

Pillar 3
Semi-annual
Risk Report

as at June 30, 2015



BANQUE
INTERNATIONALE
À LUXEMBOURG

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On an annual and semi-annual basis, BIL group publishes a Pillar 3 disclosure report. This first semi-annual report aims at complying with the CSSF Circular 15/618 which is the transposition of the EBA guidelines on materiality, proprietary and confidentiality and on disclosure frequency. This report also aims at complying with the Circular CSSF 14/583 and the CSSF regulation 14-01, which are the transpositions of the CRR (EU 575/2013) into national law.

1. Own funds and capital adequacy

1.1 Own funds

In the first half of 2015, BIL group's own funds were impacted by the slight decrease of both Common Equity Tier 1 for EUR 26 million (mainly explained by the net impact of the Available-For-Sale bonds and equities reserve, regulatory deductions included) and the amortisation and redemption of fixed-term subordinated loans (EUR -21 million, Tier 2 Capital).

Own Funds in EUR million		31/12/14	30/06/15
Common Equity Tier 1 (CET1)	before regulatory adjustments	1,204	1,081
	regulatory adjustments	-439	-343
	after regulatory adjustments	765	739
Additional Tier 1 (AT1)	before regulatory adjustments	150	150
	regulatory adjustments	-	-
	after regulatory adjustments	150	150
TIER 1 CAPITAL		915	889
Tier 2 (T2) Capital	before regulatory adjustments	60	39
	regulatory adjustments	4	-
	after regulatory adjustments	64	39
TOTAL CAPITAL		979	928

1.2 Capital Adequacy

BIL's half-year Common Equity Tier 1, Tier 1 and Total Capital ratios respectively stand at 13.11%, 15.77% and 16.47% above the regulatory minimum requirements.

Half-Year Capital Ratios	31/12/14	30/06/15
Common Equity Tier 1 Ratio	15.28%	13.11%
Tier 1 Ratio	18.28%	15.77%
Total Capital Ratio	19.56%	16.47%

As compared to end-year 2014, the relative decrease of these ratios is attributable to both the decrease of Common Equity Tier 1 and Tier 2 capital and the increase of the Bank's overall Risk Weighted Assets (RWA, please refer to next section for further details).

1.3 Risk Weighted Assets

The following tables show the weighted risks and capital requirements for each type of risk at year-end 2014 and half-year 2015. The capital requirement amounts have been obtained by applying 8% to the corresponding weighted risks.


By end June 2015, the Bank's total RWAs amounted to 5.6 billion, as compared with the 5 billion as at end 2014 which is explained by credit risk weighted assets evolution (i.e. increase on the *Corporate* due to the Bank's business evolution and on *Institutions*).

Type of risk	Basel III treatment	Segmentation	Pro-forma 31/12/14		30/06/15		
			Risk weighted assets	Capital requirements	Risk weighted assets	Capital requirements	
Credit risk	Standardised	Central Governments and Central Banks	0	0	64	5	
		Corporates	727	58	756	61	
		Covered Bonds	6	0	2	0	
		Institutions	1	0	1	0	
		Multilateral Development Banks (MDB)	0	0	0	0	
		Public Sector Entities	26	2	22	2	
		Retail	0	0	0	0	
		Regional Government and Local Authorities (RGLA)	35	3	94	8	
		Secured on Real Estate	295	24	304	24	
		Short Term Exposures	2	0	0	0	
		Securitisation	20	2	35	3	
		Other non credit obligation assets	291	23	365	29	
		Past due	29	2	15	1	
		Equity	11	1	15	1	
	High Risk Exposures	45	4	48	4		
	SUB TOTAL		1,487	119	1,722	138	
	Advanced	Central Governments and Central Banks	425	34	358	29	
		Corporates - Other	725	58	1,061	85	
		Corporates - Specialised Lending	4	0	9	1	
		Corporates - SME	230	18	161	13	
		Institutions	276	22	451	36	
		Retail - Other SME	20	2	21	2	
		Retail - Other NON SME	250	20	295	24	
		Retail Qualifying Revolving	0	0	0	0	
		Retail secured by immovable property SME	17	1	15	1	
		Retail secured by immovable property non SME	683	55	675	54	
		Other Non credit obligation assets	1	0	0	0	
		Equity	23	2	16	1	
		SUB TOTAL		2,653	212	3,062	245
		Credit valuation adjustment	CVA	38	3	34	3
SUB TOTAL		4,178	334	4,819	385		
Market risk	Standardised	Interest Rate Risk / Trade debt instruments	70	6	94	8	
		Position Risk on equities	49	4	0	0	
		Foreign Exchange Risk	17	1	29	2	
		SUB TOTAL	136	11	124	10	
Operational risk	Standardised	692	55	692	55		
TOTAL		5,006	400	5,634	451		

1.4 Leverage ratio

By end June 2015, BIL group's leverage ratio reached a level of 4.09%, well above the minimum level set at 3%. As compared to end-year 2014, the change is due to a decrease in CET1 capital (numerator, already explained in Section 1.1) combined to an increase of total exposure (denominator) explained by both a structural increase of the Bank's assets and the decrease of the related regulatory deductions.

In EUR million	31/12/14	30/06/15
Tier 1 Capital	915	889
Total Exposure	20,705	21,709
LEVERAGE RATIO	4.42%	4.09%



2. Credit risk - 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).

2.1 Average PD, LGD and risk weight by asset class and obligor grade

The following table shows the total EAD, undrawn commitments, exposure-weighted average PD, LGD and CCF and exposure-weighted average risk weights broken down by exposure class and obligor grade at half-year 2015 and year-end 2014. The exposure is calculated using the advanced method.

	Obligor Grade	Total exposure	Undrawn Commitment	Off-balance sheet exposure after CCF application	EAD	Average weighted by EAD	Average PD weighted by EAD	Average LGD weighted by EAD	Average CCF weighted by EAD	Average RW weighted by EAD	Provisions	EAD 31/12/14
Central Governments and Central Banks												
	AAA+ to AA-	4,163.77	138.85	71.41	4,092.36	0.00%	6.50%	48.57%	0.00%	-	-	3,841.36
	A+ to A-	628.88	-	-	628.88	0.07%	24.95%	0.00%	0.00%	17.97%	-	531.51
	BBB+ to BBB-	612.40	0.00	0.01	612.39	0.25%	35.65%	-199.39%	40.03%	-	-	698.42
	Other	0.58	-	-	0.58	30.87%	5.00%	0.00%	27.82%	-	-	0.78
	TOTAL	5,405.63	138.85	71.42	5,334.21	0.04%	12.02%	48.57%	6.72%	-	-	5,072.07
Central Governments and Central Banks												
	AAA+ to AA-	48.65	0.06	0.03	48.62	0.03%	37.65%	50.00%	30.34%	-	-	158.80
	A+ to A-	262.80	103.51	79.41	183.39	0.07%	33.71%	23.29%	16.54%	-	-	297.96
	BBB+ to BBB-	1,041.28	166.60	108.80	932.48	0.46%	37.18%	34.69%	66.41%	-	-	708.10
	Default	20.31	0.22	0.15	20.16	100.00%	18.68%	29.64%	0.00%	9.69	-	20.50
	Other	602.74	233.09	139.05	463.70	5.89%	36.24%	40.35%	85.62%	-	-	386.84
	TOTAL	1,975.78	503.48	327.44	1,648.34	3.15%	36.31%	34.96%	64.39%	9.69	-	1,572.20
Corporates - SME												
	A+ to A-	112.47	45.25	27.93	84.54	0.12%	10.65%	38.28%	9.02%	-	-	101.62
	BBB+ to BBB-	387.94	181.63	105.00	282.94	0.60%	6.43%	42.19%	7.52%	-	-	380.72
	Default	72.23	3.15	2.73	69.49	100.00%	7.53%	13.15%	0.00%	37.50	-	83.77
	Other	1,242.33	317.70	184.25	1,058.08	6.27%	5.20%	42.01%	13.13%	-	-	998.38
	TOTAL	1,814.97	547.73	319.91	1,495.07	9.21%	5.85%	41.59%	11.23%	37.50	-	1,564.50
Corporates - Specialised lending												
	Other	5.52	0.18	0.10	5.42	30.87%	25.80%	45.05%	163.04%	-	-	4.96
Corporates - Specialised lending												
	TOTAL	5.52	0.18	0.10	5.42	30.87%	25.80%	45.05%	163.04%	-	-	4.96
Equity												
	AAA+ to AA-	-	-	-	-	0.00%	0.00%	0.00%	0.00%	-	-	-
	BBB+ to BBB-	0.39	-	-	0.39	0.67%	90.00%	0.00%	277.20%	-	-	7.37
	Other	5.55	-	-	5.55	95.47%	11.11%	0.00%	277.73%	0.32	-	4.98
	TOTAL	5.94	-	-	5.94	89.30%	16.24%	0.00%	277.69%	0.32	-	12.35
Institutions												
	AAA+ to AA-	1,148.92	112.44	88.49	1,060.43	0.04%	12.29%	21.30%	5.55%	-	-	491.10
	A+ to A-	1,815.36	9.33	4.82	1,810.55	0.06%	17.85%	48.39%	9.89%	-	-	2,292.34
	BBB+ to BBB-	451.21	0.65	0.32	450.88	0.36%	24.93%	50.00%	36.45%	-	-	426.32
	Default	0.23	-	-	0.23	100.00%	73.48%	0.00%	0.00%	-	-	0.01
	Other	108.66	2.85	1.96	106.70	20.42%	10.14%	31.09%	45.59%	-	-	158.13
	TOTAL	3,524.38	125.27	95.60	3,428.79	0.73%	16.82%	23.69%	13.15%	-	-	3,367.90

	Obligor Grade	Total exposure	Undrawn Commitment	Off-balance sheet exposure after CCF application	EAD	Average PD weighted by EAD	Average LGD weighted by EAD	Average CCF weighted by EAD	Average RW weighted by EAD	Provisions	EAD 31/12/14
Retail - Other non-SME	AAA+ to AA-	26.56	18.20	10.01	16.55	0.04%	26.08%	45.01%	3.43%	-	15.72
	A+ to A-	439.50	205.89	118.03	321.46	0.10%	10.49%	42.67%	2.56%	-	314.27
	BBB+ to BBB-	964.55	312.86	196.71	767.84	0.46%	9.57%	37.13%	6.60%	-	576.82
	Default	227.22	5.65	3.87	223.35	100.00%	17.55%	31.64%	0.00%	109.34	207.64
	Other	1,536.64	218.87	131.44	1,405.20	5.26%	11.02%	39.94%	16.78%	-	1,545.06
	TOTAL	3,194.46	761.48	460.05	2,734.41	11.01%	11.17%	39.58%	10.80%	109.34	2,659.50
Retail - other SME	A+ to A-	1.34	0.75	0.56	0.79	0.12%	14.04%	26.01%	4.11%	-	0.27
	BBB+ to BBB-	29.24	10.13	7.58	21.66	0.75%	12.97%	25.22%	12.18%	-	19.76
	Default	11.75	0.80	0.58	11.17	100.00%	13.24%	27.62%	0.00%	5.64	10.05
	Other	151.22	38.59	30.65	120.57	9.75%	12.30%	20.59%	20.73%	-	110.60
	TOTAL	193.54	50.27	39.35	154.19	14.98%	12.47%	21.72%	17.94%	5.64	140.67
Retail - Secured by real estate non-SME	AAA+ to AA-	-	-	-	-	0.00%	0.00%	0.00%	0.00%	-	-
	A+ to A-	762.20	7.03	3.94	758.25	0.10%	10.44%	43.93%	2.60%	-	727.85
	BBB+ to BBB-	1,771.60	20.95	12.39	1,759.21	0.50%	10.32%	40.86%	8.33%	-	1,703.85
	Default	169.05	0.59	0.40	168.65	100.00%	11.41%	31.13%	0.00%	26.20	166.67
	Other	1,645.76	41.01	23.29	1,622.48	6.42%	11.39%	43.21%	31.32%	-	1,618.01
	TOTAL	4,348.62	69.58	40.03	4,308.59	6.55%	10.79%	42.47%	15.66%	26.20	4,216.38
Retail - Secured by real estate SME	A+ to A-	0.52	-	-	0.52	0.12%	15.00%	0.00%	4.50%	-	-
	BBB+ to BBB-	9.50	1.34	0.80	8.70	0.78%	11.85%	40.33%	11.57%	-	4.55
	Default	3.68	0.08	0.04	3.64	100.00%	13.18%	49.77%	0.00%	0.52	3.51
	Other	60.38	8.81	5.51	54.87	12.25%	12.28%	37.48%	25.74%	-	68.13
	TOTAL	74.08	10.23	6.35	67.73	15.40%	12.29%	37.95%	22.37%	0.52	76.20
TOTAL		20,542.91	2,207.06	1,360.24	19,187.33					189.21	18,686.73

2.2 Advanced retail exposure by type of product and obligor grade

The following tables provide an analysis of the retail segment exposures broken down by loan types and expressed in EAD under the A-IRB approach.

31/12/14						
	AAA to AA-	A+ to A-	BBB+ to BBB-	Default	Other	Grand Total
Consumer loans		156.09	345.99	256.30	1,259.80	2,018.18
Credit cards	13.65	43.22	41.07	0.31	21.96	120.19
Investment loans		10.38	33.46	5.56	62.44	111.83
Leasing	0.34	1.37	35.55	0.45	39.64	77.36
Lombards		16.23	49.63	16.96	241.12	323.94
Mortgage loans	0.97	744.04	1,762.95	91.62	1,516.51	4,116.09
Others	0.76	73.07	157.55	33.68	283.30	548.36
Straight loans			9.93		12.59	22.52
Student loans		5.84	25.73	1.67	15.49	48.73
Treasury Loans/ Facilities		2.86	4.82	0.69	28.83	37.20
TOTAL	15.72	1,053.09	2,466.69	407.24	3,481.68	7,424.41

30/06/15						
	AAA to AA-	A+ to A-	BBB+ to BBB-	Default	Other	Grand Total
Consumer loans	0.02	150.60	336.16	262.01	1,073.82	1,822.60
Credit cards	13.87	43.37	41.84	0.24	22.25	121.57
Investment loans		9.63	25.80	9.22	61.23	105.88
Leasing	0.38	1.47	26.61	0.16	48.39	77.01
Lombards		23.53	133.70	18.46	319.16	494.85
Mortgage loans	0.78	782.76	1,843.72	99.81	1,496.25	4,223.32
Others	1.50	71.50	153.39	33.95	274.36	534.70
Straight loans			15.67		12.18	27.84
Student loans		6.01	25.93	1.57	15.71	49.22
Treasury Loans/ Facilities		3.25	33.13	0.37	24.60	61.34
TOTAL	16.55	1,092.14	2,635.94	425.78	3,347.93	7,518.34



3. Final remark

No additional significant information was identified in the first half of 2015 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.

Banque Internationale à Luxembourg SA

69, route d'Esch
L-2953 Luxembourg
RCS Luxembourg B-6307
T: (+352) 4590 -1
F: (+352) 4590-2010

www.bil.com



BANQUE
INTERNATIONALE
À LUXEMBOURG