance and strategy, (ii) Responsible and sustainable products and services, (iii) Responsible employer and, (iv) Positive impact.

In order to structure the organisation to address ESG challenges and to support the Bank's long-term stability and growth, the Bank defined several ongoing initiatives linked to ESG framework.

Risk teams are part of this program and are working on various ESG risk aspects, including: (i) ECB Climate Risk roadmap linked to the 2020 ECB Climate Risk Guide, (ii) Completing Risk Appetite, (iii) Quantification of BIL's ESG Profile, (iv) Review of the ICAAP/ILAAP Process, (v) ESG Economic Capital assessment and (vi) Climate Risk Stress Testing framework.

Regarding the ECB Climate risk roadmap, the Bank has enhanced its framework notably on:

- The Risk Cartography approach has been reviewed with a greater focus on ESG Risk.
- Quantifying, analysing and responding proactively to latent and emerging ESG Risks
- Integrating ESG (and particularly climate) features into existing risk frameworks: manage all types of risks (of which Credit Risk, Market Risk, Liquidity Risk, Reputational and Liability Risk)
- Enhancing existing risk modelling and develop new approaches and stress testing capabilities for ESG Risk
- Define governance of such risks and ensure their consideration in business model and strategy

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